EMPLOYMENT AND LIVELIHOODS

Lao PDR, 2009

The 4th National Human Development Report

Ministry of Planning and Investment, and UNDP

Lao PDR, Vientiane 2009

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FOREWORD

The Government of Lao PDR has partnered with the UNDP in furthering the development process of Lao PDR through different collaboration initiatives and implementation of programmes. During the period 2004-2009 two NHDRs have been prepared, one addressing issues in international trade (the 3rd NHDR of Lao PDR) published in 2006 and the 4th report focuses on how to promote employment and livelihood in the country. Among the other outcomes of the project have been strengthening capacities in collection, interpretation, analysis and use of data on human development.This NHDR has been fully guided by a National Advisory Board, a body composed of representatives from different ministries, the university, research institutes and international development cooperation agencies. It has navigated the whole process of preparation of this report, from identification of the topic and data collection to finalisation of the report. The Human Development Reporting process in this project has been a broad-based consultative process.

While Lao PDR's international ranking on the Human Development (HD) scale has improved in the recent years thanks to significant and recognised achievements in various economic and social development areas, it is still placed at the 130th place in 177 countries. This implies that there is still a lot of hard work ahead of us and the 4th NHDR is a bold attempt toward quantifying the challenges. The report constructs human development indicators for different provinces. This has led to identified regional disparities in Human Development across provinces.

The findings call for a greater attention at strengthening sectors that will generate employment opportunities for the poor, women and youth workers, promoting regionally spread and diversified economic activities and creating an environment for the national private sector and small and medium enterprises to grow in a sustainable manner. It also makes a compelling case for a larger attention toward rural areas and people: that the quality of life of rural communities must rise and they should be socially, politically and economically empowered.

From a policy perspective, rural areas require appropriate management of natural resources including land, water and forest. Additionally, greater investments and innovations in human resource development, education, and skill formation are essential. The report also points out the need for improving access to basic health facilities such as water and sanitation. The Ministry of Planning and Investment is confident that this report will contribute to furthering debate on the various facets of human development, and believes that its findings would be useful in the formulation of the Seventh- Five Year National Socio-Economic Development Plan (2011-2015) of Lao PDR.

Dr. Bounthavy Sisouphanthong
National Advisory Board Director,
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FOREWORD

Lao PDR is strongly committed to achieving the Millennium Development Goals (MDGs) by 2015 and graduating from its current Least Developed Country (LDC) status by 2020. Inclusive growth will be an absolute pre-requisite to meet these valuable development goals. Much remains to be done in this regard. Indeed, while the country has experienced strong economic growth in recent years and poverty rates have gone down from 46 percent in 1992/1993 to 27 percent in 2007/2008, regional disparities as well as consumption inequalities across population groups have increased.

The human development approach, supported by UNDP, recognises that there is no automatic link between economic growth and human progress, and that this link must be consciously and actively established through informed policies and interventions. This 4th National Human Development Report on Employment and Livelihoods provides valuable, evidence-based recommendations to do this.

Achieving higher levels of human development in any society depends on the human capacities available to carry out quality work under decent conditions. In the Lao PDR, the main high-employment industries are garment manufacture, wood and food processing, handicraft and tourism. These industries can help increase incomes, reduce poverty and ultimately expand people's opportunities and choices. Yet, these industries are still nascent and employ a small portion of the total workforce. The findings of the report indicate that while occupations have diversified away from agriculture over the past years, this has not happened on a very large scale and agriculture remains the mainstay of the Lao economy. Much of the labour force and their families still remain dependent on subsistence agriculture at impoverished or near impoverished levels due to lack of better livelihood choices. High GDP growth has not been matched with sufficiently high growth in jobs and income generating activities. Hence, there is a growing urgency for policy makers and planners to focus increasingly on the quality of GDP growth, including the underlying quality of the foreign direct investment (FDI) that is driving much of the higher growth in recent years.

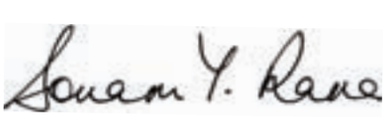
There is a pressing need to further develop a much more enabling environment for the private business sector, and increased investments for the more labour intensive and employment generating sectors. There is also a need for further refining the FDI promotion, selection and approval process to attract foreign investment that generates higher growth of sustainable jobs and incomes for Lao people; transfers valuable skills and technology for Lao workers; and safeguards the country's still highly valuable environmental assets.

The growing role in the economy of large scale natural resource based investment projects also needs to be balanced with much greater investments of the related revenues in health and education to boost the competitive capacity of the rapidly growing young labour force. Similarly, the growing role of foreign investments in land concessions and industrial crop plantations needs to be balanced with the country's future food security requirements as well as the growing opportunities in global markets for quality food exports given growing global demand and the outlook for a further upward trend in global food prices.

FOREWORD

The report offers a set of practical recommendations to respond to many of these opportunities and challenges. It suggests ways to promote off-farm and non-farm activities and micro enterprises in the private sector, supported by loans, technical assistance, community sharing of facilities and improved market access. It also promotes investing a larger share of available resources in education and vocational training institutions and as well as greater investments in agricultural productivity, manufacturing, and tourism as a way of promoting sustained and equitable growth leading to poverty reduction. Furthermore, given the current population dynamics, the report emphasises the need to target specifically the Lao youth through short and long term training in areas where employment chances are high.

I would like to express my sincere appreciation to the Department of Statistics (DOS) at the Ministry of Planning and Investment for taking the lead in preparing this NHDR, and also for their commitment and expertise. This report is the result of a successful partnership involving DOS as well as the Ministry of Education, the Ministry of Social Labour and Welfare, the National Economic Research Institute, the National University of Lao PDR and UNDP. We look forward to continuing this cooperation in the future in support of the high quality research required for decision-making.



Sonam Yangchen Rana
UNDP Resident Representative
Lao PDR

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This report has been prepared with a view to strengthening the employment and livelihoods component of the Seventh Five Year Plan of the Lao PDR. The study has been funded by the UNDP under the programme 'Strengthening Capacity for National Human Development Reporting'. Various studies for this report were conducted in co-operation with a very wide spectrum of people in the Lao PDR, ranging from farmers, labourers, migrant workers, factory workers, women, government officials at various levels and international experts. The project deeply appreciates their interest and the devotion of their time in helping prepare this report.

Special thanks are due to the thousands of families and workers scattered throughout far-flung villages and towns who patiently answered all our questions with a smile. Without their co-operation, the analysis in this report would have been restricted to a scrutiny of large data sets already collected by different government departments and ministries. We thank them and sincerely hope that the findings of this report help formulate government policies that would improve their employment and livelihood status in some manner.

Any report such as this needs co-operation from village chiefs, district chiefs, provincial officials and officials from a number of line ministries. Many of these people within the government at various levels worked selflessly to provide us critical information under difficult field circumstances.

