

TDRI

Quarterly Review

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The Thai telecommunication market is plagued with problems of ineffective competition and poorly designed regulations. For analysis of the state of competition in the telecommunication markets, economic impacts of regulatory reform and progress of regulatory reforms, see page 3.

Competition and Regulatory Reform in the Thai Telecommunication Markets *

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The Thai telecommunication market is plagued with problems of ineffective competition and poorly designed regulations. Prices of telecommunication services are generally higher than that of other Asian countries. Consumer complaints are common and consumer protection mechanisms are weak. Reforms have been initiated but the implementation is moving at a very slow pace. The National Telecommunications Commission (NTC), the regulatory body, has yet to be set up. The privatization of state-owned enterprises has also been delayed. These factors form a background for analysis on the state of competition and the regulatory reforms of the telecommunication sector in Thailand.

1. THE STATE OF COMPETITION IN THE TELECOMMUNICATION MARKETS

This section discusses the state of competition in four telecommunication markets: fixed-line telephone, international long-distance telephone, mobile phone and Internet access.

1.1 Fixed-line Market

The fixed-line telephone market is statutorily monopolized by the Telephone Organization of Thailand (TOT), a state agency in charge of domestic telephone.¹ In practice, however, there are two operators in the Bangkok Metropolitan Area; the TOT and Telecom Asia, the TOT's concessionaire. The situation is similar in the provincial areas where TOT and its concessionaire, TT&T, provide fixed-line services. The competition in both markets is limited to non-price areas, e.g., service quality and product differentiation. Price competition is nonexistent due to the restriction of price adjustment clauses in the concession contracts between TOT and its concessionaires.

As a result, prices for fixed-line telephone services, especially that of the long-distance calls, have not been adjusted for almost a decade and thus remain very high in comparison with other countries in the

region. Table 1 compares the prices for fixed-line telephone services in Thailand and that of incumbent operators in Malaysia and the Philippines. Although a cheaper service based on Voice Over IP (VoIP) technology has been introduced by TOT, marketing efforts are not fully exerted due to ongoing disputes between TOT and its concessionaires.

1.2 International Telephone Market

The international telephone market is statutorily monopolized by the Communications Authority of Thailand (CAT), another state agency.² There is no private operator acting as a concessionaire in the international telephone market. A few companies; however, are subcontracted by the CAT to sell its calling cards such as the VoIP-based international call and other services. The competition in the market is also limited by the prohibition of callback services. The VoIP-based international call is generally suitable for corporate or high-volume users since the service requires pre-paid calling cards with minimum value starting from Bt. 500. The lack of effective competition again results in high prices compared with that of other countries in the region (Table 2).

1.3 Mobile Phone Market

The mobile phone market consists of three major private operators, AIS, TAC and TA Orange, all of which are concessionaires of TOT or CAT. The state agencies have also entered the market recently, but they are still minor players. As with the fixed-line telephones, the competition in the mobile market is active only in the non-price areas, where major operators compete in product differentiation through service quality, advertisements and value added services.³ Unlike the fixed-line market, however, price competition in the mobile market is not restricted by conditions in the concessions, but by anti-competitive behaviors of the major operators, especially AIS, the dominant firm. Some of the behaviors are:

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Table 1 Comparison of prices for domestic long-distance calls (as of June 2002)

(Bt/minute)

Distance (km)	Thailand	Malaysia	Philippines
	TOT	Telekom Malaysia	PLDT
Up to 50	3	1.35	2.59
51-100	6	3.39	
101-150	9		
151-200	9	9.67	
201-350	12		
351-500	15		
More than 500	18		

Source: TDRI.

Table 2 Comparison of prices for international calls (as of May 2002)

(Bt/minute)

Destination	Thailand		Malaysia	Philippines	Singapore	Hong Kong
	CAT	Hatari Technology	Telekom Malaysia	PLDT	Singtel	HKIC
UK	30	20	22.6	17.15	14.0	27.4
USA	22	14	22.6		9.3	14.6
Japan	30	19	33.9		21.4	32.3
Australia	22	16	22.6		14.3	25.1

Source: TDRI.

- ‘IMEI locking’: Since starting their operations almost a decade ago, AIS and TAC had configured their networks to accept only logins by handsets sold by them as a means to bundle the overpriced handsets with the calling services. The practice continued until mid-2002 when the third operator, TA Orange, entered the market with a low-price handset strategy.⁴
- ‘SIM card locking’: TA Orange has configured its handsets to be usable with only its SIM cards to sustain its cheap handset strategy.
- SMS blocking: AIS had reportedly prevented users of new operators to send short messages (SMS) to its network until early 2002.
- Price discrimination: AIS has also set its price to discriminate against calling outside its network.
- Roaming refusal: AIS has reportedly refused to let TA Orange’s customers to roam with its network.

The outcome of lack of effective competition is that the total cost of owning a mobile phone in Thailand is higher than that of other countries in the region (Table 3). The major components of the cost are higher handset prices (Table 4), and the high cost of minimum monthly charges. Promotional packages offered by the operators contribute to the reduction in calling charges but discounts are generally designed to benefit only heavy users whose usage is more than 500 minutes of airtime per month. Unsurprisingly during the past years, mobile operators, especially AIS, have sustained high rates of return on capital (See Table 5).

Table 3 Comparison of total cost of mobile phone usage (As of May 2002)

(Bt/month)

Monthly usage (minutes)	AIS	TAC	TA Orange	SingTel	SMART	HK Orange	Celcom
100	942	914	775	682	864	1,157	613
200	1,242	1,164	965	682	1,547	1,157	991
300	1,362	1,314	1,075	966	2,231	1,179	1,369
400	1,642	1,614	1,075	1,251	2,915	1,448	1,747

Notes: Total usage cost = handset price + monthly fee + airtime charge. The handset price is distributed for three years of usage.

It is assumed that users choose pricing package most suitable to their calling patterns.

It is assumed that the ratio of usage time for local and domestic long-distance call be 80:20, the ratio of usage during peak and off-peak time be 60:40 and the ratio of calling within the same operator and other operator be 40:60.

Source: TDRI.

Table 4 Comparison of prices of mobile phone handsets (As of May 2002)

(Bt)

Model	Thailand			Philippines	Singapore	Hong Kong	Malaysia
	AIS	TAC	TA ORANGE	SMART	SINGTEL	HK ORANGE	CELCOM
ERICSSON T68	23,900	23,900	-	8,616	10,413	16,385	10,721
ERICSSON A3618	5,100	7,900	5,400	-	-	-	3,949
ERICSSON T29	7,400	7,900	7,400	-	-	-	4,288
MOTOROLA T190	4,900	4,900	-	-	-	4,288	-
MOTOROLA V66	13,900	13,900	19,900	-	9,462	9,787	8,464
MOTOROLA V70	27,900	27,900	-	-	18,734	19,685	16,928
NOKIA 3310	5,900	5,900	3,999	-	4,516	4,288	2,948
NOKIA 5210	15,900	15,900	-	3,879	8,749	8,138	7,568
NOKIA 6510	18,900	18,900	-	9,047	13,741	13,086	11,968
NOKIA 8250	15,900	14,900	9,900	6,465	6,609	9,787	8,448
NOKIA 8310	17,900	19,900	19,400	7,323	10,413	14,186	11,968

Source: TDRI.

Table 5 Comparison of rate for return on capital employed (ROCE) of major mobile phone operators in Thailand

(Unit: %)

Year	AIS				TAC				Cost of capital
	Excluding handset		Including handset		Excluding handset		Including handset		
	ROCE	ROCE-Adjusted	ROCE	ROCE-Adjusted	ROCE	ROCE-adjusted	ROCE	ROCE-adjusted	MLR
1995	NA	NA	25.72	20.02	10.35	7.50	11.56	8.65	13.31
1996	NA	NA	35.42	31.35	8.18	7.87	9.07	8.72	13.60
1997	22.71	19.06	22.79	19.14	4.24	3.98	4.38	4.11	13.73
1998	13.41	5.82	13.26	5.71	7.94	7.18	7.86	7.10	14.77
1999	11.45	8.29	18.92	15.18	9.11	8.26	9.13	8.28	9.40
2000	20.54	17.08	28.50	24.32	12.15	9.83	13.51	10.98	8.42
2001	11.17	8.35	17.07	13.62	7.44	6.05	7.91	6.46	7.77

Note: ROCE measures accounting profitability while adjusted ROCE measures economic profitability (See NERA (2001) for a detailed definition).

Source: TDRI.

1.4 Internet Market

The Internet access market in Thailand is quite competitive with 18 Internet service providers (ISPs) providing services to consumers. However, the international gateway is still monopolized by CAT, and it has therefore been slow to adjust its price. During the past five years, CAT has reduced its price on an average of 5.5 percent per year. Previous research (Somkiat 2001)

shows that the price of international half-circuit provided by the CAT are at least 40 percent higher than that of competitive operators (Table 6). The high cost of international half circuits inevitably reflects in high access prices, especially in the leased-line market. This is because the cost of the international bandwidth is about 50-60 percent of the cost of an ISP. Thus a 40 percent higher cost of the CAT's international half circuit will translate into 10-12 percent higher cost for end users.

Table 6 Comparison of prices of international half circuit of CAT and MCI WorldCom (as of July 2001)

Bandwidth (Mbps)	CAT normal price ¹ (Bt/month)	CAT discounted price ² (Bt/month)	MCI WorldCom price (Bt/month)
2	955,000	716,250	567,000
4	1,719,000	1,289,250	1,125,000
8	2,960,500	2,220,375	1,710,000
16	5,252,500	3,939,375	2,700,000
45	9,550,000	7,162,500	4,050,000

Notes: ¹ CAT Order 76/2538 (6th revision 2001).

² 25% discounted from normal price for ISPs.

Source: TDRI.

2. ECONOMIC IMPACTS OF REGULATORY REFORM

High costs of telecom services due to ineffective competition reduces consumption of the services. This creates losses in consumer benefits that are not fully captured into higher profits for the operators, which translates into net welfare loss for the society. Under certain assumptions, the size of welfare loss is estimated to be half the difference in the competitive and noncompetitive prices (Cowling and Mueller 1978).⁵ We have used in our estimation, the prices of most efficient operators in the region as proxies for competitive prices. Table 7 shows estimation of potential welfare losses based on these assumptions.

The Thai telecommunication market needs a radical reform to be on par with its regional counterparts. The reform packages should be composed of setting up an independent telecommunication regulator, liberalizing the market by introducing new competition and privatizing of state-owned enterprises.

