

LABOUR MARKET AND CORRUPTION ISSUES IN CHIANG RAI, THAILAND

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***Abstract:** Lack of application of the rule of law in Thailand has various negative impacts on labour market and business environment. Lax policing of minimum wage legislation and unknown numbers of migrant workers contribute to depression of wages as whole and reduced incentives to add value to production. Instead, short-term competitiveness through low labour-cost manufacturing is prioritized. Although individual transactions which may be deemed corrupt are small scale in nature, they appear to be repeated very regularly and therefore have a significant impact upon the income generating possibilities for local workers and for their future prospects, not to mention the overall competitiveness of the country. The corrupt activities also lead to lower levels of safety in the workplace and for such issues as collective bargaining and freedom of association. The paper attempts to identify the major issues involved and some possible solutions.⁶⁴*

Keywords: Labour market, Corruption, Thailand

JEL Codes: J24, D73

1. INTRODUCTION

Corruption is a global phenomenon which flourishes wherever decisions are made in secret and without accountability. While much of the attention on the high levels of corruption in Thailand focuses on the political aspect, albeit from an often unbalanced perspective, less attention is placed on the economic aspects. This is unfortunate since the economic aspect perhaps affects more people and is more pervasive and pernicious in the country. This paper represents a preliminary attempt to try to outline the areas in which economic corruption takes place in Thailand and its impact in a specific context, which is the context of the labour market in the country. In order to achieve these goals, it is necessary to specify the features of the Thai labour market as it now stands and the

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reasons why it is shaped the way that it is. It is also necessary to specify the spatial environment in which the research took place, which is the northern province of Chiang Rai. This research involved a program of intensive qualitative interviews conducted in Chiang Rai to supplement the analysis of secondary data and analysis of other interviews and statistics.

Thailand has a long and inglorious history of corruption, largely based on unaccountable power for officials and rulers, combined with delegating power for economic growth to foreign interests without consideration of the means by which that growth was delivered. As state absolutism increasingly interacted with capitalism and the internationalisation of the economy, the peasants and slaves of the previous feudal *Sakdina* system became considered to be the commodities from which profits might be extracted. This provided, in an opaque system of governance and mostly subject to unelected and unaccountable administrations, numerous opportunities for corruption to make additional profits. Whether it was the logging of forests, the trafficking of women or the suppression of labour leaders protesting about unsafe working conditions, state and economic actors conspired to exploit the resources available to them. They used portions of the profits to embed systems into society that protected their rights and privileges and restricted the ability of anyone else, notably politicians, to change that system. After a brief period in which politicians' wielded power on behalf of the electorate, the 2006 military coup brought that system back to normal.

The paper will continue with a discussion of the nature and extent of economic corruption in Thailand, followed by consideration of the labour market in the Kingdom. This will be followed by a description of the Chiang Rai region and the characteristics of its labour market. Results and analysis of some research of labour market features in Chiang Rai is then included to help to identify the various contours of economic corruption in the region. A final concluding section indicates some policy implications and highlights the difficulties involved in trying to quantify the effects of corruption in this context.

2. DEFINITIONS OF ECONOMIC CORRUPTION

Transparency International defines corruption as "the misuse of entrusted power for private gain." This is an inclusive definition which covers both private and public sector activities. Power may be entrusted by law or by position and it includes employers, employees and officials in any situation. Transparency International further distinguishes between two types of corruption: "TI further differentiates between "according to rule" corruption and "against the rule" corruption (Transparency Thailand, 2008). Facilitation