A young team of researchers was associated with this project all along, collecting data, reviewing the literature, analysing the data and drafting parts of the report. They worked diligently and never complained about working at odd hours. The Computer Centre at the Department of Statistics, Ministry of Planning and Investment, entered and cleaned different data sets. We owe each of these personnel our gratitude. Additionally, three technical background papers were written for this report: by the Ministry of Education, the Ministry of Labour and Social Welfare, and the National Economic Research Institute. Each of these organisations collected fresh data and did some excellent analysis with the existing database. These formed very useful and authentic inputs into the report. Not only has their contribution broad-based the thought process, it has helped bring in many more partners on board as stakeholders, in addition to the Ministry of Planning and Investment.

The National Advisory Board guided the whole process of preparing the report and different supporting papers. Particularly the Chairman Dr. Bhounthavy Sisouphanthong (Vice Minister Ministry of Planning and Investment), patiently attended all the Board meetings, read various drafts and provided useful feedback from time to time. The members of the Advisory Board were, Mr. Robert Glofcheski (United Nations Development Programme, Co-chair), Mr. Bounsamack Saiyaseng (MPI), Dr. Leebor Leeboupao (National Economic Research Institute), Mr. Singkham Bounleutai (Ministry of Industry and Trade), Prof. Khamleuxa Nouansavanh (National University of Laos), Ms. Phonephet Boupha (Ministry of Education), Mr. Xaysongkham Phimmasone (National Agriculture and Forestry Research Institute), Ms. Phonedavanh Phinsavanh (Lao Women's Union), Mr. Khamsengdao Phatthammavong (Ministry of Commerce and Industry), Mr. Bounma Sitthisom (Ministry of Labour and Social Welfare), Ms. Sonam Y Rana (UNDP), Mr. Stephane Vigie (UNDP), Ms. Phanchinda Lengsavad (UNDP) and a representative from the International Labour Organisation.

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Vientiane, April 2009

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ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BDS	Business Development Services
CMR	Child Mortality Rate
CD	Community Development
DOS	Department of Statistics
DDD	Dangerous, Difficult and Dirty
EC-06	Economic Census of 2006
EDI	Equally Distributed Index
FDI	Foreign Direct Investment
GDI	Gender Development Index
GEM	Gender Empowerment Measure
GTZ	Gesellschaft für Technische Zusammenarbeit (German agency for technical cooperation)
GOL	Government of the Lao PDR
GDP	Gross Domestic Product
GRID	Gender Resource Information and Development Centre
HACCP	Hazard Analysis and Critical Control Point
HD	Human Development
HDI	Human Development Index
HDR	Human Development Report
HPI	Human Poverty Index
HRD	Human Resource Development

ABBREVIATIONS

ILO	International Labour Organisation
IMR	Infant Mortality Rate
IOM	International Organisation for Migration
ISO	International Organisation for Standardization
LANERAG	Literacy among new entrants to the relevant age groups
LECS	Lao Expenditure and Consumption Survey
LI	Low income
LMIS	Labour Market Information System
LWU	Lao Women's Union
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MFA	Multi-fibre Agreement
MICS	Multi-indicator Cluster Survey
MMR	Maternal Mortality Rate
MOE	Ministry of Education
MOLSW	Ministry of Labour and Social Welfare
MPI	Ministry of Planning and Investment
NAR	Net Attendance Rate
NEM	New Economic Mechanism
NER	Net Enrolment Rate
NERAG	New entrants to the relevant age groups
NERI	National Economic Research Institute

ABBREVIATIONS

NESRS	National Education System Reform Strategy
NFEE	Non-farm Economic Enterprises
NGO	Non-Government Organisation
NGPES	National Growth and Poverty Eradication Strategy
NHDR	National Human Development Report
NSEDP	National Socio-Economic Development Plan
NTFP	Non-Timber Forest Produce
OTH	Other Work
OFW	Overseas Filipino Workers
SE	Self-employed
SME	Small and Medium Enterprises
SEZ	Special Economic Zone
TVE	Technical and Vocational Education
TV	Television
TDRI	Thailand Development Research Institute
U	Unemployed (worker)
UFW	Unpaid Family Worker
UNDP	United Nations Development Programme
VDF	Village Development Fund
W	Willing (worker)
WE	Wage Employee (meaning casual wageworker)
WFP	World Food Programme

GLOSSARY

SELECTED WORDS AND PHRASES

1. Agrarian: It is the way of earning livelihoods based on land and natural resources in a pre-industrial set up (and in the process, identifying the role of each individual and resource, as well as defining institutions). Seen in the contemporary context, the technology, practices and resources-use in an agrarian set up are simple/sub-optimal, and the earnings of people are low in absolute terms.

2. Backward and forward linkages: Various economic activities linked to the main activity (e.g. mining project), like processing the ore (forward link), or providing/servicing inputs to the mining activities (backward link).

3. Casual wage work: It is work undertaken for a wage, for short periods. It most often refers to relatively low-skilled/unskilled work in agrarian set ups.

4. Current-status work: The work that a person undertakes now, or has undertaken in the immediate past (defined in terms of sector (e.g. agriculture, trade) and capacity (e.g. self-employed, wageworker)).

5. Decent work: Work is often considered 'decent' when work-standards are followed (regarding quality of work, earnings, health conditions, avoidance of child labour, etc.), social security benefits occur, and social dialogue between workers, employers and the government is prevalent. The word would assume a different meaning in different settings.

6. Employment: This refers to the engagement of a person in an economically meaningful activity. A person could be self-employed or be employed for a wage/salary. Words like 'job' and 'employment' are interchangeably used.

7. Human capital: This refers to the level of education and skills possessed by a person.

8. Human empowerment: These refer to the skills and capacities that people possess (including initiative).

9. Informal: It usually refers to an activity outside the purview of the law (or regulation). Crossing the international border for work without proper documentation is referred to as 'informal out-migration'. Similarly, work in sectors where regulation is minimal or nil, like vending edibles on a pushcart, is work in the 'informal sector'.

10. Jobless: A worker is jobless when s/he is involuntarily unemployed.

11. Knowledge-driven economy: The reference is to the modern economy, which is based on skills and technology rather on physical labour.

12. Livelihoods: It is the whole process of how households earn a living. The process is not restricted to income from one or two main activities, but includes self-provisioning, resources obtained from commons, incomes from

GLOSSARY
SELECTED WORDS AND PHRASES

migration, repatriation of funds, etc., by members of the household. The word 'livelihoods' is commonly used for agrarian set ups.

13. Multitask: Take up more than one activity at the same time. E.g., a teacher teaching two subjects to two groups of students sitting in the same room, simultaneously.

14. Occupational diversification: It refers to an enlargement of the span of economic activities of the workforce.

15. Off-farm/non-farm activities: Activities carried out by workers relating to agriculture but not agriculture, like food-processing, transporting farm products, tractor repair shops, etc., all located in villages. These activities broaden the span of work of farmers and the number of their income sources.

16. Outside agriculture work: Work far-removed from agriculture. This could be in construction, road-building, garments factories, etc., mainly located in cities and towns.

17. Residual job: These are leftover, small, auxiliary and irregular jobs. They usually do not form the mainstay of people's livelihoods when seen in the context of decent work.

18. Self-employed: An own account worker is also referred to as self-employed. S/he does not work for a wage or salary for others and earns his/her income through the proceeds of one's own activity (e.g. a farmer who tills his/her own land, or a shopkeeper who operates his/her own shop).