We have estimated potential benefits of the regulatory reform of the Thai telecommunications markets. The estimation is based on a Social Accounting Matrix (SAM), developed by the Thailand Development Research Institute (TDRI) in the year 2000.⁶ Assumptions used in the estimation include:

- The Thai telecommunication sector is 15 percent more productive as a result of the reform. This will bring the productivity of the Thai telecommunication sector to be more in line with that of other Asian countries. Note that the 15 percent productivity gain is rather conservative since the current productivity gap is about 20-40 percent, as shown in the last column in Table 7.
- The productivity gained in the telecommunication sector is passed on completely to the rest of the economy due to effective competition in the telecommunication sector. Thus beneficiaries of the reforms are all factors in-

involved in the production process, i.e., from investors to laborers.

- The overall economy becomes more efficient in that it can produce more final products from the same amount of telecommunication services, which is considered an intermediate input.
- The reform does not bring about changes in the economy-wide price levels. In other words, a fixed-price model is assumed. The assumption can be justified by comparing a relatively small size of the telecommunication sector with the overall economy. It is also justified by the fact that the Thai economy is currently operating below its potentials with significant over-capacity in many manufacturing and service sectors and they have a relatively high rate of employment.

With the assumptions, it is estimated that the telecommunication reform will bring an increase of about Bt 20.8 billion to the Thai economy. This is equivalent to an increase of 0.47 percent in the GDP. Major beneficiaries from the reform are downstream telecommunications services, banking and financial services, hotel, education, printing, retail and wholesale trades and entertainment. These are sectors that heavily rely on telecommunication services.

3. THE PROGRESS OF REGULATORY REFORMS

This section discusses the progress of the regulatory reform. In particular, four topics will be addressed: the liberalization of the telecommunication markets under the World Trade Organization (WTO) framework, the establishment of an independent regulator, and the revision of the telecommunication laws and the privatization of state-owned enterprises.

Table 7 Summary of telecommunication pricing differences between Thailand and other Asian countries

(Unit: %)

Service	Average price differences	Maximum price differences	Estimated social losses with respect to the lowest regional prices
Domestic long distance ¹	59.1	82.7	41.4
International long distance ²	27.3	57.7	28.8
Mobile phone ³	26.0	45.1	22.6
Internet international half circuit ⁴	> 43.0	NA	21.5

Notes: ¹ Calling distance is between 351-500 km.

² The destination is USA.

³ Usage time is 200 minutes per month.

⁴ 45 Mbps half-circuit price between Thailand and USA.

Source: TDRI.

3.1 The liberalization commitment under the Basic Telecommunications Agreement (BTA)

The Thai government has so far expressed very little commitment to liberalize its basic telecommunication market for foreign competition (See Appendix 1 for its offer on basic telecommunication). According to a cross-country comparison (Marko 1998), Thailand's commitment in Southeast Asia is the least. Its commitment is even below the world average (See Table 8). In particular, the country has committed to open up only four basic telecommunication services for foreign competition: fixed line, telex, telegraph and facsimile. Mobile phone, international telephone, leased line and Internet services have been exempted from the liberalization package. The time frame for liberalization in 2006 also falls behind other Asian countries with comparable development level.⁷

In terms of domestic regulatory reform, the country has adopted the WTO regulatory Reference Paper. The Reference Paper provides a minimum standard on a number of regulatory issues: safeguard measures, interconnection, universal services, transparency of licensing criteria, separation of regulatory and operational functions and allocation of scarce resources. Although the Telecommunication Business Act has been legislated in late 2001 to fulfill some of these requirements, the overall implementation to comply with the Reference Paper has been delayed. This will be discussed in the next section.

3.2 The selection of the NTC

The Organization of Frequency Allocation and Regulation of Radio Broadcasting, Television and Telecommunications Businesses Act has been enacted in the year 2000. One major consequence of the Act is to set up the NTC, an independent body to regulate the telecommunication sector. The implementation of the Act will separate the regulatory and operational functions as required by the Reference Paper. The NTC will have

power and duty to regulate the sector and issue bylaws in many areas ranging from licensing, interconnection, universal service, price regulations and consumer protection.

The Act has defined a selection process. It required that the selection of the NTC be completed within 120 parliamentary days after the publication of the Act in the Royal Gazette. However, the process has been plagued with scandals of impropriety and conflicts of interests among the selection committee and the candidates. The selection process was suspended after one candidate filed a lawsuit in the Central Administrative Court to nullify the selection result. The Court has overturned the selection process but appeals are going on. As a result, two years have passed without any regulatory body being set up.

3.3 The revision of the Telecommunication Business Act

The Telecommunication Business Act was enacted in late 2001. The Act provides regulatory frameworks on many issues including licensing, interconnection, pricing, universal services and consumer protection. However, many details are still left out from the Act and many bylaws need to be issued by the NTC before the law is enforceable. For example, the Act does not specify which services belong to each type of license. As a result, it will be impossible for the NTC to issue new licenses. The details of pricing and interconnection also need to be specified. As a result, considerable time is required before the Act can become fully operational.

In addition, certain sections in the Act need to be revised. Among the most obvious ones are:

- Section 8: The section restricts foreign share ownership of facility-based (Type III) telecommunication operator to 25 percent. The requirement was found to be unrealistic given the shortage of domestic financing capability.

Table 8 The level of liberalization committed under the BTA

Service	Indonesia	Malaysia	Philippines	Thailand	APEC Average	World Average
Voice Telephony	1	5	2	2	4	4
Mobile Telephony	3	5	2	0	4	4
Teletype	1	0	2	2	4	4
Telegraph	1	0	2	2	4	3
Facsimile	0	5	2	2	4	4
Pager	3	5	0	0	4	3
Packet Switched Data Transmission	2	5	2	2	5	4
Circuit Switched Data Transmission	1	5	2	2	5	4
Private Leased Circuit	0	5	0	0	4	4
Mobile Data Service	0	0	0	0	3	3
Personal Communication Service	3	0	0	0	2	3

Note: Maximum level of liberalization is 8 (the higher the number in the table, the deeper the liberalization committed).

Source: Adapted from Marko (1998).

- Section 58: The section was designed to protect consumers from operators collecting advance payments. However, the Act is written in such a way that it unintentionally precludes pre-paid services that are essential for mobile phones and Internet services.
- Facility-based and service based operators are indiscriminately subject to the same set of regulations. There is also no differentiation between operators with and without market dominance for interconnection and price regulations. As a result, there are potentials for over-regulation even when regulation is unwarranted.

Many sections also need clarification. Among the obvious are:

- Section 7: Definitions of license type are left undefined. For example, it is not clear whether an ISP will be categorized as a Type I or Type II operator since both types of license can be applied for a non-network operator.
- Section 25: There are some confusion concerning 'interconnection' and 'use of network.' The section confusingly uses the two words interchangeably without properly defining the terms.

As a result, without the necessary bylaws and guidelines issued by the NTC, the Act is not operational in almost every aspect.

3.4 The Privatization of TOT and CAT

The Thai government has planned to privatize the CAT and TOT at least since 1997 when the Master Plan for Telecommunication Development was adopted. However, the implementation has been delayed considerably. The TOT has recently been corporatized but it is still not listed on the stock market. During the past two years, the government has changed its course many times on whether the two state agencies should be organized under one holding company. The objectives of the privatization are also not clear. Although the stated goal of privatization is to increase efficiency of the state agencies, few attempts in this regard have been observed. For example, there has been no progress in selecting strategic partners for the two agencies even though they are critical to increase the competitive edge of the two agencies.

ENDNOTES

¹ The TOT was recently corporatized and renamed to TOT Corporation.

- ² It should be noted that TOT Corporation has a jurisdiction for providing international direct distance dialing (IDD) services for four neighboring countries: Malaysia, Myanmar, Laos and Cambodia.
- ³ There are signs of price competition in the second half of the year when AIS, the largest operator, reduced its price after being forced to stop its IMEI locking practice.
- ⁴ IMEI is an acronym for International Mobile Equipment Identity, a unique number given to every single mobile phone. When a phone is switched on, the number is transmitted and checked against a database. The database determines whether the phone can log onto the network to make and receive calls. An operator can prevent logins from users not having an IMEI number supplied by it, the act of 'IMEI locking,' and hence can profitably bundle the handset sales with the provision of its services.
- ⁵ Particularly, it is assumed that firms maximize profit by setting the price so that the inverse of the price-cost margin equals the firm demand elasticity. In other words, $\text{Price}/(\text{Price}-\text{Marginal Cost}) = \text{Price Elasticity}$. Based on the assumption, the information on the demand curve is not required.
- ⁶ A SAM is a matrix created by combining the National Income Account (NIA) and an Input-Output Table (IO-Table), both constructed by the National Economic and Social Development Board (NESDB). Thus, a SAM contains information included in both the NIA and the IO-Table and can capture the flow of products, income and expenditures among production sectors, government and households of various income groups.
- ⁷ For example, Singapore has advanced its commitment to open up for international competition from 2002 to 2000 while Hong Kong has also advanced its liberalization from the previous commitment in 2006 to 1998.

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Appendix 1 Thailand-Revised Draft Offer on Basic Telecommunications

Modes of supply	1) Cross-border supply	2) Consumption abroad	3) Commercial presence	4) Presence of natural persons
SECTOR OR SUB SECTOR	Limitations on market access	Limitations on national treatment	Additional commitments	
<p><u>Commitments undertaken in this offer are subject to the following general conditions:</u></p> <ul style="list-style-type: none"> - Each service to be supplied in Thailand requires a specific license. - Licenses are granted only to service suppliers duly constituted according to the Thai legislation, which requires head office and management located in Thai territories. - Due to scarce resources, the number of licenses may be limited. - The services in the Schedule of Specific Commitments shall be on facilities basis. - The service provider shall be a Thai registered company with foreign equity participation not exceeding 20 percent of the registered capital and the number of foreign shareholders must not exceed 20 percent of the total number of shareholders of the company. - The Communications Authority of Thailand has exclusive right to link with Intelsat and Inmarsat. - Conditional upon passage and coming into force of all necessary new communication acts, commencing from the year of 2006, commitments on public telecommunication services will be introduced, and carried out in accordance with the implementing regulations to be issued by virtue of those acts. 				
<p>2.C. Telecommunications Services</p> <p>Public local, domestic long distance and international services:</p> <p>a. Voice telephone services</p> <p>b. Telex services</p> <p>c. Telegraph services</p> <p>d. Facsimile services</p> <p>:</p>	<p>1), 2) None, other than</p> <ul style="list-style-type: none"> - traffic shall be routed through a gateway in Thailand operated by a supplier duly licensed; - the provision of concerned services shall be agreed by the supplier duly licensed of both ends. <p>3) Conditional upon passage and coming into force of all necessary new communication acts, commencing from the year of 2006, Thailand will introduce the market access elements as contained in those acts into the relevant parts of its Schedule of Specific Commitments relating to the supply of public telecommunication services.</p> <p>4) Unbound as indicated in the horizontal section.</p>	<p>1), 2) None</p> <p>3) Conditional upon passage and coming into force of all necessary new communication acts, commencing from the year of 2006, Thailand will introduce the national treatment elements as contained in those acts into the relevant parts of its Schedule of Specific Commitments relating to the supply of public telecommunication services.</p> <p>4) Unbound as indicated in the horizontal section.</p>	<p>Conditional upon passage and coming into force of all necessary new communication acts, commencing from the year of 2006, Thailand will introduce into its Schedule of Specific Commitments on public telecommunication services its treatment on the subjects relating to competitive safeguards, interconnection, universal service, public availability of licensing criteria, separation of regulatory and operational functions, and the allocation and use of scarce resources.</p>	

Restructuring of the Transport Sector – A Study*

Nimitchai Snitbhan**

BACKGROUND

The Master Plan for State Enterprise Sector Reform, approved by the Cabinet on September 1, 1998, addresses the problems associated with overlapping responsibilities and lack of co-operation and co-ordination among agencies responsible for policy-making, regulation and operation, which often led to unclear and unco-ordinated transport policy directions. The master plan further instructs that a blueprint be prepared so that the strategies required to reorganize regulatory and operational functions in the transport, telecommunications, energy and utility water sectors, be undertaken.