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payments, where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former. The latter, on the other hand, is a bribe paid to obtain services the bribe receiver is prohibited from providing.” These definitions do of course have wide application in a complex modern economy. In many cases, an act of exploitation involves a chain of activities, mostly kept hidden from sight, with various individual acts of according to and against the rule actions. For example, in one of a large number of stories of human trafficking, Burmese women found work in brothels in Thailand and subsequently suffered from hardships and disease, including HIV (Ekachai, 2003). To reach their position, a supply chain of providers, negotiators and facilitators was required to cause the women to move from Burma to Thailand, to conceal their presence while advertising their services and to restrict their ability to leave from their circumstances. Many elements in society combine and conspire to ensure that the system continues, away from scrutiny. In fictional terms, the interlocking nature of society to commit crimes and conceal them is captured by Chart Korbjitti in his short novel *The Judgment* (1982), which concludes that ‘all are guilty.’ Thailand has a longstanding tradition of economic corruption of this sort. The sources include the extortion of revenue from subjects by mandarins and officials, as well as their appropriation of parts of the public purse (Phonpaichit and Piriya-rangsan, 1996), together with the use of local godfathers (*chao por*) and similar individuals to determine a wide range of occasions when resources are distributed among competing interests (see, e.g., Chantornvong, 2000) and, also, powerful local interests have continued to influence political and economic decisions within areas defined as part of their home territory, albeit that there may be conflict with competing interests (e.g. Praditsil and Thinbangtieo, 2008). There is also a lengthy practice of abuse of migrant workers, ignoring or abusing health and safety standards and tolerance of pirated goods and intellectual property violations (e.g. Wai, 2004). Safety abuses continue despite the lessons of the Kader factory fire, in which nearly 200 workers were killed and others seriously injured after being forced to jump from third or fourth storey windows, with doors locked. The problems for investors and government connections came not from the human tragedy (of which there are many examples) but because of the loss of confidence, sunk costs and damage to the country’s image (Clifford and Handley, 1993). Economic corruption is inextricably intertwined with violence and has been so throughout Thai history (Anderson, 1990). It has continued with such instances as violence against street vendors at Bo Bae market in Bangkok (e.g. Bangkok Post, 2008), a bomb attack at a Tesco store as part of a squabble between rival security firms which caused the death of one man (BBC News Online, 2001) and the attempted murder of prominent individuals involved in the logging trade (e.g. The Nation, 2009).

An additional area of corruption which should be considered here is the role of corrupt union officials, sometimes known as the ‘stinking water’ officials, who abuse their position and contribute to the suppression of workers’ rights by concentrating resources in their own offices and protecting their powerbase rather than conducting their entrusted duties (cf. Ungpakorn, 1999, pp.12-6).

3. THAILAND’S LABOUR MARKET

According to the Report of the Labour Force Survey, 2005, compiled by the National Statistical Office of the Ministry of Information and Communication Technology, Thailand’s labour force totalled 36,130,000, which represented 55.5% of the overall population of 65,110,000.⁶⁵ Those not in the labour force included 15,290,000 (23.5%) of people under 15 years old and 13,680,000 (21.0%) of people over 15 years old and not in the labour force. The proportion of young people compared to older people has changed, in line with demographic distributions of most developing countries, as will be discussed later. Within the labour force, the majority of 35,260,000 (97.6%) are employed persons, a further 660,000 (1.8%) are unemployed⁶⁶ and the remaining 210,000 (0.6%) are members of the seasonally inactive labour force. Although generally declining year-on-year, the agricultural sector still employs 13,620,000 people (38.6%), with the remaining 21,640,000 (61.4%) involved in the non-agricultural sector. Problems within the labour market include continued low productivity and lack of skills overall (see Table 56), as may be seen by the low levels of education attained by the majority of workers. Japanese companies in particular are keen to retain those skilled workers that do exist and to discourage them from the job-hopping practices that are prevalent in some sectors. The Japan-Thailand Economic Partnership Agreement (JTEPA) includes provisions for apprenticeships in Japan sponsored by four Japanese companies and guaranteed by the agreement to complete a long-term contract for that company.

An examination of the investment climate in Thailand by the World Bank “...found that development of the private sector is hampered by deficient infrastructure, as well as a heavy regulatory burden and shortage of skills. Investment in public

⁶⁵ The number of unregistered or unofficial migrant workers is, by definition, unknown. The presence of such workers tends to act to depress both salaries and the need to acquire skills and competencies.

⁶⁶ This number began to rise substantially in the second half of 2008 owing to the economic crisis emerging in the western countries and spreading across the world and exacerbated in Thailand by the political disturbances caused by the military coup and the anti-democracy movement. Owing to Thailand’s reliance upon export manufacturing and the tourism industry, the unemployment figure is anticipated to continue rising throughout 2009 and perhaps beyond, with as many as one million additional job losses projected. The ADB suggests unemployment could reach two million by the end of the year (Asian Development Bank, *Regional Outlook 2009* (Manila: ADB, 2009), available at: <http://www.adb.org/Documents/Books/ADO/2009/THA.pdf>).

infrastructure is needed to maintain the economy's competitiveness in the longer term. Greater private sector participation in infrastructure could be achieved by reforms in the regulatory environment to encourage public-private partnerships. This would reduce the pressure on the budget and free up fiscal resources to address significant shortcomings in education and skills development (ADB, 2009, *op.cit.* p.269).