19. Sustainable: It refers to the possibility of continuing economic, social and other similar activities without overtly damaging the ecology, harming life or livelihoods of people.

20. Transferring the incidence of poverty: It is a situation when a poor person or entity passes the burden of one's own poverty to others. e.g. if a poor family gives the responsibility of one's children to other non-affluent family members or to other poor families, the latter bear the burden of looking after them and in the process, they become poor.

21. Underemployment: It is the employment status of a person who is not fully employed, but appears to be (or disguised as) engaged for most or all of his/her work time.

22. Wageworker: S/he is a worker who works for another person or establishment for a wage. Wageworkers usually work on short-term (often orally agreed upon) contracts. A wageworker differs from a regular employee since a regular employee has a term contract and a monthly/periodically paid salary.

EXECUTIVE SUMMARY

EMPOWERING PEOPLE THROUGH BETTER EMPLOYMENT AND LIVELIHOODS

PART 1: INTRODUCTION

OBJECTIVES

This report assesses the employment and livelihoods of primarily the non-affluent sections of society in the Lao PDR ('Laos') with a view to strengthening existing policies and proposing new ones to create more employment opportunities, and integrating the maximum number of workers into mainstream employment activities. In addition to analysing the overall employment situation and its relationship with economic growth, the report studies three groups:

1. People and workers in village rural areas,
2. Those in the urban lower-circuits (both waged-workers and self-employed who are unprotected by the law), and
3. Lao migrants to Thailand.

RAISON D'ÊTRE FOR THE STUDY

Laos is a low-income country where more than three-quarters of the population earns a living mainly from the land. Increasing population and integration of the economy and society with the external world are redefining land and resource use, and altering farmers' access to their basic means of livelihood. Consequently, the possibilities of job-loss, inequality and poverty are real in rural areas. The urban population and workforce, a quarter of the total workforce, is mainly engaged in low-income activities in urban labour markets. Little is known about their working and living conditions. While rates of urban poverty are lower than rural poverty, recently the proportion of poor in urban areas has been *rising*. Finally, people migrate out of Laos for work, mainly to Thailand. They face uncertainty, unemployment and (at times) exploitation. Integrating larger numbers of workers into mainstream employment and ensuring they have secure livelihoods is high on the government's development agenda. It is believed, therefore, that a study of labour and livelihoods is timely and useful for the formulation and implementation of public policy, such as the Seventh Five Year Plan.

Research for this report has been carried out in the belief that secure employment and livelihoods contribute to people's empowerment and a better quality of life. Part 2 of this summary presents an overview of the status of men and women at work: the quality of work, livelihood strategies, unemployment, and standards of living. Part 3 makes policy recommendations to increase employment and opportunities for decent work, especially among the groups listed above.

PART 2: THE MAIN FINDINGS

DEVELOPMENT ACHIEVEMENTS

The current progress is encouraging

There has been noteworthy economic and social progress made since Laos implemented the New Economic Mechanism ('NEM') in 1986. The economy has grown at a reasonably high rate of 6-7% annually through the past two decades, with agriculture, industry and services each having shown healthy growth, in particular industry. Garment manufacturing spearheaded growth in the 1990s, and natural resource-based industries—mining and hydroelectricity—thereafter. Export-oriented industries like garments

and tourism, and construction which accompanies these, have helped widen the occupational base beyond agriculture.

Laos is a transitional economy, and is transforming gradually. This cautious changeover has helped to soften the shocks that other transitional economies experienced in the early stages on the road to embracing a market economy. Laos collaborates with a number of bilateral and multilateral partners, and is a responsible recipient of international assistance. However, there are few if any independent non-government organisations ('NGOs') and civil society organisations. The government is responsive to the notion that an enabling environment is needed to broaden the span of partnerships, and is working towards this.

There has been a visible rise in literacy rates in recent years: literacy in the age group 15 to approximately 25 years is nearly 100%. Some fast progress has been made in health as well: the infant mortality rate ('IMR') reduced from 104 to 70 per 1,000 live births during 1995-2005. This overall reduction is especially marked in the survival rates of female infants. Finally, the proportion of the population living below the poverty line has reduced from 46% in 1992-1993 to about 27.6% in 2007-2008. All this has happened even though Laos has a multi-ethnic population, scattered over a vast inaccessible terrain and with a multitude of dialects and languages. There are wide inter-provincial variations in the education, health and poverty status of people. Sensitive to these facts, the government is making efforts to bridge these regional gaps.

…..but some big challenges remain

Laos faces challenges with respect to improving ordinary people's employment and livelihoods.

1. More than 75% of workers continue to be engaged in agrarian livelihoods, a clear indication that economic growth has not created jobs. Labour productivity in agriculture is 4-10 times less than that in non-agriculture; consequently, rural standards of living are lower than urban. A deteriorating natural resources-to-population ratio has further strained rural livelihoods. *Poverty proportions have reduced; however, this has not happened via employment. The high growth and high productivity sectors have not deployed workers in any significant numbers.*

2. Various development indicators suggest large inequalities between the interior in the north and centre-south (less developed and poorer), and areas that border the Mekong-river and plains in the centre-west (developed and less poor). Poverty proportions in the north are 12 percentage points higher than in the centre or south. A fifth of all villages are yet to be connected by all-weather roads and electric connectivity still needs to be extended to about 40% of all households. The interior, which remains relatively isolated, also has many ethnic groups, implying that these populations are less integrated into the overall development process.

3. Again, at an inter-provincial level, different human development ('HD') indicators have *moved differently* over time. Some have deteriorated (e.g., poverty has risen in some provinces), suggesting that the distribution of gains is geographically uneven.

4. Industrialisation has brought in many stakeholders in land and other natural resources. Consequently, farmers, who were previously the sole stakeholders, now have reduced access to land and other natural resources.

5. On the social sector scorecard, the average level of education in the population is only about four years; it is lower among ethnic groups and women. Only about 68% of children actually attend primary schools, and that figure reduces again for girl-children. In health, the IMR has *risen* in five provinces between 1995 and 2005, despite a fall at the national level, which is a serious concern. An incidence of child malnutrition of up to 50% is also disturbing. In addition, only 35% of the overall population has access to potable drinking water, and in the north, it is in the range of 10-20%.

THE EMPLOYMENT SITUATION

Too many people working in agriculture

As discussed above, labour productivity in agriculture is 4-10 times less than that in non-agricultural areas, and the high growth and high productivity sectors have not deployed workers in any significant proportions. An examination of the statistics demonstrates the trends. In 1995, 85.4% of the total workforce was engaged in the agricultural sector. This proportion reduced to 78.5% in 2005, just a 6.9 percentage-point shift, despite the share of agriculture of the Gross Domestic Product

('GDP') having reduced to less than half. There is a larger proportion of female workers compared to male workers in agriculture, though the rate of shift of female workers towards non-agricultural activities is higher (8%) compared to that of male workers (5.5%). In principle, any shift of workers away from agriculture is encouraging, but not all jobs in non-agriculture are upwardly mobile. Some jobs in the informal sectors (especially in services) are arduous and low paying.