The consultant for the transport sector, the Arthur Andersen Consulting Co., Ltd., was assigned to study and prepare the Transport Sector Reform Plan. The study would provide a framework to reorganize the transport sector's policies, regulations and operational functions. Besides overall guidelines for the transport sector, the consultant, would also delineate reform plans for specific modes of transportation namely: land, water and air transport. Additionally, the Transportation Reform Subcommittee was also created by the State Enterprise Policy Commission (SEPC) to review the Transport Sector Reform Plan. The subcommittee, chaired by the Minister of Transport and Communications, and composed of representatives from concerned government bodies would review the Transport Sector Reform Plan submitted by the Arthur Andersen. The subcommittee would also ensure that the proposed plans be efficiently implemented to the benefit of all the concerned parties.

The reform is indeed a sensitive issue as it involves restructuring and reorganizing many agencies both inside and outside the Ministry of Transport and Communications (MOTC). As a result, the Transportation Reform Subcommittee passed a resolution to establish four Working Groups to study the reform in each mode of transportation in greater details. These include the Integrated Transport Working Group, the Land Transport Working Group, the Air Transport

Working Group and the Water Transport Working Group.

Moreover, the Committee Reviewing the Roles and Duties of the MOTC, chaired by the Permanent Secretary of the MOTC, has outlined the reform agenda for the transport sector. Policy, regulatory and operational roles and duties are to be clearly separated. The Ministry will be responsible for policy-making. Departments or independent organizations will perform the regulatory tasks, while the execution of policies or regulatory rules may fall upon state-owned enterprises (SOE), independent agencies, local administrative body, or the private sector, depending on the environment.

It is thus seen that the framework for transport sector reform and the framework for modifying roles and duties of the MOTC, share common principles, but lack details on steps and duration of the restructuring process. Moreover, as these two frameworks are to be implemented in parallel, their timing has to be consistent with each other. Thus, to ensure that the transport reform and the modification of roles and duties are in congruency, the Thailand Development Research Institute Foundation (TDRI) was hired to work out these two frameworks in further details.

TDRI has conducted the study and produced a "Final Report," which comprises six major components. They are:

- Assessment of the current transport sector management and identification of key problems associated therewith.
- Review of relevant documents including the resolutions of sub-committees and working groups.
- Proposing appropriate and feasible transport sector reform guidelines.
- Provision of guidelines on future roles and duties of the MOTC in accordance with the transport sector reform guidelines.
- Review of key legislation relevant to the reform guidelines.
- Proposing the "Action Plan" for the transport sector reform.

* An excerpt of the executive summary submitted to the Office of the State Enterprise and Government Securities, Ministry of Finance in June 2001. All recommendations proposed by TDRI are not necessarily regulated as the Government's policy.

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LAND TRANSPORT SUBSECTOR REFORM

According to the Thailand Transportation Sector Framework for Reform conducted by the Arthur Andersen and accepted by the Transportation Reform Subcommittee, TDRI agrees in principle the separation of the existing authority into three bodies; they will be responsible for policy and planning, regulation, and operation. The proposal from TDRI may be different from others in some respects such as who should conduct policy and planning, regulation, and operation (see Figure 1).

Policy making and planning should be conducted by a sole agency under the *Ministry of Transport...*. This new agency, may be called "Office of Transport Policy," can be established by modifying the structure and operation of the existing Transport and Communication Policy and Planning Bureau. Its main responsibility is to produce both economic and safety regulations, and they can be classified as follows:

- Land Transport Bureau
 - Railways
 - Public Transit
 - Motorways and Expressways
- Water Transport Bureau
- Air Transport Bureau
- Information Services Bureau

Since land transportation involves several forms of transport, and each is equally important, a "policy and planning transportation committee" at the ministry level should be founded to co-ordinate all land transport sectors; the establishment of a transport network promotes efficiency.

The Land Transport Bureau may require specialists from existing agencies, such as railway specialists from the State Railway of Thailand (SRT) and the Metropolitan Rapid Transit Authority (MRTA), transit specialists from the Department of Land Transport (DLT), the Expressway and Rapid Transit Authority of Thailand (ETA), and motorways and expressways specialists from the Department of Highways (DOH).

Land Transport Regulatory Agency, an independent agency, is mainly responsible for ensuring transportation services does not become monopolized. It should also promote a real competitiveness in the market, regulate conditions that will foster competitiveness, and set and enforce economic and safety standards.

Overall, there will be only one regulatory body responsible for all modes of transportation. Regulatory functions can be divided into economic regulations and safety regulations. Both types are arranged by the central Land Transport Regulatory Agency.

The Land Transport Regulatory Agency will consist of three parts, railways, transit, and motorways and expressways, and will be run by SRT, MRTA, DOH, ETA, the Transport Company Ltd. (TCL), the Bangkok Mass Transit Authority (BMTA), the Express

Transportation Organization of Thailand (ETO), etc. Specialists from these organizations should be transferred to the Land Transport Regulatory Agency (Economic Regulation).

Safety Regulation is the main task of the DLT, which already has the personnel to fulfill the tasks. However, it is TDRI's view that the tasks related to providing safety regulations on commercially-oriented public services may be given to the Economic Regulatory, but that the noncommercially-oriented safety regulations should be reserved for the DLT or the DOH.

Operation and Service (Regulation Rules)

All services can be classified as either commercial or public services (non-tolled). Since there are charges for commercial services, they should be operated by agents from the private sector. Public and social services, which charge fees below cost, can be operated by either the government or the private sector with a subsidy for losses.

In principle, operations may be provided by three bodies: Public Transport Authority, transformed SOE and private organizations.

State Railway of Thailand (SRT)

The SRT receives economic and safety regulations from the Land Transport Bureau-Railways and the Railways Regulator. Those regulations must conform with Cabinet policies.

Regulations should aim to standardize the basic services. Further, economic regulations should promote fair competition and pricing, while losses incurred by public operations should be subsidized; however, the process of subsidization must be transparent.

The SRT Structure adopts the specifications of operational safety standards from the Railways Regulator. An Authority may be established to oversee this function. The SRT expects to form three companies—SRT Transport, SRT Train-wheel Repair, and SRT Asset Management—in order to provide better transportation services to customers. SRT employees should be engaged in the four primary activities already listed, but some may be transferred to either Railways Policy or Planning Division within the Land Transport Bureau-Railways, or the Railways Regulator.

Metropolitan Rapid Transit Authority (MRTA)

In the near future, MRTA should continue as an SOE under the control of the Office of Prime Minister. MRTA may be effectively separated into two bodies, similar to the case of SRT. An Authority should also be founded to oversee assets such as railways, stations, signals, etc. A Mass Rapid Transit Asset Management should be created to rent assets from the Authority and a Mass Rapid Transit Company should also be established in order to promote investments from the private sector. Most of the MRTA staff should remain in its

employment, or in the employment of the Public Transport Authority. In the long run, MRTA should be transferred to the *Ministry of Transport...* and the Bangkok Metropolitan Administration (BMA) respectively.

Expressway and Rapid Transit Authority of Thailand (ETA)

The ETA is currently an SOE under the Ministry of Interior. Within the first two years, it should continue to operate under the Ministry of Interior, while making preparation for restructuring and transferring to the *Ministry of Transport...* At the same time, a feasibility study should be conducted to determine the most effective means of transferring from the Ministry of Interior to the local Bangkok administration. That may be done by increasing the role of the private sector and reducing the government's share.

The Transport Company, Ltd. (TCL)

The structure of state-owned TCL has already undergone some transformations. The TCL has been assigned the authority to grant private transportation routes section 2 (Bangkok-province route) and section 3 (province-province not including Bangkok route). Under the transformation, the government's share in the TCL should be continually reduced until the TCL becomes a private organization providing bus services. Most of the staff should stay with this private organization, but technicians and maintenance staff may be transferred to a profit center, an organization seeking profits in the bus-maintenance business. The TCL may establish an Authority to oversee assets such as land, stations, and so on. There may be additional employment for station administration as well.

Bangkok Mass Transit Authority (BMTA)

The BMTA, whose deficits are among the highest of any SOE, has a duty to provide public transportation. It is expected to be controlled by the local Bangkok administration in the near future. Though its main service should still be the public transportation within the greater Bangkok region, the participation from the private sector should be greatly increased.

The Express Transportation Organization of Thailand (ETO)

The ETO is an SOE that offers transportation for commodities and parcels, organizes the loading stations, arranges truck transportation within Thailand and between countries, and provides marine transportation services. In preparation for the privatization, regulatory tasks should be transferred to the Public Transit Regulator. Some staff should stay with the Authority (ETO SoE), whose function is to supervise transit

stations and loading stations. At the same time, a feasibility study concerning transferral of the ETO to the local authority should also be conducted.