Table 56 *Educational Attainment of Labour Market Members, 2005*⁶⁷

	THOUSANDS (2005)
None	1,260.6
Elementary	19,934.1
Secondary or equivalent	9,088.9
University	4,795.8
Others	24.7
Unknown	153.2
Total	35,257.2

The proportion of the labour market involved in the tourism industry may be estimated with references to the following two tables, which display industry sectors and occupation categories.

It is not possible to identify exactly how many people are involved in the tourism industry, even if more specific job descriptions were available. This is because some job descriptions include some people who are involved in tourism services and others who are not (e.g. cooks and kitchen hands), while some job categories involved people who spend an unknown proportion of their time involved with tourists (e.g. taxi drivers). The occupations which might be included as part of the tourism industry include: Restaurant and Catering Managing Supervisor; Accommodation and Tavern Managing Supervisor (Hotel/Motel Manager, Caravan Park Manager); Cooks (Supervisors, Cooks, Chef, Qualified Cook and Apprentice Cook); Bar Attendants Supervisors and Bar Attendants; Waiters and Waitresses (Supervisors, Formal Service Waitperson, Drink Waitperson and General Waitperson); Travel Agents (Travel Agents (Commercial) and Tourist Officer); Travel Stewards (Supervisors, Flight Attendant, Marine Steward and Railway Steward); Luggage Porters (Supervisor Luggage Porters and Luggage Porters); Housekeepers (Executive Housekeepers and Domestic Housekeeper); Kitchenhands (Australian Government Productivity Commission (AGPC), 2009, p.247). This level of detail is not available for Thailand and would suffer from the presence of seasonal and unofficial or family workers, as well as unofficial migrant workers.

⁶⁷ Data quoted are, if not otherwise cited, drawn from the Year Book of Labour Protection and Welfare Statistics, 2005 and contained in Pocket Thailand in Figures 2007, tenth edition (Nonthaburi: Alpha Research Co. Ltd., 2007).

Table 57 *Employed Persons by Industry, 2005*

INDUSTRY	THOUSANDS
Agriculture, forestry, hunting and fishing	13,617.0
Mining and quarrying	56.6
Manufacturing	5,587.9
Construction, repair and demolition	2,129.4
Electricity, gas, water and sanitary services	106.9
Commerce	5,553.3
Transport, storage and communication	1,108.1
Service	7,050.2
Others	47.9
Total	35,257.2

Research has indicated that certain parts of the Kingdom have significant numbers of unregistered workers (including migrants and non-accredited ethnic minority permanent residents of the country) (Walsh and Anantarangsi, 2009), while studies of tourism sectors in Thailand indicate the importance of both semi-formal employment and the crossover between tourist and non-tourist-based activities (Walsh and Techavimol, 2007). As a developing country, it is not surprising that a great deal of Thailand's labour market is located in the informal sector.⁶⁸ The informal sector may, under certain circumstances, manage to cause people to transition into formal employment and a regular job and it is, in any case, a place where businesses can be quite sophisticated and complex, although these remain in the minority (e.g. Maneepong and Walsh, 2009).

The table of occupations of the Thai labour market illustrates the same problems attendant upon the table of industries, in that it is not clear from the categories used to what extent people may be classified as being part of the tourism industry. One thing that is clear is that there is a clear positive correlation between level of educational qualification attained and salary. This situation exists more or less across the entirety of the economy and it means that the government has less scope to use market-based incentives to guide appropriate people into positions for which there is a demand. Indeed, the current situation tends to direct leading candidates into professions which are prestigious but which suffer

⁶⁸ Defined thus: "...persons employed in the informal sector were defined as comprising all persons who, during a given reference period, were employed in at least one production unit of the informal sector, irrespective of their status in employment and whether it was their main or a secondary job. Production units of the informal sector were defined ... as a subset of unincorporated enterprises owned by households, i.e. as a subset of production units which are not constituted as separate legal entities independently of the households or household members who own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of income and capital between the enterprises and the owners. Hussmans, Ralf and Farhad Mehran, "Statistical Definitions of the Informal Sector – International Standards and National Practices," ILO (n.d.), available at: <http://www.gdrc.org/informal/huss0772.pdf>.

from over-supply, not to mention difficulty in retaining skilled people who have entered occupations to which they may not be committed. Of course, the prestigious educational institutions involved in sanctioning the high salaries of their graduates will be unwilling to yield their power and, additionally, various class-based institutions and structures exist to make reform of the labour market in this context a contested issue.