The small proportion of workers in the non-farm sectors is stark. Industry employs only about 4.8% of the total workforce: manufacturing 3.9% (mainly in food, wood processing, and garments); mining 0.3%; electricity (plus water and gas) 0.2%; and construction 0.4%. The service sector employs 16.7% of the workforce: the government 6.1%; wholesale and retail trade 4.9%; and education and health sectors together employ 2.1%. Among those who joined the workforce during 1995-2005, less than half diversified into non-farm jobs. Workers in the interior provinces have had fewer non-farm jobs; even fewer among the ethnic groups have occupations outside agriculture. The structure of the workforce and the trend therein, once again shows the low involvement of workers in modern economic activities.

Productive and remunerative employment holds the key to reducing poverty and improving human development. Low levels of employment in the industrial and service sectors, and low labour productivity in agriculture are important reasons for low quality employment, modest standards of living, and low HD.

The composition of growth blights employment

The percentage increase in employment in Laos when the GDP rises by one percent is low at 0.40. It is low in agriculture at 0.37 (the agricultural *yield rate* has not expanded significantly in recent years); in industry it is 0.57 [mining 0.29, electricity (plus gas, water and sewerage) 0.38, and manufacturing (plus construction) 0.63]; and in services 0.94 (trade 0.73, and hotels and restaurants 1.32).

Economic growth since the 1990s has centred on a narrow band of: (a) labour intensive (and low capital-intensive) sectors; and (b) non-labour intensive (and high capital-intensive) sectors. In the new millennium, investment flow was greater in the *latter*. Data for 2003-2007 (4-year average) show that about 61% of total investment in major projects was committed to mining and hydroelectricity projects alone, which are both capital intensive. Mining has grown 100 *times* in the last five years and now constitutes more than 12% of the GDP of Laos. However, fewer than 8,000 direct jobs have been created in the mining sector, and in electricity (plus gas and water), fewer again. Among the labour intensive sectors, garment manufacturing is the flagship, followed by wood processing, furniture making and food processing (among others), providing some 15% of total non-farm employment. During the 1990s and the earlier part of the new millennium, growth in these sectors was rapid. Thereafter, growth in each of them has slowed down. New investments in garment manufacturing for 2006-2007 (2-year average) were a trickle, amounting to <0.5% of the value of investment in major projects.

Reasons for the slowdown in labour intensive sectors are:

1. Garment exports face open competition, now that the quota systems have expired. Labour productivity is low and other costs are high (especially transport and delays), and therefore manufacturers find it difficult to compete in open markets,

2. Wood processing industries in neighbouring countries outmatch Lao industries in product quality and price. In addition, quality wood is no longer easily available to Lao industry,

3. The food processing industry falls short in reliable supply of raw materials,

4. Entry into the larger markets is difficult for all, and

5. All sectors face shortages of quality workers, and procedural and legal difficulties in doing business in Laos.

While the government has declared the private sector to be the main growth engine of the economy, *the national private sector and Small and Medium Enterprises ('SME') have been slow to grow. One indicator: the Lao share in total major investments in Laos was only about 13 percent of the total in 2006.* Growth in the national private sector has been constrained by inadequate financial services and means of mobilising savings, discretionary taxes, excessive regulation, inadequate inter-business linkage, and poor infrastructure, among other reasons. If the national private sector grows, it has the potential to create many more jobs.

THE HUMAN FACTOR – EMPLOYABILITY

At an average education level of about four years, it is unrealistic to expect people to achieve high productivity and obtain well paying jobs. In addition, the quality of education received is indifferent.

Technical and vocational education ('TVE') is also wanting. There were only 643 students enrolled in vocational schools and 15,102 students in technical schools in 2007-2008, with girls constituting about 30-35% of the total enrolment, opting mainly for subjects like tailoring and cooking. TVE schools mostly offer training for 2-3 years after Grade 11. They offer diplomas and certificates but not degrees; consequently, the jobs that graduates obtain are not at managerial level. The schools are located in large cities, courses are expensive, and are of relatively long duration. Consequently, the students for whom these courses are intended prefer university degrees even if they are in non-technical disciplines. *The indifferent quality of teaching further deters students from enrolling.* In 2007-2008, there was a *70% drop* in enrolment in vocational education and a small drop in enrolment in technical education.

LIVELIHOOD ISSUES IN THE AGRARIAN SECTOR

Almost all workers engaged in the agricultural sector could be more appropriately termed as 'agrarian workers'. An 'agrarian system' is *a mode of livelihood.* In contrast to 'market-oriented' activities, an agrarian system does not optimise production or even produce for exchange. Farmers in this system produce just enough to support their food and non-food needs. The fact that the per capita income in the agrarian economy in Laos is less than half the national average speaks of the prevailing low productivity therein. The effective transformation of agrarian systems to market systems has eluded politicians and policymakers everywhere, and Laos is no different.

Agrarian activities may no longer provide sufficient livelihoods

Laos has a large land area with a small population, but over 70% of its area is undulating, some 35-40% forested, and an unknown area contaminated by unexploded ordinance (these numbers overlap). *Less than 5% of Laos' land area is used for agriculture, and agricultural land per farm-worker does not exceed half a hectare.*

Most farmers are engaged on small land-plots. Males usually identify themselves as 'self-employed workers', and females as 'unpaid family-workers', which places them at a lower level in the hierarchy of jobs. A small shift in workers from agriculture towards non-farm activities through 1995-2005 has not made much difference, as the natural increase in the workforce of about 2.5% annually has *increased* the population dependent on land. *Farmers have been claiming forestland and grazing land for crops, increasing the total cropland at a rate of about 4.7% each year in the last decade. This is larger than the annual growth of production in the sector.* Thus, output in the agricultural sector has grown mainly owing to the expansion of the area under cultivation, with little evidence of yield-rate growth. Such a trend is not sustainable.

As seen from a sample study of 2,043 households in 20 villages, 5-8% of workers (more male than female), have taken to working as full time 'casual labourers', a class of workers which mainly earns its living by hiring out labour for a wage. Most of them are either landless or possess very little land and possess few, if any, skills. Because of the increase in numbers of this class of workers (due to population growth), there is more competition for the same jobs, exerting a downward pressure on wages. In addition, in a 'knowledge economy', the demand for unskilled work declines over time. Experiences from other parts of Asia suggest that *eventually* people in this group become the poorest and most vulnerable in society.

Consequently, there is joblessness in rural areas....

There is both unemployment and underemployment in rural areas. The unemployment rate—measured as a ratio of the person-days involuntarily not worked to total person-days—could be in the range 12-15%, as seen from the sample of 20 villages mentioned above. Female workers experience higher unemployment and sharper seasonal peaks and troughs in employment. In addition, unemployment is higher among the poor, the landless and small farmers, ethnic groups and the internally relocated. *That the weaker sections of society face a larger incidence of unemployment is a matter of concern.*

Many workers withdraw from the workforce in the dry season and rejoin in the wet season. In the past, especially in the agrarian sector, seasonal withdrawal from work was considered voluntary, for self-provisioning.

However, in recent years—with external exposure, low availability of forest produce and more people to feed—workers find that they are no longer able to 'afford' this withdrawal since there is pressing demand for cash. They now redefine this seasonal withdrawal as involuntary idleness, at least for part of the time. Underemployment depends upon how it is measured. In the 20-village sample, the percentage of workers who wish to work more (or work in a different capacity from their present one), is as high as 56% of the workforce!