Department of Highways (DOH)

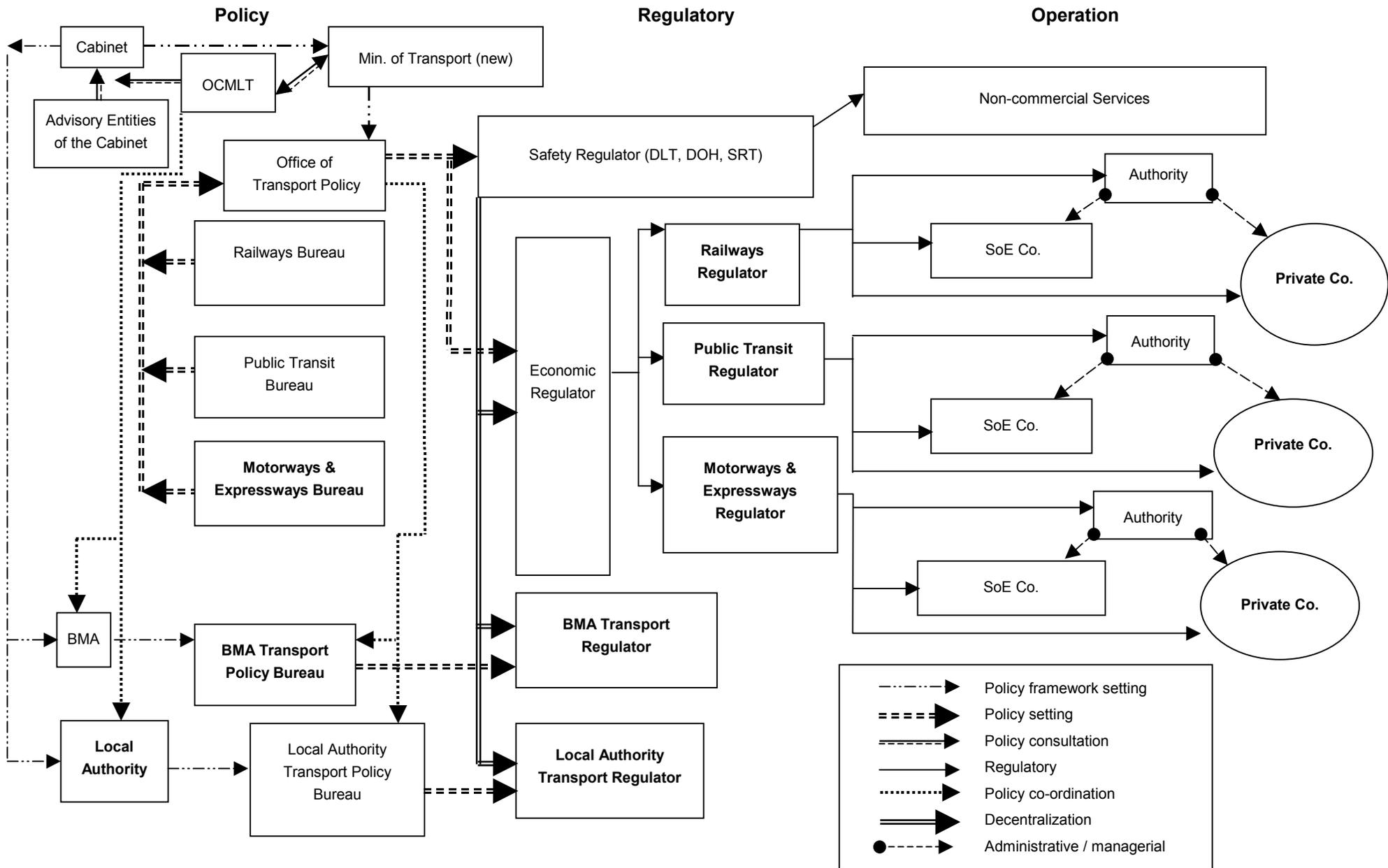
The Department of Highways should become an agency under the new *Ministry of Transport...* and maintain its current functions, until the Land Transport Bureau-Motorways and Expressways is established. Thereafter, policy and planning specialists should be transferred to this new bureau, while staff in areas related to technical standard specifications and road/highway safety should be shifted to the Motorways and Expressways Regulator. Remaining employees should continue their regular tasks in areas where the private sector is not involved. Examples are road construction and bridge maintenance (non-toll activities). A new authority might be founded to take care of all remaining toll activities related to highways and expressways. In principle, this new authority should supervise the operation according to regulations set by the Motorways and Expressways Regulator.

Legislation

Several legislations related to the land transport sub-sector need to be revised. They are:

- *The National Transport Act 1979*: Transfer policy and planning duties to the Office of Transport Policy, *Ministry of Transport...*
- *The Highway Act 1992 and the Concessive Highway Act 1999*: Revise definitions of highway, road, etc., and legislative powers of the Minister of Interior and DOH's Director General in accordance with the Transport Sector Reform Plan and the duties of the new Economic Regulator.
- *The Motor Vehicle Act 1935*: Abandon the Act.
- *The Land Transport Act 1979 and the Automobile Act 1979*: Revise duties of DLT, DOH, and other relevant state enterprises in accordance with the safety and economic regulatory frameworks and the roles of the Economic Regulator.
- *The State Enterprise Acts (SRT Act 1951, MRTA Act 2000, ETA Act 1972) and the Public Works Department (PWD) Act 1994*: Revise duties, legislative powers, etc., as stipulated in the Acts to be in accordance with the Transport Sector Reform Plan and the responsibilities of the Economic Regulator.

Figure 1 Proposed Future Structure of Land Transport Subsector



WATER TRANSPORT SUBSECTOR REFORM

Present Issues and Structure

The present water transport sector has six relevant government organizations, most of which are under the MOTC:

1. Harbour Department
2. The Office of the Maritime Promotion Commission (OMPC)
3. Port Authority of Thailand (PAT)
4. Thai Maritime Navigation Co., Ltd. (TMNC)
5. Bangkok Dock Co., Ltd. (under the Ministry of Defence)
6. Industrial Estate Authority of Thailand (IEAT, operating the Mab Ta Pud Port)

The sector currently functions with complex interactions among government departments, ministries, SOE, and the private sector that adversely affect policy formulation, regulatory development, infrastructure planning, project implementation processes, as well as the provision of efficient, reliable, integrated, and high-quality services. This has led to inefficient use of both public and private capital and conflicting arrangements for private sector participation. There is certainly a need for substantial structural and organizational improvements.

So far there are three groups which have studied and made proposals for reform:

1. The Joint Committee on the Roles and Missions of MOTC
2. Arthur Andersen Consulting Co., Ltd.
3. The Working Group on the Water Transport Sector

The three groups are unanimous in recommending the basic principle of separating and clarifying the three following functions:

1. Policy and planning
2. Regulating
3. Operating (or service provision)

However, their proposals differ in some details, and some are only preliminary.

Key Recommendations

Based on the findings of the three groups, we have carried out further analysis through extensive interviews and discussions. The following is a summary of our recommendations (see Figure 2).

Policy Formulation and Planning

We recommend an establishment of “the Transport Policy Committee,” chaired by the *Minister of*

Transport..., and responsible for the nation’s overall transport policy and planning. An “Office of Transport Policy” is to be set up in MOTC to provide secretarial support to the Committee. Organizationally, OMPC can be converted into the Office of Transport Policy by transferring current staff members with policy and planning experience from the Policy and Planning Bureau of MOTC, the Harbour Department, and PAT to this new department-level office.

Economic Regulation

Currently the regulatory functions in the sector are the responsibilities of various government agencies, including some service-providing SOE. The government should establish a framework within which an independent economic regulatory body can perform these regulatory functions for all three transport modes (land, water and air). By separating regulatory functions from policy responsibilities exercised by line departments and from service provision by SOE, potential conflicts of interest will be reduced and regulation will foster developmental objectives. Economic regulations should cover commercial activities which have some degree of monopoly. The objectives of economic regulations are to promote free and fair competition among operators, to protect consumer interest, and to collect and disseminate information useful for private operation and public policy and planning. It is recommended that the present officials with experience in economic regulation from OMPC, the Harbour Department, and PAT are good candidates for personnel in this new regulatory body.

Safety Regulation

The Harbour Department should continue to perform the role of a safety regulator in the water transport sector, both for freight and passengers. Its responsibility in safety should include both standards setting and safety standard enforcement.

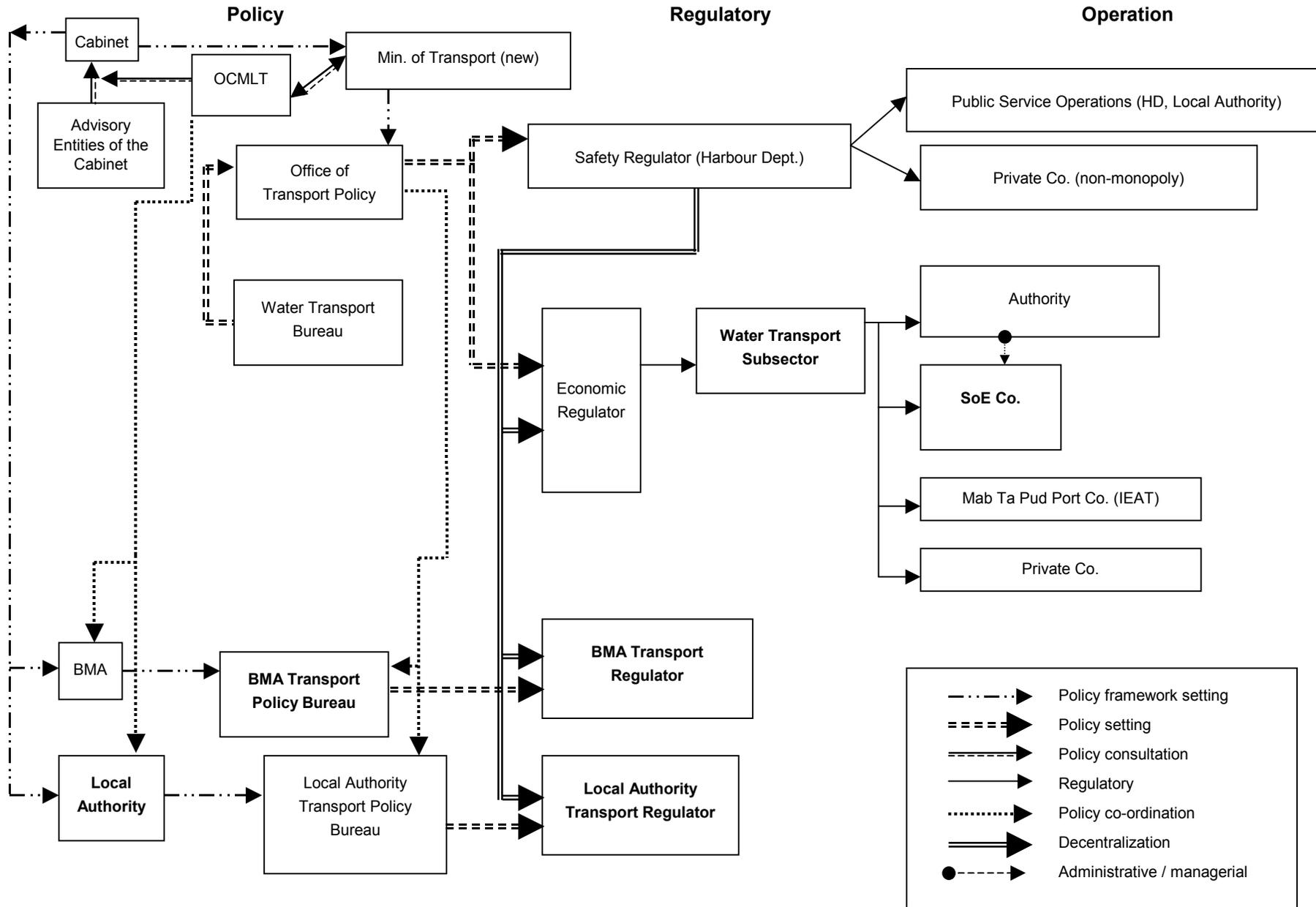
Commercial Service Provision

In the sector, the following commercial services are provided by SOE:

- The Bangkok Port and the Laem Chabang Port by PAT
- The Mab Ta Pud Port by IEAT
- Ocean shipping by TMNC
- Ship building and repairing by Bangkok Dock Co., Ltd.

