

Kittipot Supasak 2009: Impact of Minimum Wage Law Enforcement on Unskilled Labor's Welfare 1992 – 2006. Master of Economics, Major Field: Economics, Department of Economics.  
Thesis Advisor: Assistant Professor Supachat Sukharomana, Ph.D. 92 pages.

The main objective of this study is to review the minimum wage enforcement and its impact on unskilled labor employment and labor's welfare. Secondary data of unskilled labor employment, labor force and minimum wage statistics over the period of secondary 1992 to 2006 are used for estimating the aggregate production function, demand for labor and the supply of labor. The estimated demand and the supply equations are used for estimating the labor productivity, market equilibrium and the effect of minimum wage on labor welfare. Thailand has enforced the minimum wage law since 1973. By the law, there is a committee having a function to set and change minimum wages. In 1998 the committee introduced differential minimum wage policies. Since then the minimum wage is set at different rates in corresponding to the economic conditions and standard of living of labor in each regions. The main purpose in enforcing minimum wage law is to protect workers to have sufficient income to live, eliminate the unfair competition of employers, and to support the economics and income distribution. In Thailand the unskilled labor are those who finished primary schools or no education. There was 28.8 millions in 1982 and reduce to 21.8 million in 2006.

The empirical study reveals that at the actual employment of unskilled labor, the value of marginal product of labor is higher than the minimum wage but the supply wage at the actual employment is less than the minimum wage. The calculated equilibrium wage rate is in between the value of labor productivity and the minimum wage. So, unskilled labor actually received wage higher than the minimum wage but less than the value of marginal products of labor at the actual employment. The minimum wage therefore did not increase wage of employed labor at the cost of unemployment or to increase excess supply of unskilled workers if it set higher than the equilibrium rate. As the worker receive wage higher than the minimum wage, the minimum wage therefore does not directly effect on the welfare of unskilled labor. The minimum wage may function like a preventive measure. The employer could not fully exercise market power to suppress wage rate to the unskilled labor supply wage rate.

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Thesis Advisor's signature