Agricultural land inequality and landlessness are rising

Both agricultural land inequality and landlessness threaten people's livelihoods. In the said sample study, up to 15% of rural households are landless, half of which engage in sharecropping or hiring land. About two-thirds of landless farmers subsist below the poverty line.

There are many reasons for landlessness and land inequality:

1. The population growth rate exceeded 2% in the 1980s and 1990s, swelling the workforce,

2. Less than perfect implementation of the land transfer process to land concessionaires or mining and hydroelectricity companies has resulted in some farmers losing land, and

3. Land, especially the fertile Mekong plains, has attracted in-migration, resulting in agricultural land plots becoming smaller and/or increased landlessness.

Human capital poverty in rural areas

The average human-capital stock in a household—measured by the number of years of education per capita (for persons aged 10 years or above) —is 3.7 years in the sample study. The threshold of 'human-capital poverty', i.e. the minimum number of years of education required per capita in a household (as per a norm), is 2.06. About 36% of households are below the human-capital poverty line in the sample study. Human-capital poverty in the sample study ranges from a high of 92% in the northern villages to a low of about 10% in the market-linked villages. It is more than 90% among the Sino-Tibetan group, followed by Mon-Khmer and Hmong-Iu Mien, and then Lao-Tai. This shows a significant and undeniable relationship between human capital stock, employability and incomes. Put another way, people who do not receive much education suffer because they do not have sufficient human capacity to make them employable in a wider range of activities that attract remuneration.

THE URBAN 'LOWER CIRCUIT' DOES NOT ALWAYS PROVIDE 'DECENT JOBS'

The 'lower circuit' consists of those workers who might or might not work in the so-called informal sectors. They could be self-employed, wageworkers or helpers, but almost all are low-skilled, low-paid, generally unprotected by the law (or whose work conditions are unregulated), and are engaged in uncertain work environments. Urban 'lower circuit' workers constitute most of the 21.5% of non-farm workers in Laos.

Uncertain work conditions and earnings

These workers regularly work for 55-70 hours a week without break, to earn modest amounts; yet they save money, to support their families back in their villages. Many face exploitation and some risk losing money in their small-sized businesses. A few might notionally be covered by one or another regulatory clause but these workers rarely enjoy the privilege, as compliance with the law is low. E.g., garment industry workers are supposed to be covered by the law, but more than half of those surveyed (in the 800-worker urban survey) did not have written employment contracts. The Third National Human Development Report ('NHDR') identified the garment industry as a high HD industry, based on the jobs it creates. However, it really only becomes a high HD industry *if it follows decent work conditions.*

All workers face frequent bouts of unemployment. These are periods when their livelihoods are threatened, as they primarily survive on only one source of income at a time. The sample study suggests that up to 64% of workers face job uncertainty (more male than female), 12-13% of workers faced breaks in employment or unemployment in the past year (more female than male), and about 26% of workers feel that they are underemployed (more female than male). The survey also suggests that the wageworkers earn no more than 0.6-0.7 million Kip per month *during the periods when they earn,* this converts about 10,000-15,000 Kip a day for the low-end workers.

Job entry and mobility

Entry into the job market, job mobility or any other transaction is informal, through kinship, friendship,

and relationship. New workers come into the job market with help received from kith and kin, for which there is informal payment (or favour) in cash or kind.

Only a few in the sample study have had formal technical or vocational training. Moreover, the sectors themselves are shallow (i.e., the value-added is small), permitting little room for workers to climb up a job ladder. For instance, there is little upward mobility in selling fish on a roadside, unless a worker switches his/her occupation, which is not common.

MIGRANT WORKERS ARE ASSETS

How many are there, and where do they go?

International migrants from Laos are about 8% of the workforce, mainly working in Thailand. Their savings and remittances are estimated to constitute an amount equivalent to about 7% of Laos' GDP. Without these workers migrating out of Laos for work, the local labour markets would be far more depressed than they are now.

Outbound Lao workers are seldom protected by laws because a majority of them cross the border informally. For reasons which are not clear, rules and regulations in Laos appear to be more cumbersome (and expensive to the migrant workers) compared to those in Thailand; hence, more than half the Lao migrants in Thailand are registered *there*, while less than 5% of them are registered in Laos. It is another issue that registration in Thailand is of little help, as compliance with laws regarding working conditions is low in Thailand for immigrant workers. Migrants are regularly engaged for unspecified long hours without breaks. Those employed in small factories are found to work long hours under unhealthy conditions; those on construction sites are not necessarily provided with protective gear, consequently becoming victims of accidents from time to time; in the domestic sector, they are on call round the clock; and examples of such 'dangerous, difficult and dirty' work ('DDD'), are plentiful. In addition, many face exploitation (for example with employment contracts not honoured), and some are trafficked. Finally, *all* face periods of unemployment. A few, in desperation, report to the Lao Embassy in Thailand only to be deported back, and be charged a steep fee for the privilege.

As with the urban lower circuits, here too, informal channels (of kinship, friendship and relationship) help workers to enter job markets, remit money or climb up the job ladder. However, these informal channels are fraught with dangers: cheating, arrest, fines or theft.

Finally, means for the reintegration of returned migrants to Laos are few, limited to helping trafficking victims. Since Laos desperately requires skilled workers and many of these migrants acquire skills in Thailand, not using them appropriately in the workforce is a case of missed opportunities.

PART 3: PROMISES TO KEEP – POLICIES FOR IMPROVEMENT

The National Strategies Statement at the Eighth Party Congress has resolved to remove Laos from the list of the world's 'least-developed countries' by 2020. To achieve this, the government is attempting to transform a previously inward looking economy into an open economy, integrated with the Association of Southeast Asian Nations ('ASEAN') and the rest of the world. Within Laos, the government has committed additional resources in 47 earmarked districts requiring special attention, with a view to alleviate poverty. In addition, steps to improve employment (and living conditions) in urban areas, modernise agriculture and preserve natural resources are among many measures to which the government is committed.

Stated below are a set of measures that would specifically help promote employment and ordinary people's livelihoods. *Not all recommendations made here are new. Many are reiterations of those already made (including in government documents and the Third NHDR) and some are expansions of and supplements to the present policies. A few are adaptations of best practices from other countries or recommended new ones.* After all, as Mahbub ul Haq, the principal architect and advocate of HD said, keep saying the same thing repeatedly; people will listen some time.

CROSSCUTTING ISSUES IN RAISING HUMAN DEVELOPMENT

1. The unemployed, underemployed and poor are a heterogeneous group. Some among them can benefit from market or state-sponsored pro-active policies and incentives, while others are less able to benefit, since they are located in remote areas, poorly endowed or disempowered. For the latter, in addition to area-specific targeting, household and individual level targeting is essential to reach out to them.

2. In the same vein, gender and ethnic considerations should be explicit in all development programmes.

3. Equity, sustainability and people's empowerment are hallmarks of HD. To support these (especially in rural areas), interventions and projects that use water, land and other natural resources in ways which adversely affect the environment or people's livelihoods should be re-examined and improvements made where appropriate.

