

# International Bridges and Informality

Kazunobu HAYAKAWA

*Bangkok Research Center, Institute of Developing  
Economies, Thailand*

Souknilanh KEOLA

*Development Studies Center, Institute of Developing  
Economies, Japan*

Sasatra SUDSAWASD

*School of Development Economics, National Institute  
of Development Administration, Thailand*

Kenta YAMANOUCHI

*Faculty of Economics, Kagawa University, Japan*

**Abstract:** This study empirically investigates the effect of establishing an international bridge on the formal-informal wage gap. We focus on the establishment of the second Thai Lao Friendship Bridge, which opened between Thailand and Laos in December 2006. Specifically, we examine the wage gap between formal and informal workers in the border regions of Thailand using the individual-level data from the Informal Employment Surveys for 2006 and 2011. We address endogeneity issues by using the instrumental variable method and introducing time-variant province fixed effects. Our findings can be summarized as follows. First, formal workers in agriculture tend to be male, married, and urban residents, while those in construction are urban residents and have more than elementary education. Second, we show significantly higher wages for formal workers than for informal workers. Third, we find that the establishment of the second bridge increased formal workers' wages more greatly than informal workers' wages, i.e., expanded the formal-informal wage gap. Such an effect is localized and can be observed within 100 or 200km from the bridge.

**Keywords:** International bridge; Informality; Thailand

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