To be consistent with the State-Owned Enterprise Privatization Master Plan, we suggest that these activities be privatized, and be subject to independent economic regulation. Any self-regulations, that exist in some cases, should be avoided.

Figure 2 Proposed Future Structure of Water Transport Subsector



We propose that PAT after port privatization should retain its SOE status, but change its role into a “Transport Authority” (TA). In its new role, PAT will become the landlord leasing land, both at the Bangkok Port and the Laem Chabang Port, to port operators, and managing port-related concessions on behalf of the transport regulator. The government should also establish a holding company which holds stocks both in the Bangkok Port Company and the Laem Chabang Port Company. The two companies will rent the land from PAT and operate the two ports, either by themselves or giving concessions to private operators. In the future the two companies should eventually be privatized.

For the Mab Ta Pud Port, it is recommended that IEAT should act as the landlord and allow more private participation. The other two deep-sea ports in Songkhla and Phuket should also have an SOE transport authority looking after the land and other assets, and manage concessions held by private operators, as in the case of the Laem Chabang Port. It is more feasible to designate only one port with TA responsibilities for all major ports in the country. For large local ports (e.g., Ta Tong in Surat Thani), it is advisable to transfer the TA responsibility to those local government organizations which have adequate managerial resources and capabilities.

In the case of TMNC, we agree with the Cabinet Resolution in October 2000 that TMNC be dissolved if it cannot raise equity funds to allow for 70 percent private sector stockholding within a certain time limit. Similarly, we do not find any justifications for the present operation of the Bangkok Dock Co., Ltd., hence our suggestion that it either be privatized or it be dissolved.

Local Decentralization

As regards safety regulations, we find that certain regulatory activities could be more effectively and stringently performed by large local authorities. It is recommended that the Harbour Department transfer regulatory powers to strong local governments in regulating some activities which are mainly locality-specific in nature, such as registration of small vessels, water environment protection, permits for certain types of construction in water ways, and small-scale dredging. In future, local government units should be allowed to increase their capacity to assume these regulatory roles.

Decentralization, one of the suggested economic regulatory reforms, is possible only in large metropolitan areas, such as Bangkok, where local governments tend to be administratively and financially ready for taking over some of the responsibility from the national regulator.

Legislation

Most water transport laws are rather dated and need substantial overhauling. They include the four main pieces of legislation:

- *The Thai Ships Act 1938*
- *The Port Authority of Thailand Act 1951*
- *The Maritime Promotion Act 1978*

Along with the suggested institutional reforms, the following legal amendments need to be simultaneously included in future work.

Harbour Department: Deletion of certain economic regulatory duties specified in the laws, these include: permit issuance for public passenger water transport and for piloting.

Port Authority of Thailand: Deletion of certain clauses in the PAT Act which empower PAT to regulate charges on port-related services.

Office of the Maritime Promotion Commission: Repealing or modifying the Maritime Promotion Act; the duties currently performed by the OMPC be transferred to the new Transport Policy Office, and the Economic Regulator.

AIR TRANSPORT SUBSECTOR REFORM

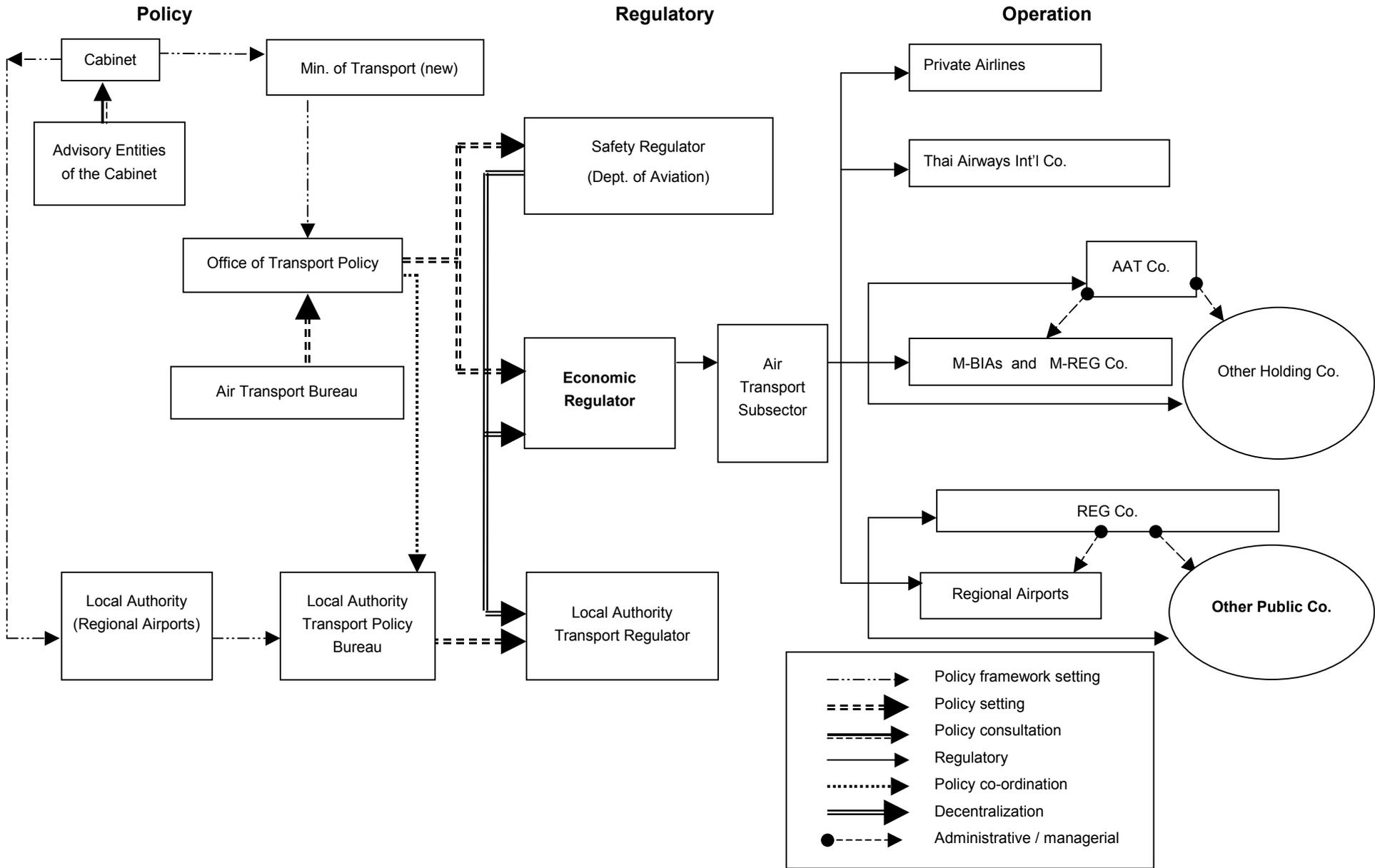
Organizational reform in the air transport sector (see Figure 3) mirrors those found in the water and land transport. That is, air transport policy formulation will be responsible by the Civil Aviation Division, which will be a part of the Office of Transport Policy. The Office itself will be a unit within the future *Ministry of Transport*.... This would imply that personnel involved in policy work who are currently working at the Department of Aviation will have to be transferred to the Office of Transport Policy.

Regulatory responsibilities can be divided into two parts: safety regulation and economic regulation. The Department of Aviation will continue to be responsible for safety regulations, while its mandate as regards to economic regulations will be transferred to an independent regulatory body that is to be established in the future. This particular regulatory body will be responsible for economic regulatory work of all modes of transportation in order to promote better consistency and coordination in transport regulations and in order to economize the very much limited personnel that is qualified to perform these tasks.

The main idea with regard to the provision of air transport services is to promote greater private participation beginning with the sale of government’s share in Thai Airways Public Company Limited. The recommendation here is consistent with the Cabinet Resolution taken in 2000 which states that the Ministry of Finance should lower its equity share in the company to 70 percent during the first phase, and to further lower its share to below 50 percent during the second phase. This recommendation was to have taken into effect from the year 2000.

- *The Shipping in Thai Waters Act 1913*

Figure 3 Proposed Future Structure of Air Transport Subsector



As for airports, TDRI recommends a clear separation between the management of airport infrastructure and the operation of airport services. The Airports Authority of Thailand, which has five airports under its jurisdiction, is to become a limited company called the Airports Authority of Thailand Company (AAT Co.) whose mandate is to manage land and buildings that belong to the Ministry of Finance, and they cannot be sold to the private sector. Its airport service operation shall be transferred to two companies that are to be set up, namely the Management Company for BIA and NBIA (M-BIAs Co.) and the Regional Airports Company (REG Co.). The first company is to manage the two Bangkok airports, the Bangkok International Airport (BIA) and the New Bangkok International Airport Co., Ltd. (NBIA), and the second is to operate the four regional airports namely Chiang Mai, Chiang Rai, Hat Yai and Phuket. A strategic partner will be selected to hold a minority share in each of the company in the short run, while the AAT Co. holds a majority share. In order to introduce commercial management into airport operations, the AAT Co. may also consider signing a management contract with its strategic partners. Within a period of five years, the AAT Co. is to relinquish all its equity share in order to phase out its involvement in the operation of airport services.

With regard to the 29 provincial airports, their ownership and operation will be transferred from the Department of Aviation, which will become a full-fledged air transport safety regulator, to a newly created SoE Co. called "The Provincial Airport Authority Company Ltd." The Company's mandate is similar to that of the AAT Co. which is to manage airport assets that belong to the Ministry of Finance.

Once provincial airport businesses are clearly separated from regulatory functions, the next step is to introduce private participation in the operation of airports. There are two methods in which the government may transfer the operation of airports to the private sector. The first is to negotiate a "management contract" with a professional private airport operators. In order to provide proper incentives, the level of compensation may be designed to vary in part with the performance. The second method is to "lease" the entire airport to a private company for, say, 10-15 years. To maximize the amount of rent that the government may generate, the lease should be auctioned.

It should be noted that there is a fundamental difference between the two methods. The option to lease is somewhat different from the option of management contract in that the private sector assumes all the business risks in the case of leasing. This is because the private company that won the auction would have to pay the total amount of the bid regardless what the actual performance down the road will be. On the contrary, under the management contract, the private contractor is provided with a fixed fee or a fee that may vary in a small part with performance, but the government bears the profits and losses.