4. Data collection capacity at disaggregated levels requires strengthening to enable HD monitoring, for which institutional arrangements to train staff need to be put in place.

5. Applied research in select areas can help develop insights, required for promoting HD. Some areas are: health, internal migration, girl child education, off-farm and non-farm jobs, training for employability, and mainstreaming ethnic groups.

6. There should be parity in social, physical and social investments between different regions.

RAISING PEOPLES' LIVELIHOODS: MORE AND BETTER JOBS IN NON-FARM SECTORS

The need for industry and non-farm sectors to grow and absorb workers and provide them with decent work is paramount.

Mining and hydroelectricity: It should be a priority for the government to formulate policies for the mining and hydroelectricity sectors to create more direct and indirect employment. Many jobs can be created if 'downstream' industries (both material processing and material using) grow. A dynamic, nationally rooted private sector (SME or otherwise) can help this to happen. There is also the possibility of farming-out some components of the non-core activities like food/catering services supply, transport and repairs to locals. This would create extra jobs locally, as well as expose local workers to new work environments. The mining and hydroelectricity companies should also be persuaded to transfer some parts of the core technology to their locally employed professionals, at least the newer projects – this would help localise mining operations and help promote SMEs in the longer run. Finally, since mining is likely to be an important activity in the Lao economy for at least the next 2-3 decades if not more, a training-cum-research institute in mining and geology can help in a variety of ways, the most important being better control over Laos' own resources.

Other labour-intensive activities: It would be advantageous to put in place a comprehensive policy package for reviving and scaling up labour-intensive industries, whether they are large, medium, small, or micro-scale (i.e., single-worker enterprises). Infrastructure, credit, costs, administrative procedures (regulation, taxes and predictability) and an attractive business climate are central to this. More specifically, the garment industry requires reductions in transport costs, handling costs and taxes, wood processing requires a larger supply of good quality raw wood, food processing requires 'contract farming' arrangements with farmers, and so on. Similarly, in the service sector, tourism could grow more rapidly if infrastructure and transport connections improve. Opening up some of the vast interior areas to tourism could also yield dividends, e.g., the relatively unexplored northern-most provinces of Phongsaly and Huaphanh. The education and health sectors possess potential to grow and create more jobs if a clear policy of public-private partnership, accreditation, costing, subsidies, scholarships and insurance is developed and implemented. Improvements in the education and health sectors would also raise community awareness of the benefits of better education and health, particularly among women and ethnic groups.

The national private sector: Special effort needs be made to vitalise the nascent national private sector, particularly the SMEs, for mining and hydropower related activities, and others. This would also help Laos broaden the spectrum of its activities beyond garments, wood processing and food processing. This would require channelling savings into manufacturing and service activities. The starting point for this funds mobilisation could be the village-based savings and credit societies, since most villages have them. Second, better coordination between banks, micro credit organisations and the national private sector could assist the national private sector to convert savings into investments. As for the modalities, more research and discussion is required. Other possible steps are strengthening manufacturers' associations to make them larger stakeholders in the national economic decision-making process, transferring technologies, creating backward linkages of larger industries (and services) in Thailand or Vietnam, and establishing (demand-led) Special Economic Zones ('SEZ'). A national debate on this topic would yield many new ideas.

The micro sector: Finally, growth of micro-scale non-farm and off-farm activities, both in rural and urban

areas, is a quick way to diversify occupations. Many workers are already engaged in a number of them, part time or full time. These activities need strengthening through improved technology, collective action, and access to credit. Four concrete initiatives, tried and tested in one or another form elsewhere, are:

1. Legally recognising at least the urban micro enterprises as businesses,

2. Establishing business development services for micro enterprises,

3. Forming groups of self-employed in localised neighbourhoods for sharing indivisible assets (e.g., deep freezers, boats, others); here, community development methods can be helpful, and

4. Promoting micro credit.

More research and detailed discussions are required for formulating operational policies in this area.

RAISING EMPLOYABILITY THROUGH HUMAN CAPITAL

The Technical and Vocational Education path

Given that the TVE system is not synchronised fully with industry, and that young people are increasingly hesitant to enrol in these courses, the TVE system needs a complete overhaul to become more relevant and demand-responsive. Steps proposed here to making TVE more accessible to the youth are:

1. Improving the quality of teaching and teachers,

2. Revising the syllabi to make them modular (i.e., 1-year certificate holders should be able to do another year to become 2-year diploma holders – this is already being considered). Additionally, some courses should be designed to serve specific regions and the resources therein. The teaching of English is recommended, as most books are available only in the English language,

3. Emphasising practical training, for which more equipment and laboratories need to be constructed, and library stocks improved,

4. Changing the admissions procedures to make them more merit-based,

5. Establishing collaborations with foreign institutions on an exchange basis for faculty improvement,

6. Bringing in private sector participation in different advisory capacities at an appropriate level,

7. Raising the number of admission points to TVE, particularly at the lower level; e.g., raising the proportion of students who can take admission after Grade 8, or even consider lowering the admission requirement to Grade 5 or 6 level, in some vocational courses,

8. Raising flexibility in imparting training, e.g., introducing/expanding night classes and weekend classes, and

9. Upgrading some schools to become degree-awarding colleges. This would create a repository of technical knowledge in the country, which would also be helpful in mentoring the TVE system.

A skills demand survey should be carried out to assist the Ministry of Education design appropriate skills development strategies.

More resources are needed than are available at present.

Beyond formal training

A different mindset is required to foster a cadre of quality workers who are able and willing to take up off and non-farm jobs in large numbers. The real clientele of job-oriented technical and vocational training are the rural and urban youth belonging to low-income groups with an average education level of 5-7 years. Often, they want to move beyond the agrarian or menial, stagnant and/or uncertain non-farm jobs. The training schools and workshops should be small and regionally dispersed, preferably located near where the prospective students live, and admissions should be decentralised to meet the local needs. Courses should generally be for a short duration of a few weeks or months, and be practical. In addition, the course schedules should be flexible i.e., if in a 4-week programme, a student wishes to do three weeks and take a break to complete the fourth week later, the system should permit it. The training system should equip students with skills in entrepreneurship as well, so that they are prepared for both self-employment and wage employment. Finally, it should be inexpensive. The aim should be to train about 10,000-12,000 youth each year. Types of training could include the following:

1. For training requiring machine exposure, training centres need to be established which could also serve as *service centres,* to help assess the demand for the training, as well as earn some revenue,

2. In select cases, where the students are not able to travel for their study (e.g., students in hilly areas, with dependent parents, not able to leave their current employment for the duration of the study, etc.), mobile training is an option. Training facilities could be truck-mounted, which could be transported from one village-cluster or city-centre to another on specific dates according to a pre-published calendar. Short-term mobile training has an added advantage in that *trainers* can discover actual problems faced in the field, thereby also acting as trouble-shooters, and

3. In some cases, single trainers could suffice; e.g., animal husbandry, modern agricultural practices, food-processing, retailing, accounting, grocery shops etc.

A job link (like a placement agency) for waged employment, and/or access to credit for self-employment would also help.