There is more scope for reform at lower levels of the economy, with the assistance of entrepreneurs and foreign investors, who should have a lower level of adherence to the existing structures. The attractiveness of working for internationally-owned companies in a number of countries is a well-known phenomenon but the problem exists in Thailand that the educational system is very poor in teaching English to anyone outside of the elite schools and universities and, therefore, the people qualified to benefit from the existing labour market conditions are the same people who will be able to benefit from overseas investment at professional, managerial and administrative levels. Reforming the educational system in Thailand would be an extensive undertaking and require combating the numerous factions that have captured the Ministry of Education and its resources.

Table 58 *Employed Persons by Occupation, 2005*

OCCUPATION	THOUSANDS
Legislators, senior government officials	2,514.1
Professional, technical workers	1,410.5
Administrative, executive and managerial workers	1,443.4
Clerical workers	1,285.6
Sales workers	5,033.8
Farmers, fishermen, hunters, miners, quarrymen and related workers	11,844.3
Craft and related trades workers	4,182.6
Production process operators	2,972.4
Services, sports and recreation workers	4,526.3
Workers not classifiable by occupation	44.2
Total	35,257.2

4. DEMOGRAPHIC CHANGE

Demographic change is having an important and growing impact on the Thai labour market. People are ageing as health care and standards of living improve while, at the same time, the supply of young people declines.

Table 59 *Labour Force Participation Rate by Age Group, 2005*

AGE GROUP	1999 (THOUSANDS)	2005 (%AGE)
13-14	8.7	-
15-19	32.9	30.8
20-24	73.3	70.0
25-29	86.3	87.3
30-34	88.4	89.5

AGE GROUP	1999 (THOUSANDS)	2005 (%AGE)
35-39	90.0	90.2
40-49	88.3	88.8
50-59	78.8	79.7
Over 60	31.4	37.6
Total	68.7	72.5

The changes in the composition of the labour market as measured by age match to a clear extent the predicted changes in the population overall.

Table 60 *Composition of Thailand Population Projection, 2005 and 2025*

AGE GROUP	2005 (%AGE)	2025 (%AGE)
0-14	23.0	18.0
15-24	24.6	19.5
25-44	25.0	21.4
45-59	17.1	21.1
Over 60	10.3	20.0

Source: Population Projection for Thailand 2000-2025, Office of the National Economic and Social Development Board, Office of the Prime Minister, May 2003 (adapted).

The ageing of the labour market will pose certain challenges to the Thai state in the future, including the need to vary expectations of retirement age, of the working career and the pension and welfares available to the aged. It is also notable that the total fertility rate (TFR) in Thailand declined from 4 in 1970-80 to 1.9 in 2005-10, where it is predicted to remain until 2045-50, according to UN figures (Yue, 2008). This is below the replacement rate of 2.1 children and means that, without net positive inward migration, the overall population will eventually decline. Thailand's ageing index also greatly exceeds the ASEAN average and is second only to the rapidly ageing Singapore.

One noteworthy example of what might be achieved in this regard is the so-called Advantage Campaign enacted in Singapore, in which older workers are reintegrated into the labour market and at entry level positions, as required. Using methods of education and social solidarity, the Singaporean government has encouraged people to accept the younger and older workers can work in the same levels without issues of automatic seniority or age-related pay increases. This would be very difficult to achieve in Thailand because social solidarity is thoroughly compromised by the lack of the rule of law (i.e. the spread of bias and corruption) and the double standards exhibited by the principal institutions of the state.