The transfer of the operation of provincial airports to the private sector is unlikely to face serious personnel problems. This is because according to a survey by the Price Waterhouse Coopers in 2000, there are only 109 civil servants stationed at provincial airports nationwide. This averages to less than five persons per airport.

The issue that is likely to pose problems is the chronic loss recorded by most of these airports, which render them commercially unattractive to the private sector. The report proposed five ways to deal with this particular problem. First is to opt for the management contract that will leave the state responsible for the losses but to have the management fee closely tied to the ability to reduce operational losses of these airports. Second, the government may prefer to lease the entire airport in order not to be involved in the operational work altogether. In this case, the government must be ready to provide subsidies to the private lessee. However, auction will ensure that the most efficient operator – i.e., the bidder that requires the smallest amount of subsidy – will be selected to manage the airport. Third, the government may continue to operate the airports that do not have commercial potentials. Fourth, the government may "bundle" these loss-making airports with those that are profitable. Although this option may allow the government to auction off loss-making airports, it may give rise to other problems such as cross subsidization and concentration of market power that can damage the competitive environment.

The final option, which is the one recommended by TDRI, is to examine ways and means by which the revenue of these airports can be boosted. This will include a revision of landing fees and other airport fees, as well as the current fee exemptions provided for military aircrafts and other government non-commercial aircrafts.

Additional recommendations that TDRI suggests are as follows:

- (i) **Other air transport-related services:** The state should lower its equity share in Aerothai Company, the sole operator of the air traffic management business, to 51 percent. This will allow airlines, who are users of Aerothai's services, to hold larger stakes and thus oversee the quality of the service and the efficiency of the operation.
- (ii) **Civil Aviation Training Center:** The Center should become a public organization so that it is relieved from restrictive government procurement and compensation rules and regulations that have crippled the Training Center. However, to ensure the transformation of the Center from a state-owned organization to a public organization, the Center should safeguard its interests so that no additional financial burden is placed upon it. The Center should have clear and concrete plans to increase its revenue from the sale of its services.

(iii) **Department of Meteorology:** No organizational or structural changes must be made in the Department of Meteorology. Because of the nature of its services, discussions are being conducted of bringing the Department under the umbrella of another Ministry such as the Ministry of Science, Technology and Environment or the Ministry of Agriculture and Cooperatives. However, air and sea transport service sectors are among the large users of the department's weather forecast services. Thus, its place in the MOTC is not without reason. There have also been discussions whether the department should become a public organization, much like the Civil Aviation Training Center. While TDRI does not rule out this possibility, it does not see any rationale for the move at this time until clear plans of generating new sources of revenues are well defined.

(iv) **Decentralization:** It is recommended that the ownership and the management of all provincial airports be transferred to the provincial or local authorities. It should be noted, however, that the transfer should only

take place when the provincial/local authorities have sufficient institutional, human and financial support to undertake the responsibilities. Once these authorities are ready to assume the financial burden associated with these airports, the airport policy (construction, leasing and management of airport) and economic regulation (landing fees and other airport usage fees) should also be decentralized accordingly. Air transportation policy (airline competition), regulation (airfare regulations) and safety regulations will not be centralized, however.

(v) **Legislation:** The *Air Navigation Act 1954* needs to be modified by keeping the safety regulations related to the air navigation and all airports with the Department of Aviation. Other duties of the Department of Aviation should be transferred to the Economic Regulator. New legislation is also required to create AAT Co. and the new Airport Authority.

In summary, the future structure of the transport sector (land, water, and air) is illustrated in Figure 4.



Migrant Housemaids in Thailand: A Case Study

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Jaijin Plywej
Weerawan Sirikul*

I. INTRODUCTION

The number of migrant domestic workers registered during September 24 and October 25, 2001 is 82,389 persons. This accounts for 14.5 percent of the total migrant workers registered, and equals to approximately 40 percent of the number of domestic workers in Thailand. Out of the registered migrant domestic workers, 73,006 are women; they form the highest proportion (about 30%) of the registered migrant work force.

This study was conducted under a technical cooperation project on “Improving migration policy management with special focus on irregular labour migration” carried out by the Ministry of Labour and Social Welfare, the International Labour Office and the International Organization of Migration. As part of the project activities, the study is aimed at examining migrant housemaids’ patterns of employment and work conditions in Bangkok and other concentrated areas. It also studies the employers’ socio-economic background, market demand for domestic and foreign housemaids, and their wages and qualifications. The impact of government policies is studied by scrutinizing government sectors responsible for enforcing Thai labor and immigration laws, and also provided are recommendations for employing effective management of foreign labor. Due to time constraints, the study focuses primarily on in-depth interviews of a small number of migrant housemaids, Thai housemaids, employers of registered migrant housemaids, registration officials and policy makers. A survey of 458 domestic workers, 440 employers and 96 workers of other occupation in Bangkok area in 2001 (DLWP 2001) and a report on “Domestic Workers Consultation” (MAP 2001)¹ were analyzed to form the data for this report.

II. ECONOMIC ASPECTS (OF HOUSEMAIDS)

2.1 Evolution of Demand for Migrant Housemaids

In Thailand approximately 200,000 domestic workers have been employed each year during 1991-

2000. The employment ranges from 158,000 in the third quarter of 1997 to 250,000 in the first quarter of 2000. The number fluctuates by season reflecting some relationship with the supply of, rather than the demand for, rural migrants who have to return home during the agricultural season. Many households in Bangkok and large cities employ domestic workers. Traditionally, internal migration for domestic work was from poorer to richer areas; generally, from northern and northeastern areas to the central region. Internal migrants became less interested in migrating in 1990s particularly for domestic work, and employers turned to migrant workers (Martin 2002, 27). The composition of housemaids according to the DLWP (2001) study indicates that maids in Bangkok from northeast comprised of 40.2 percent, the central—28.6 percent, and the north—17.9 percent. Most housemaids come from poor families in the rural areas. Housework, as compared to the work in a rice field or on a farm, is relatively light and comfortable and these skills can be easily learnt. Housemaids are in demand because of increased participation of the homemaker in the labor market.

It has not been known when the demand for migrant workers as housemaids began in the Thai labor market. It has been speculated that “families that used to hire internal migrant workers from the northeast as maids increasingly turned to foreign migrant workers in the 1990s.” (Martin 2002, Appendix 1). The laws and regulations concerning the employment of foreign labor, however, suggest that the use of migrant housemaids may begin around 1978. When the Royal Decree (Revolution Order) 281 (พ.ร. 281) was issued on 24 November 1972 to reserve /protect occupations for Thai people—with Article 12 specifying 27 occupation permit for aliens, housemaids were not mentioned (Pantip 1997). Based on Article 12 of the Foreigner Employment Act 1978, a Ministerial Order was issued by the Minister of Interior to specify 27 types of occupation permit for foreigners. The occupations include “Laundry” and “Laborer” (Pitsawat and Pathamaporn 1997, 54). The practice, therefore, by government employment service agents has been to register domestic workers in these two categories.

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Since 1978 there was still no direct mention of “domestic workers” in laws and regulation on employment of foreign labor until 1996, when the Cabinet Resolution of August 6, 1996, specifically identifies “domestic workers” (housemaids) as work allowed for immigrant workers (Pantip 1997, 75). The following three registrations in 1998, 1999 and 2000 excluded domestic workers from the occupations that could register to work legally (MAP 2001, 5). Again in 2001, the Cabinet Resolution of August 28, 2001 stipulated that “domestic work” is permissible for migrant workers (Manager Daily, 26 December 2001).

The shift in trend of hiring internal migrants to immigrant domestic workers has not been clearly investigated. One of the main reasons could be because of the shortage of domestic workers. The attitude of most Thai workers toward domestic work is relatively negative. Domestic worker is a polite term for “servant.” The work is therefore viewed as not honorable. Additionally with development and industrialization of Thailand and increased educational standards, domestic workers have the advantage of better job opportunities available to them (DLWP 2001, 7).

The domestic worker also has a negative approach to work. This is reflected from statements employers made in this study. One employer viewed Thai domestic workers (who were laid off) as “irresponsible, dirty, and slipshod or careless.” Another employer said that Thai maids “were lazy, liars, fussy and misbehaved.” This employer also said that her migrant workers are much more attentive and efficient.

To reduce the shortage of domestic workers, the Department of Employment with a budget of 1.5 million baht conducted a project in Bangkok and some provinces, called “Supply of Domestic Workers 1999.” Only 326 trainees and 248 persons (76%) who were already employed as domestic workers participated in the program. The project had a problem of recruiting trainees. On completion of the training, a number of trainees were not ready to work, while some wanted to work only near their residential areas. Some employers did not want to hire the trainees because of the high wages they demanded.

More than half of migrant housemaids are based in Bangkok. The 1996 record of registered migrant workers indicate that 37 percent and 15 percent of migrant housemaids worked in Bangkok and the central region respectively. Another 23.2 percent were in the north (mostly in Tak, Chiang Mai, Chiang Rai and Nakhon Sawan). In 2001, the proportion of those in Bangkok increased to 54.8 percent while those working in the central region remained unchanged. The proportion of those working in the north drastically decreased to 12 percent (from 23.2%) while the absolute number increased a little. The change in number of registered migrant housemaids between 1996 and 2001 is depicted in Table 1.

What happened to previous internal migrant workers who filled the jobs – did they go abroad for jobs, or find better jobs in Thailand? The DLWP (2001) study reveals that internal migrant workers opted for other employment opportunities over housework. The booming textile industry as well as commerce in the 1980s² together with increasing education provided a better choice. A number of prospective housemaids moved to or preferred to work in textile industry or in department stores as salesgirls for they did not view domestic work as honorable.

2.2 Supply of Migrant Housemaids

The majority of migrant housemaids are from Myanmar, and some from Lao PDR and Cambodia. These migrants enter Thailand by utilizing the services of the employment or the migration agents, though some do enter the country on their own. Agents usually charge a lump sum payment of 5,000-6,000 baht. This includes brokerage fee, travel expenses and bribes for Thai authorities. Some agents are Buddhist monks, while many Thai policemen also act as middlemen. Migrants usually prefer to use the services of the agents as it is safer and more convenient. In addition to the services of the employment agent, some of the migrants have connection with relatives or friends who are already in Thailand. They play the role of helping these migrants to integrate in the society by recommending or helping the migrants to locate employment.

Table 1 Registered migrant housemaids, 1996 and 2001

	1996		2001		Change 1996-2001		Average per year	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Whole Kingdom	34,283.0	100	82,389.0	100	48,106.0	140.3	9,621.2	28.1
Bangkok	12,929.0	37.7	45,130.0	54.8	32,201.0	249.1	6,440.2	49.8
Central region	5,244.0	15.3	13,005.0	15.8	7,761.0	148.8	1,552.2	29.6
Eastern region	1,984.0	5.8	4,313.0	5.2	2,329.0	117.4	465.8	23.5
Western region	2,989.0	8.7	2,245.0	2.7	-744.0	-24.9	-148.8	-5.0
Northern region	7,959.0	23.2	9,883.0	12.0	1,924.0	24.2	384.8	4.8
Northeastern region	231.0	0.7	3,006.0	3.6	2,775.0	1,201.3	555.0	240.3
Southern region	2,947.0	8.6	4,807.0	5.8	1,860.0	63.1	372.0	12.6

Source: Office of the Administrative Commission on Irregular Migrant Workers, Department of Employment, Ministry of Labour and Social Welfare (2002, Tables 5 & 6).