RAISING RURAL PEOPLES' INCOMES

Some early signs of 'rural stress' are visible, particularly in the hinterland, and mitigation measures need to be taken *now*, before 'rural distress' sets in. For this, more and higher paid jobs are needed. Many countries are transforming agrarian systems and reviving agriculture, in addition to providing support for non-farm sectors and addressing special problems in underdeveloped areas, households and population groups. Approaches applicable to Laos could be as below.

Addressing agricultural land issues

1. Land titling helps develop *land markets*, necessary for agricultural modernisation. The government began the process of land registration several years ago. This is expected to be completed in the next 15-20 years, and it must be fast tracked. Ideally, land should be registered jointly in both names of the couple owning it (and not just in the name of the husband).

2. Agricultural land-holdings must be rationalised so that land is not split into too small pieces to be economical. Experiences of land consolidation from other countries (e.g., Chile, Egypt, India, Iraq, Japan, Lebanon, Mexico, South Korea and Syria, among others), could assist in deciding what policies would be most suitable here.

3. Land policy should be framed to prevent a crisis of livelihoods, owing to involuntary land loss or land loss due to inadequate information. A livelihoods policy, implementation of the 'relocation package' *before* acquisition of land, periodic assessment of the livelihood conditions in the relocated or re-grouped sites, and a monitoring and evaluation scheme, are all essential in the case of village and/or population relocation or re-grouping.

Raising income from agriculture

1. In relation to agricultural modernisation: modern inputs (including quality seeds), access to credit, crop rotation, multiple cropping, adopting a 'farming-systems' approach (i.e., integrating crop, tree, plantation and livestock), and a host of other innovations could help. Special assistance to smaller landholders, women farmers and ethnic groups should be a priority.

2. Developing irrigation, which is ecologically sustainable, equitable and participatory, is always helpful.

3. Farm extension services including community-based services, 'Training and Visit Systems', etc., are vital, especially for small-scale and remotely located farmers.

4. Ensuring markets and fair prices to farmers should be a top priority. Farmers' cartels for collective bargaining, use of electronic media to obtain information on prices, and contract farming are some methods that could be used.

In the present conditions, raising family farm incomes, rather than promoting large plantations, can ensure create more jobs and ensure a better distribution of income, assets and land, and empower people.

Beyond agriculture

A case for strengthening the off-farm and non-farm jobs (especially micro enterprises) been made earlier. Many rural-based workers, however, are not able to take up self-employment. They face seasonal unemployment, and hence poverty, particularly during lean agricultural seasons. Initiating wage employment

programmes—employment on demand, for unskilled work to create public infrastructure, for a minimum wage—seasonally or in periods of high unemployment can go a long way in extending social assistance to people, with dignity, in addition to strengthening rural infrastructure.

PROMOTING DECENT WORK AMONG URBAN WORKERS

1. The usefulness of establishing labour market information systems, especially for the 'lower circuits' in urban labour markets, must be emphasised. It should contain information on currently available jobs, employment options, training opportunities and such other information that people could use for accessing jobs. It should also contain information useful for employers, like individual profiles of job seekers.

2. Setting up Business Development Services for self-employment start-ups (i.e., advice on credit, training, markets, technology, how to start a business etc.) is helpful.

3. An all-round improvement in workers' skills is essential to increase their occupational mobility; an approach for this has been suggested above, under 'Raising employability through human capital'.

4. Social security (especially, micro insurance schemes for health) and similar schemes could help tide workers over during times of health difficulties. Operational models of micro insurance exist in other countries, but their implementation in the context of Laos requires more discussion.

5. Wageworkers must have written work contracts to reduce their vulnerability. The Ministry of Labour and Social Welfare, the Lao Trade Union and other relevant agencies should reach out to workers more widely, informing them about different government policies, rules, and their rights as employees.

MAINSTREAMING MIGRANTS

Keeping in view their numbers and the contributions of migrant workers to the Lao economy, the need to provide greater prominence to them in public policy is paramount. The following approaches, many experimented with in other countries, are suggested.

1. While a large proportion of out-ward migrants are considered 'illegal' according to Lao rules and regulations, significant numbers register with authorities in Thailand. This anomaly speaks of the urgency of introducing greater harmonisation between the two countries' migration rules and regulations. Efforts should also be made to legalise the status of outbound workers, and Lao authorities should reconsider fining informal migrant workers because the aim of the government should be to maximise the benefits of the migrant workers, not to punish them for their migration.

2. Because workers choose informal travel and job-access channels (being quicker, cheaper and more user-friendly despite the hazards involved), serious thought must be given to *legalising* some of these informal routes, to keep pace with reality. Such legalisation would also bring these informal methods under some form of state regulation. Monies are also remitted through informal channels, they being cheaper, quicker and more user-friendly (despite the risks of theft of the money etc.). It should be possible to 'regularise' some of these transfer routes as well. Finally, reintegration should cover all workers, and not just victims of trafficking. In other countries, returning migrants are provided incentives such as support to start businesses, opportunities to apply their skills, and tax-breaks. These could be selectively examined for possible application in the Lao context.

INVESTING IN PEOPLE

The Sixth National Socio-Economic Development Plan (NSEDP) has prioritised four main areas for promoting human development: human capital, health, agriculture, and infrastructure. Recent reports from the government find that progress on these areas is steady, but HD would benefit from continued efforts in the future.

Primary education must assume priority

The critical link between education, skills and quality employment (and earnings), does not need repeating. The government spends a little under 3% of the GDP on education. This falls far short of the *more than double this proportion* spent in South Korea, Malaysia and similar achievers in Asia. This increase is necessary to provide universal primary school education in Laos, in addition to meeting the expenses of improving

secondary school, vocational, technical and higher education.

Some steps for ensuring universal primary education are as below.

1. *Overcoming teacher shortage*: Holding multi-grade classes is now a widely accepted approach to overcoming teacher shortages. This involves a single teacher teaching more than one class *and* more than one subject, often in the same premises and at the same time. Multi-grade teachers are expected to 'multi-task', for which there is special training. To make it more attractive to teachers, they could be offered incentives such as extra pay, quicker promotions, postings of their choice after teaching multi-grade classes, housing, etc. To supplement multi-grade teaching, schools could draw upon the services of educated village youth (e.g., schooled up to grades 7-8) especially for translation, in locales where people speak dialects other than Lao.

2. *Increasing school attendance and retention rates*: Many children lag behind in analytical and numerical skills, and they withdraw from school due to this inadequacy. To address this problem, many countries now offer 'remedial-education'. Its essential components involve holding extra classes, organising bridging classes, and finally, plugging- or re-plugging-in students into the educational system. This could be introduced on a pilot basis. Next, a school mid-day meal shields children against hunger in addition to raising their mental alertness. The World Food Programme ('WFP') has introduced school meal programmes in some northern provinces of Laos. This should be expanded upon and institutionalised.

3. *Partnerships*: It is imperative to organise and strengthen parent-teacher associations. Partnership with the private sector in specific sub-components of education could also help.

4. *Standards*: Establishing demonstration schools on an experimental basis, which would provide quality education in mathematics, languages, etc., could help set higher educational standards.

5. *Others:* Mobile libraries could be initiated in villages on a pilot basis.