A second aspect of the ageing labour market to consider is the concept of the Demographic Dividend, through which period Thailand is now passing. This concept concerns the proportion of the population active within the labour market and the proportion of dependents. As lifestyles change and standards of living improve, the fertility of women tends to decrease as they have fewer but healthier babies than in the

past. The number of young people who are dependents therefore declines. However, the ageing population means that the number of dependents who are elderly increases and, indeed, will become individually more expensive as new health issues and their treatment emerge. At some point, the down sloping line representing young dependents crosses the up sloping line representing elderly dependents and that point is taken as the period at which the minimum number of dependents upon the active labour market exists. Consequently, active labour market members have the most disposable income proportionately that they will ever have. This income may be disposed of in a number of ways, which are more or less productive. The role of the state is to provide incentives for the people affected to upgrade their own competencies and skills with respect to the job opportunities of the future. To be able to do this, extensive research will be required as a basis for the creation of an evidence-based vision of the future economy of Thailand and the types of workers and their skills necessary to bring it to reality. There is little evidence that any of this has taken place over the past couple of years.

5. THAILAND'S LABOUR MARKET POLICY

Since the 1950s, with the creation of the first National Economic and Social Development Plan, Thailand has embarked upon the East Asian Economic Model (EAEM) for development. This model relies upon export-oriented low-cost manufacturing with competitiveness based on low labour costs and a convenient investment climate for foreign and domestic investors. Wage costs have been kept low because of the presence of a large pool of under-employed subsistence agricultural labour and the attendant effects of supply and demand. At the same time, trade unions, freedom of association and free speech have all been suppressed by military and democratically-elected governments⁶⁹ alike. The Board of Investment (BOI) has been mandated to use various techniques to increase inward investment from foreign companies and it has concentrated its efforts on providing incentives for designated locations ('industrial estates') such as tax holidays, reduced costs and access to infrastructure and services. The industrial estates have been quite popular but there is insufficient evidence that this has been investment-creation rather than investment-diversion. Indeed, there have been some suggestions that the provision of incentives has distorted markets such that otherwise unprofitable activities can remain marginally profitable. Studwell summarises the situation thus:

"The great discovery of south-east Asian governments in the late 1960s was that their diverse populations (contrary to colonial myth) were rather uniformly hard-working and would happily toil through the day and night in factories making clothing, shoes,

appliances and electronics. Government needed only to woo investment – most of it foreign – with full ownership rights for production facilities; tax breaks and central bank intervention to keep local currencies undervalued and hence exports cheap. The proposition was irresistible for cost-cutting multinationals and spawned globally competitive, but small-scale local businesses to provide components and contract manufacturing and support services: anything from making models for toy moulds to packaging semiconductors to cleaning multinationals' factories (Studwell, 2007, p.xxiii)."

This is the basis of the 3Ls strategy that has become prevalent in Thailand: low productivity, low wages and long hours. Generations of factory workers have worked lengthy shifts on repetitive tasks for profits which will be sequestered by the foreign investors. Much of the investment has come from Japan and other East Asian countries and partly as a result of this and partly as a result of not having been colonised, Thailand has tended to adopt the East Asian Labour Model (EALM). There are three basic labour models used around the world:

- the Anglo-Saxon US/UK model places the emphasis on training and improvement upon workers themselves and provides very little assistance. The government makes company start-ups easy, thereby creating new jobs but with little security;
- the Scandinavian/European model places the emphasis on the state's provision of training and passive labour market policies.⁷⁰ Companies are encouraged to keep workers in position as long as possible and the state provides resources to upgrade skills and competencies where required;
- the Japanese/East Asian model places the emphasis on the companies, who receive state resources to train individuals as they require. The private and public sectors act together in national economic and social development. Companies have a strong incentive to retain employees as long as possible (Walsh, 2008).

Thailand's adoption of the third of these approaches, such as it is, has come about because of the importance of East Asian investment in the Thai economy, the unwillingness and inability of the state to provide expensive education and training for the working classes and certain cultural factors. The education system was designed to provide suitable factory workers for the majority of people while retaining university opportunities for the children of the elites and middle classes. A seniority system and pay system based on educational qualifications ensured that economic relations between the classes remained stable.

⁶⁹ Most democratically-elected governments have had limited ability to affect the behaviour of the military or security services.

⁷⁰ Labour market policies are divided into the active and the passive. Active policies include job-matching and job-creation schemes. Passive policies include unemployment insurance and welfare payments.