Karen housemaids during interviews revealed that they entered Thailand from Myanmar through Mae Sot, Tak Province; and through Sangkhla Buri, Kanchanaburi Province. A Laotian migrant came into Thailand via Nakhon Phanom by boat and on foot. The arrangement fee for the Laotian case was about 3,000 baht per head.

Labor migration agents also have their network spread in the sending countries. Migrant workers informed that they employed their own Myanmar agents to arrange the border crossing and employment services. In each village, there is a group migration agent who provides such services. Once agreed, a prospective migrant worker pays a fee or expenses in stages: 1,500 baht for traveling from the village to Mae Sot, and if they wish 5,000 baht from Mae Sot to Bangkok. For the return trip, the migrant pays 1,500 baht from Bangkok to Mae Sot, and another 1,500 baht from Mae Sot to his/her village. The services of the Myanmar agent is multiple and much favored because they: oversee travel arrangements, reduce the risk of being caught by Thai policemen, and take care of remittances that needs to be sent home.

The skills required for domestic work are generally semi-skill such as house cleaning, laundry, cooking, grocery shopping, gardening, pet keeping, and baby nursing. Most migrants have primary education. Only two out of 11 interviewed had secondary education (grade 9 and grade 11). The migrants worked according to the will and satisfaction of their employers. As regards the Thai domestic workers, the interview shows that three have grade 4 and two have grade 6 education, accounting for 60 percent and 40 percent of primary and secondary education. The data from the DLWP (2001) survey also reflects a similar composition of education of Thai maids, 61 percent had primary education, 24.3 percent had secondary education, and almost 10 percent had no education at all.

2.3 Wages and Employment Conditions of Migrant Housemaids

The salary of the interviewed migrants are between 2,000-4,000 baht per month, compared to the salary of the interviewed Thai domestic workers of 3,000-4,000 baht. The DLWP (2001) study indicates that the salary of the Thai domestic workers range from 2,000-5,000 baht. Thus there is no significant difference between the salary of migrants and Thai workers. However, the level of salary also depends on work conditions and the length of employment. Also, when two maids are employed in the same house they draw less salary in comparison to the one maid employed, because the work in the house then gets distributed.

All interviewed migrant housemaids live-in with their employers. The benefits enjoyed are: leave, bonus, gifts, clothes, medical expenses, etc. Most of the interviewees are satisfied with their working and living conditions. Many of them do feel homesick. The unfamiliar environment usually restricts their movement,

and often they are unable to take advantage of their entitled leave.

To find out the opinion of other Thai workers toward domestic work, DLWP (2001) survey of workers in textile, electronic, and food processing industries (factory workers) indicates a rather balanced view toward this area of work. For example, the proportion of those who think domestic work is hard and heavy is about 30 percent, approximately the same as the proportion of those who do not agree. Whether they considered domestic work as boring, about 41 percent agreed while about 36 percent disagreed, and 25 percent had no comment (which could reflect lack of information in the labor market). When questioned if domestic work was viewed as the most comfortable (decent) job, 71 percent of the respondents agreed. As regards earnings, 45 percent of the respondents thought that domestic work yielded better income after the deduction of living expenses, while only 15 percent disagreed. However when asked if they would choose to be a housemaid in the event of non-availability of any other work, about 47 percent said it would be their last choice and about the same proportion said they would prefer not to work at all.

III. SOCIAL ASPECTS

3.1 Profile of Migrant Housemaids

All of the interviewed migrant housemaids were women, aged between 18-35. Eight persons out of 11 were single. As already mentioned, the migrants had mostly primary education. The ages of the five Thai maids interviewed ranged from 18-47. Two were single, two were widows, and one was *de facto* separated. Their education was upto the primary level (grades 4-6). Four of the maids hailed from the northeast and one from the north regions. The DLWP (2001) study reflects that most Thai domestic workers are women (89.3%), and 71.2 percent are single. About 39 percent are aged between 25-34 and 36 percent between 15-24. As already mentioned, most of Thai maids had low education.

3.2 Living Conditions

As explained earlier all migrant workers live with their employers and enjoy good benefits and conditions. Aside from salary, room and board, most maids (both migrant and Thai) are given clothes, gifts on special occasions, bonus and raises, and medical expenses. Although they are supposed to work from 6.30 to 18.30 hours, the maids have erratic working schedules, simply because in most households, during the day time members of the family are not at home. The bonding between the employers and the maids with time becomes strong. Many employers expressed we "treat them like our own children or our folks," and "Kah Kao Tao Liang" for servants who served their master honestly for a long time and shall continue to serve or to live with the

master until the day they die. Many employers also teach the migrants the Thai language. This aspect demonstrates an intricate relationship of the master and the servant in the Thai culture, which is not to be considered solely on the basis of wages earned.

A fieldwork in Mae Sot also validates the above findings. Most housemaids in Mae Sot are from Myanmar, who have been working in the same household since they were young. They now have families, and the employers even look after the welfare and schooling of their children. The relationship developed is deep rooted and one of the reasons given is that the shared border also reflects common cultural beliefs and values. Mae Sot, traditionally, has always sheltered people from Myanmar whenever they migrated due to drought or for any other economic reasons. These migrants later return to their home country after earning a good income.

3.3 Integration into Host Community

It is difficult to interpret if the migrant maids are discriminated in the Thai society, because most migrant maids do not go out often. By and large, they are integrated well into the community partly because Thailand is a relatively free country, and partly because they maintain communication with large number of their peers through public and mobile phones. The Thai housemaid who works in the same house as a migrant maid does not have strong objection to alien maids. One Thai maid said “at first, it was difficult to communicate because of the language. I don’t think they (migrant maids) will take away our job.” Another Thai maid said, “I’m not scared of them. We get along fine.”

The assertion that “Migrant workers, particularly from the Southeast Asian region, are looked upon as forming a social class of their own, not allowed by their employers to integrate with the local community” may not be applicable to migrant maids in Thailand (ILO 2000, 127). None of the employers forbade their maids to take an evening off, or to go to theater, or even disallowed the maids to watch TV with them in the living room.

The migrant maids interviewed did not report any exploitation or abuse. In comparison, according to the Human Rights Watch (HRW), immigrant domestic workers routinely suffer the following impositions on their well-being and livelihood:

- Wage below the minimum required by labor laws;
- Breach or lack of contract including excess number of work hours, no days off and no compensation for overtime;
- Psychological abuse including but not limited to verbal abuse and threats, and invasion or lack privacy;
- Physical abuse, sometimes including sexual harassment or abuse;

- Limitations on freedom of movement and/or communication with others including: withholding identification or immigration documents, physical restricts such as locked doors, permitting either limited contact with others or requiring accompaniment when outside the compound, withholding address or phone number of resident, and restricting access to the telephone;
- Conditions that compromise health such as denying days of rest generally or when ill, placing limitations on food including inadequate portions or only providing left-over and old food, or denying hospitalization or medical attention;
- Sleeping quarters that are either insecure or unsanitary (MAP 2001, 36).

3.4 Life Aspirations

Most migrant maids expressed a desire to return home after working in Thailand after a period of time. Their length of stay could vary from five years to as long as “I am happy” to making “enough money to buy a house.” Prospective Myanmar migrants observed that when the migrants returned to their villages from Thailand, they had newer and nicer homes. Some even became prettier and attractive (because of better living conditions, more modern cosmetics, etc.) and they had many men proposing marriage to them. Access to better living conditions and a good husband thus becomes life aspirations for prospective migrants.

IV. EMPLOYERS’ PERSPECTIVE

4.1 Main Reasons for Hiring Migrant Workers

In our interviews, three employers reasoned that Thai maids were difficult to find, while another three opined that “Thai maids are lazy, disobedient, dishonest.” Taking advantage of nobody being home, a Thai maid moonlighted by doing express laundry for the neighbors using the employer’s washing machine and other laundry equipment. Although one employer hired a maid through an employment agent, the Thai maid worked poorly and dirtily, while at the same time they made a lot of demand about their working conditions and holidays. On the other hand migrant maids were more devoted and “better behaved.” They did not “flirt” like the Thai maids. Myanmar maids were honest, responsible, diligent, obedient and pleasing. Because many of them were illegal migrants, they did not want to be caught on the wrong side of the law. Their attitude was therefore more malleable. Among the maids from Myanmar, employers had a clear preference for maids from Karen or Mon than those who hailed from parts of Myanmar.

4.2 Displacement of Thai Housemaids by Migrant Housemaids

In the survey most employers had no desire to replace the migrant maid with a Thai maid. Employers are very discerning, especially, about honesty and hardworking factors a housemaid may possess. Often prevailing wages are not acceptable to the Thai maid. Even when Thai maids are out-sourced through employment agents, they are not reliable. On the other hand migrant maids are much easier to out-source through immigrants' or the employers' own connection. The employer who has a migrant maid also becomes an intermediary for sourcing out migrant maids in her social circles.

Other major attributes desired are: some household experience; as regards marital status employers prefer maids who are single or widowed; middle aged maids are sought for their experience and maturity; if the head of the household is male or if there are many young boys in the house, young and pretty maids are not desired. Lack of language or communication skills is not a hindering factor for most employers believed that it could be taught.

The length of employment of the migrant maids ranged from four months to five years. Five out of 11 migrants were employed for more than one year. Four of them (or almost 40 percent) had been in employment for more than four years.

Thai maids do not consider their jobs were being encroached upon by migrant maids. One even expressed that "Migrant maid is OK. I'm not scared of her," which could be interpreted as she did not look at a migrant maid as someone coming from another country as threatening. This attitude is a typical reflection of Thai culture.

4.3 Demand Cycle

There is no obvious demand cycle for housemaids. A maid works on a year-round basis. Although the data from the labor force survey shows a fluctuating pattern of employment of housemaids by major seasons (dry and wet seasons), it is more likely due to the supply cycle of native internal migrants from the rural areas, which increases in the dry season (less work on farm) and decreases in the wet season (more labor demand from the farm). Comparatively the migrant maids do not go on leave because of difficulties and high-cost of travel. Additionally, their movements get restricted because of the fear of being arrested by Thai authorities.

4.4 Replacing Migrant Housemaids

In the hypothetical event of replacing migrant housemaids with Thai workers, what provisions concerning wages and benefits, productivity and working conditions, and inducements in form of any hidden payments etc., is needed? Firstly, since housework is

viewed as an undignified occupation; foremost, the change in Thai attitude toward housework is required.

"In Thai society and the general population's perception household work is an unskilled job with no worth, no meaning. In the past workers in the household have been expected to work for next to nothing and there has been no change in the status of the job. For the workers too, they are not proud of their work, they do not see worth in their work, most workers do not dare tell other people they are domestic workers, so they do not speak of it, do not acknowledge the work they do as work. Thai society respects work in an office but not work in a home. There is even a different view of office cleaners "mae barn samnakngan" and house cleaners "khonchai," (directly translated as servant³). The latter are most discriminated against and do not have right at work, occupational safety and humanitarian principles are often violated. In fact, household work is fundamental to the well-being of the people in the house, but it is work that has always been mostly done by women and therefore not recognized in the formal sector and is still not covered by the labour laws of the land" (MAP 2001, 10).

Some Thai workers mentioned that it was the temperamental quirks of the employers that was unbearable. On the other hand employers were of the opinion that their treatment depended to a large extent on the behavior, conduct, or quality of the maids. Some employers even mentioned that they were willing to hire and willing to pay more wages if the Thai maids improved their conduct and quality of work.

Secondly, along with correction of attitude, housework could become more acceptable if a contract is drawn where work hour, days off, wage and benefits, work and living conditions etc., are clearly defined. This would make the housework not tedious or demanding but work with definite responsibilities. Also, labor inspection should be more strongly enforced.⁴

Thirdly, orientation needs to be provided to upgrade the standard of housemaids as well as to make their career path more favorable.

Fourthly, enforcement of immigration laws needs to be strictly enforced to control the supply of migrant maids. The newly established Office of Irregular Migration should seriously study the loopholes in the laws, and monitor and penalize corrupt officials involved in labor trafficking.

Fifthly, there are not adequate personnel for labor inspection and immigration control to check discrepancies (interviews with local officials, January 22, 2002).

Sixthly, No worker should earn less than minimum wage. This should be more closely monitored to make any job acceptable, including housework.

Last but not least, just like Singapore, employers of migrant maids must be levied to some extent so that the demand for migrant maids is reduced and externalities falling on the Thai workers and society is compensated.

4.5 The Effect of Replacement of Migrant Maids

What would be the implications of such an eventual change from the viewpoint of the employers, the maids, and in the society?

If migrant housemaids are replaced by Thai housemaids and if domestic work becomes more formally regulated, in terms of increased wage burden, the employer may not be much affected. Most employers on an average do pay prevailing market wages. Maid services, however, would be affected, as hours and type of work would be limited, and the freedom to command or to give order would be restricted. These changes would transform master-servant or familial relationship into a more employer-employee type of relationship. Maids in general would have more bargaining power. This new type of relationship or phenomenon is likely to increase the standard and acceptability of domestic work, which in turn could increase the supply and availability of domestic housemaids.

4.6 Alternatives

Besides replacing migrant housemaids with Thai housemaids, another possibility is to replace illegal migrant housemaids by legal migrant housemaids. This could be done through formal G-to-G arrangement between the Thai government and the government of sending countries. As such, developing diplomatic relationships between Thailand and those countries is also an important factor.

V. LESSONS LEARNED

5.1 Summary of Findings

Most employers have no plan or have never thought that they should stop employing migrant workers. It is probably unrealistic to think that the government can simply stop registering irregular migrants and expect that enforcement alone will bring employers into compliance with non-migrant policies. Some form of cooperative government-household effort is likely to be required to gradually reduce employers' current and growing dependence on immigrants. In the case of housemaids, employers have been satisfied with migrant maids' work ethics, while their attitude toward Thai maids was negative.

It has been observed that domestic work requires workers with little education. Put it another way, workers with little education do domestic work. An implication is that if educational level of Thai workers increases, there will be less uneducated workers. Hence there will be even less supply of domestic workers. Although the number of domestic workers has been relatively stable (approx. 200,000), the ratio of domestic workers to the total labor force has declined slowly.

Further, the intensity of rural development programs has resulted in increasing employment

opportunity (increase in non-farm employment in particular) in the rural areas. Accordingly, it is anticipated that there will be less supply of rural migrants who want to do domestic work.

Migrant domestic workers are in great demand in Thailand. The number of registered migrant housemaids increased from 34,283 in 1996 to 82,389 in 2001, a total increase of 48,106 or an average of 9,600 workers a year. The supply of migrant workers, on the other hand, depends very much on the political and economic situation of the country of origin as much as the differential wages and work conditions in Thailand.

5.2 Main Achievements

All or most of the migrant maids interviewed under this study were satisfied with their working and living conditions. Their wages are comparable to Thai counterparts. None of them were exploited or abused. Although the work hours do seem to be long, the work itself is flexible, and there are times during the day when they have long breaks.

Domestic workers help to increase the homemakers' opportunity to participate in the labor market. Migrant domestic workers fill the gap felt due to the shortage of supply of native domestic workers. As such, migrant housemaids contribute in giving more opportunities for Thai women to participate in the labor market or in giving the homemaker more time to socialize.

The employers interviewed are likely to continue to hire migrant housemaids because Thai maids are unreliable and untrustworthy. These employers opined that registration term for migrant maids, therefore, should be at least a minimum of one year.

Another supporting reason for the need of migrant maids is that Thai women have high labor participation rates. Housemaids help alleviate their housekeeping work. Economically, the costs of housekeeping are high or low depending on the type of work engaged. It is rational for a housewife to hire a maid if she finds that outside work is more productive. Therefore, for economic reasons, it is fair to employ migrant housemaids. The important thing is to maintain records of these migrants (through periodic registration system) and implement a close monitoring system so that their size is kept under control. In Singapore, especially in the years after Asia's 1997/1998 financial crisis, more women stepped in to supplement the family income. As the family structure increasingly took the shape of double-income families, more households began hiring foreign maids (Bangkok Post, 12 December 2001).

Do migrant housemaids create unemployment for native workers? On an average Thai unskilled workers do not possess the required attributes desired by employers. Besides, domestic workers prefer factory jobs to household jobs. Thus "direct competition between immigrants and natives is negligible because immigrants tend to be concentrated within certain labor market segments" (Biffl 1998, 559).

5.3 Main Gaps

Migrant domestic workers depress the wage rate of native domestic workers and related service workers as their work encompasses from taking care of laundry to cooking to nursing of the baby or the old among others. Migrant domestic workers contribute marginally to local consumption of goods and services. Most domestic migrants send large portion of their earnings home. Housemaids (whether Thai or migrant); however, contribute indirectly to the economy as the homemaker becomes increasingly freer to participate in the labor market. They also aid in alleviating the burden of the homemaker in tending to the welfare of the elderly and the children. On the other hand, the elderly often find that their traditional role of taking charge of the grandchildren and the house, has been reduced.

As regards repatriation of irregular migrants, officials and policy makers revealed that the campaign in the past has not been successful. Out of about a million irregular migrants, they were able to repatriate only 268,259 and 26,354 in 1998 and 1999 respectively. And these repatriated migrants keep returning. One problem is that there are no official receiving points in the sending countries to register the irregular migrants. In Myanmar, for example, the government says it cannot take necessary action because a large proportion of migrants are from minority groups who are not under full control of the government.⁵ Another speculative reason is possibly the sending governments are not inclined to take action on their erring citizens. Other logistics problems that the Thai government face in implementing repatriation are: long borders which are difficult to patrol, corrupt officials, and strong network of migrant trafficking among others.

The problem of ineffective repatriation and/or restriction of irregular immigration is compounded by the fact that economically speaking, the burden of costs is not borne by the irregular migrants and their employers. To the migrants the initial costs are minimal in comparison to the potential income they will earn from working in Thailand. For employers, no additional costs are placed on them by the government for hiring immigrants instead of Thai workers. These costs include both monetary and social ones. The social costs could be much higher if there is a more serious enforcement of the law. Since there are no serious repercussions, both the government and the employers do not have the will to find alternatives to reduce the dependence on irregular migrants.

The registration process needs to be upgraded so that the procedures become more stringent in fostering better management of irregular migrants as it would aid in reducing the dependence of the migrant worker, and help in keeping track of their activities.

It has been observed that the problems of irregular migrants and repatriation must be tackled, but that it cannot be totally eliminated. "Experience in Europe and the United States with legalization of the illegal and the introduction of more severe border and

work permit controls in firms showed that these were short-term measures that did not tackle the real problem; illegal inflows return to their former levels" (Biffi 1998, 562).

The migration infrastructure in Thailand needs to be built. There are no formal employment agents who would match migrant workers with current demand. The existing system is informal or clandestine, simply because irregular migration is illegal. Migration infrastructure will automatically follow if the employment of migrant workers becomes more open and systematic.

5.4 Main Challenges

If all migrant maids are expelled what would be the impact of the homemakers' participation in the labor market? Would there still be a dearth of domestic workers, despite programs designed to encourage them to work as housemaids? Would the Ministry of Labour and Social Welfare have sufficient manpower to conduct labor inspection at household level? Domestic workers (migrant or not) are not contracted. Should it be made mandatory that all domestic workers be contracted so that supervising or monitoring can be done more easily? Obviously, more research is needed to answer these issues (MAP 2001, 33).

Aside from research needs, it may be noted that protection of migrant workers are covered by two specific Conventions: the Migration for Employment Convention of 1949 (No. 97) and the Migrant Workers (Supplementary Provision) Convention of 1975 (No. 143) (ILO 2000, I). Yet, the issue of illegal or irregular migration, particularly as regards to political security and economic constraints of the receiving country needs to be considered. The urgent need is to formulate policies that will maximize the interests or benefits of the receiving country.

Furthermore, in the long run, market mechanism (wages, benefits, and other social factors) will determine the existence of migrant workers. At present the wage demanded by a foreign worker is comparable to a Thai worker, while their service is much more satisfactory. If this condition is changed, the demand for migrant housemaids may change. Nevertheless, as mentioned above, there is still a question of national security. Although this study finds that migrant housemaids are satisfied by their respective employers, elsewhere there are cases of crime, robbery and homicide against employers by Myanmar workers.

ENDNOTES

¹ Due to space constraint, this paper does not include sections on the registration process and the recommended actions.

² Between 1986-1989, textile industry employment were 606.5, 975.1, 1,122.6 and 1,143.9 thousands respectively. The sex (female-male) ratio of employment was 67:33.

- ³ A stronger Thai word is “Khi-kha,” which implies a close to slave condition.
- ⁴ This measure could be controversial if one thinks of the Thai culture of having a maid in a house. Many Thais still think that a maid is like their own relative whom to share the living in the house. There are actually those unpaid family workers who are responsible for domestic work in return for room and board. To introduce a formal intrusion into a house may destroy this culture. However, it can also be argued that this culture or practice is diminishing as the economy becomes more industrialized.
- ⁵ An interview with an official of the Department of Employment in December 2001.

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