6. THE CHIANG RAI CONTEXT

Thailand is emerging from a factory age that is characterized by an import-substitution, export-promotion paradigm based on OEM (original equipment manufacturing) factory-based production in areas such as textiles, clothes and electronic components. Increased labour costs have contributed to the declining competitiveness of this form of Thai industry and competition has intensified as neighbouring Vietnam and China can now supply large pools of disciplined, well-educated, low-cost labour and significant incentives to foreign firms wishing to invest there. Preparations have been made to some extent in connection with the adoption of a new economic paradigm based on high added value in manufacturing and services and the entry into the knowledge or information economy. In spatial terms, this has meant taking measures to ensure that industrial growth takes place throughout the country and is not concentrated almost wholly in Bangkok, as has been the case in the past. New centres for further industrial growth include the eastern seaboard region to the south of Bangkok and the northern province of Chiang Rai and its surrounding area. This northern area is part of the region that has been called the 'Golden Triangle' and it brings together northern Thailand with Burma, Laos and China. A long history of migration and porous borders has meant that cross-border economic activities have flourished in this area, although some have in the past been illegal. New transportation infrastructure projects represent a further incentive for investors to look at Chiang Rai favourably. Spreading the economic base of the country was also consistent with the 2001-6 Thai Rak Thai administration's policy of reducing income inequality by developing the provinces of the country and, at the same time, reducing the impulse for internal migration which has contributed to various social problems. Measures taken to promote Chiang Rai and its surrounding area are administered through a variety of government agencies, notably the Board of Investment (BOI). They include incentives for inward investment including subsidized inputs, tax holidays and the like, as well as infrastructure development and the signing of various international agreements to promote cross-border economic activities. Some efforts have been made to consider the labour market considerations of developments in Chiang Rai but, to date, these have been partial and lacking in co-ordination.

Table 61 *Chiang Rai Gross Provincial Product at Current Market Prices*

- ACTIVITY	MILLIONS OF BAHT	%AGE
Agriculture	14,134	30.9
Agriculture, Hunting and Forestry	13,745	30.1
Fishing	389	0.9
Non-Agriculture	31,610	69.1
Mining and quarrying	322	0.7
Manufacturing	1,799	3.9

- ACTIVITY	MILLIONS OF BAHT	%AGE
Electricity, Gas and Water Supply	746	1.6
Construction	1,811	4.0
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	8,736	19.1
Hotels and Restaurants	1,159	2.5
Transport, Storage and Communications	2,829	6.2
Financial Intermediation	1,828	4.0
Real Estate, Renting and Business Activities	2,597	5.7
Public Administration and Defence; Compulsory Social Security	3,131	6.8
Education	4,390	9.6
Health and Social Work	1,807	4.0
Other Community, Social and Personal Services Activities	359	0.8
Private Households with Employed Persons	98	0.2
Gross Provincial Product (GPP)	45,744	100
GPP Per Capita (Baht)	35,109	
Population(1,000 persons)	1,303	

Source: Chiang Rai Provincial Statistical Office.

Table 62 *Labour Market Indicators for Chiang Rai Province*

WORK STATUS	MALE	FEMALE	TOTAL	PERCENTAGE
Employer	44,191	8,899	53,090	7.6
Government Employee	23,696	20,293	43,989	6.3
Private Employee	124,018	101,417	225,435	32.3
Own Account Worker	138,397	100,468	238,865	34.2
Unpaid Family Worker	47,900	83,704	131,604	18.9
Member of producers' cooperatives	906	4,055	4,961	0.7
Total	379,108	318,836	697,944	100

Chiang Rai province has a total area of some 11,678,369 square meters or 7,298,981 Rai and is in the far north of the country, bounded by Burma to the west, Laos to the east and Chiang Mai Province to the south. The total population of Chiang Rai is just under 1¼ million people. Table 61 shows basic economic details about the province and Table 62 provides labour market indicators.

The labour force in Chiang Rai is about 714,094 people, of which 225,435 workers are in the private sector. However, only 43,723 workers are registered for social security, since the economy of Chiang Rai is based on agriculture and is largely informal in nature. Casual labour patterns extend throughout the province with average daily wages of between 80-120 baht – significantly below the stipulated legal minimum wage.

Barter and labour exchange are common. A principal source of labour is the hill tribes' people who mostly live in mountain villages, together with Thai workers aged over 40. Most younger workers have migrated elsewhere for work.

Social Security Office records show that some 76.7% of employers in the province employ nine or fewer workers. Large companies are scarce. Unofficial retail shop workers in Chiang Rai are estimated at about 30% of the total of workers and Provincial Statistical Office figures for 2005 suggest that 18.9% of workers are unpaid family workers.

This study shows that, in general, people in Chiang Rai are quite well educated. Most people who pursue higher studies will go to work in other provinces such as Lampang, Bangkok, Samut Prakan and Rayong, since there is little work appropriate for new graduates in Chiang Rai. Many interviewees suggest that, though there are many technical colleges in Chiang Rai, there are very few factories requiring the skills possessed by the graduates produced by those colleges. Most of the factories that do exist are rice mills and the majority of all business operations in the province are directly related to agriculture, tourism or small and medium sized retail outlets. There are four universities in Chiang Rai: Rajabhat University, Mae Fah Luang University, Rajamangalah University of Technology and Mahachulalongorn - Rajvitthayalai University. In addition, there are seven institutions under the Vocational Education Department (one of which is the Chiang Rai Agriculture and Technology College), while a further five institutions fall under the office of the private education commission. This indicates that there is capacity for educating the future workforce, although the exact nature of the curriculum remains to be established as far as labour market planning is concerned.

7. THE IMPACT OF CORRUPTION ON THE LABOUR MARKET

The impact of corruption on the labour market in the Chiang Rai region may be divided into the following areas: human trafficking; under-payment of wages and dangerous working conditions; environmental degradation and overall lower levels of contribution to economic development as a whole. Since corruption by definition occurs in secret and beyond public scrutiny, it is impossible to identify accurately exactly what the costs of the corruption actually are, although estimates are possible. Additionally, the costs are not always amenable to measurement by strictly financial means. For example, the trafficking of women, whether voluntary or involuntary, has a human cost on both the supply and the demand side which it is impossible to quantify. The additional costs of environmental degradation are also very difficult to calculate as they include the costs of future flooding and drought and forecasting the future, especially at a time of global climate change, is problematic. The World Bank assesses the costs of illegal logging as

reaching the level of billions of dollars but, since the transactions do not take place in open markets, then there can be no certitude as to the extent to whether appropriate prices are being set on either side (Reuters, 2006). To some extent, the suicides that follow floods on an annual basis in Thailand should be attributed to the illegal logging but no widely accepted scheme measures the value of human and family life.

In terms of the labour market more specifically, it is clear that many workers are obliged to work on a daily basis, with no job security, no guarantee of minimum wage payments and intense competition with other workers. This occurs, for example, in the tea-picking industry, which employs casual labour for many of its seasonal activities. The prevalence of low-cost and low value-added jobs resulting from the underpaying of salary means that marginally profitable activities remain profitable when corruption is employed – i.e. to avoid safety inspections or auditing. Consequently, graduates of tertiary level institutions in Chiang Rai are obliged to leave home to find work elsewhere, often in Bangkok, to be able to take advantage of their skills and competencies. Nearly all of those graduates with technical skills fall into this category. At the same time, the pool of unqualified and largely unskilled labour is being topped up by those farmers whose livelihoods have been negatively affected by the Free Trade Agreement with China, which has led to a steady stream of fruit and vegetables arriving from Yunnan province and distributed to the large retail chains now prevalent throughout Thailand. Entrepreneurial activity tends to be suppressed when low value-adding activity remains profitable because it is less risky. Indeed, the lack of the rule of law in the region that keeps it from reaching the higher level of economic and social development that would be possible.

People who are able to obtain higher quality employment with additional security are able to be part of developing local communities with more resources available for community services, public health and education facilities. This assists with political stability as well as better life opportunities for those involved, which is another desirable outcome.

8. CONCLUSIONS

It is clear that further research is required before more satisfactory estimates of the cost of corruption in any region of Thailand can be completed. The issue is particularly important in the current climate because of the need for the Kingdom to move away from the EAEM and towards a new vision for the economy which features steps taken towards the knowledge-based economy. This is necessary in order to provide evidence to create a labour market policy that recognises current and necessary future changes in the country and the ways in which the economy should be transformed.

In order to reduce the human and social costs attached to labour migration, it is necessary to redistribute resources from the centre to the regions of the country, thereby strengthening the regions. Strengthening the social fabric will reduce the reliance of individuals on precautionary saving (which is particularly problematic for communities relying on subsistence agriculture and its reliance upon the systemic infliction of personal debt) and enable individuals to obtain leverage from the assets that they are able to register. This method has proven to be successful in promoting regional and community development in a number of other countries.

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