So should health…

The critical link between health and employment needs no repeating. The government allocation to health must rise from the current less than 1% of the GDP to at least 2-3%, which is the prevailing norm in countries that have made rapid progress on this front. Some other approaches to mitigate the problem are suggested below.

1. Nutrition and child health in identified provinces (especially where IMR has risen) require urgent intervention. Special surveys need to be conducted these areas. Health surveillance systems, in place in many countries in Asia, could be set up on a pilot basis to monitor the progress in health.

2. One of the cheapest and most effective approaches to good health is the provision of clean drinking water. This can now be made available at virtually no cost, using solar energy. Obviously improved health is more complicated than providing clean water, but a germ and bacteria-free environment is a good starting point. See http://www.sodis.ch for inexpensive methods of providing clean water using solar energy.

3. School nutrition programmes (mentioned earlier) should be promoted.

In addition, regional parity.….

Various indices of human development, human poverty and income poverty show the provinces of Attapeu, Phongsaly, Saravane, Sekong, Huaphanh and Oudomxay to be at the lowest rungs. All these provinces are isolated, located on undulating terrain and slopes, and are partly inhabited by various ethnic groups. Next, some other provinces like Savannakhet, Khammuane, Champasack and Xayabury have lost ground in HD ranking in the last decade. It is evident that some regions are not doing as well as others. In addition, there is the large rural-urban gap in infrastructure and livelihood means, which must also be addressed. These trends need reversal, not only for reasons of social and economic justice and parity, but also social stability. Increased public investments should be earmarked for the identified provinces and there should be special policies to attract private investment and international communities' interest in these provinces.

A postscript:

As this report is finalised, a global recession looms large, casting its shadow over the Southeast Asian economies, among others. Since Laos is not adequately integrated into the global economy, it is difficult to predict the impact of the international financial crisis on it. However, exports, direct foreign investment into the country, profitability of joint international ventures (like mining operations), international migration streams out of Laos and international aid, might all reduce, adversely affecting employment and stopping or slowing down the implementation of many of the policies proposed above. The immediate response of the government should be to protect the vulnerable, and other affected sections of the society, e.g., retrenched garment workers, returned migrants, etc. through appropriate safety nets.

Data sources

The report draws upon a number of existing government data sources: the Population Censuses of 1995 and 2005, Lao Expenditure Consumption Surveys (1992-93, 1997-98, 2002-03 and 2007-08), the Economic Census of 2006, and other publications brought out by different government organisations. In addition, a primary survey of 2,043 rural households in six provinces and 800 low-income workers in four cities, qualitative interviews with migrants in six villages in three provinces, and studies in seven technical and vocational schools conducted in 2007-08 underlie the database.

POLICY INITIATIVES – A SNAPSHOT

	Issues	Current Situation	Initiatives
1	Low economic diversification	The non-labour intensive industries growing rapidly, they create fewer jobs.	- Enterprise Law passed; Prime Minister's decree on SMEs issued - Not much progress in SME or private sector growth
2	Joblessness, poverty, inequality and assetlessness in rural areas	- Demographic pressure reducing land/ NTFP per capita; internal migration changing demography - Markets imperfect - Land productivity low - Some farmers lose livelihoods due to inadequate rehabilitation implementation	- Cadastral exercises slow - Dynamics of land markets not known - Agricultural extension limited - No contingency for land loss
3	Few job options outside farms (rural & urban)	- Non-farm and off-farm activities are extensions of work in agrarian settings	- Law for SMEs passed, but micro sector is not SME
4	Urban 'lower-circuit' workers not getting decent jobs	- Job uncertainty, low wages, unemployment and unhealthy working environment - Market access informal, controlled by kinship, etc; - Little vertical mobility	- Labour law does not cover all workers, - Compliance low - No development plans for 'lower-circuit'
5	Migrant workers less recognised despite their contribution	- They could be about 220,000 in number - Despite contributing savings equal to 7% GDP through remittances, many are unprotected/exploited	Travel, job access, money transfer, etc. informal, despite treaties – each not very safe
6	Human capital status is low for decent jobs outside agrarian sector	- Literacy and average years of education low - Technical knowledge base weak - TVE system under equipped, expensive, not flexible - Employability outside farms low	- MOE has finalised its education reform strategies - It is attempting to complete incomplete primary schools - MOE has taken steps to improve the quality of and access to TVE
7	HD monitoring or any M&E weak	Reporting limited to expenditures incurred, some departmental reporting and limited sample surveys	Presently, the only sources are the Village Book and Kumban (group of villages) statistics (selectively). The quality is not very good

Cross-cutting issues: *Development programmes must be targeted at households and individuals (not just areas), gender and ethnic issues should be mainstreamed, and interventions must be sustainable, equitable and empowering.*

Possible Response/Measures
- Have better balance in public investments between sectors and regions - Facilitate rapid growth in labour-using sectors - Promote forward and backward linkages of mines and power industries through national private sector - Promote national private sector SMEs in all sectors - Involve locals in auxiliary work in mining type projects; e.g., food supply, transport, repairs, etc. - Introduce on-job workers' training in large/high-tech projects - Set up a mining and geology training and research institute
- Land titling targets to be brought closer - Minimise excessive agricultural land splitting, lest plots become uneconomical - Land policy to be more sensitive to farmers losing land - Agricultural modernisation, 'farming-systems' approaches, special assistance to smaller landholders, women farmers and the hinterland - Better marketing of agricultural produce (various initiatives, incl. use of electronic / other means to get information on competitive prices to farmers) - Initiating wage-employment programmes—employment on demand, to provide unskilled work at a minimum wage, to create public infrastructure—in periods of high unemployment
- Register all self-employed, link them to credit, share common facilities, etc. - Promote off-farm and non-farm activities and micro enterprises (in private sector), supported by loans, technical assistance, community sharing of facilities, market access -Train youth: short-term courses in areas where employment chances are high - Conduct more research for finding ways to promote off/non-farm jobs
- Establish labour market information system for lower circuit workers - Maximum workers should hold work-contracts to reduce vulnerability - Reach out to workers, informing them about different government policies, rules and their rights, and minimum wages, as well as enforce the law - Examine micro insurance as an option, especially for health - Special efforts to strengthen self-employment (more research needed)
- Provide a legal status to maximum workers - Simplify rules and cheapen travel, job-access and other procedures - Legitimise select informal travel and money transfer agents and routes - Assist with reintegrating all migrant workers back into the Lao economy, provide incentives to returned workers: e.g., facilities to start businesses, apply their skills, and tax-breaks - Create more avenues for depositing savings, strengthen village-based credit societies
- Primary education: Hold multi-grade classes, set up cluster schools (and make the approach acceptable to teachers by incentives), supplement multi-grade teaching by drawing upon educated village trained youth for translation in some areas, introduce remedial education to help lagging students, expand WFP-type school mid-day meals, day meal schemes, strengthen parent-teacher associations, etc. - Standards: Set up 'demonstration schools': set standards in mathematics and language - Technical education 1: Overhaul TVE: scaling up quality, get into international collaborations, introduce flexibility, rationalise admissions and reduce fees - Technical education 2: Train low-income/low education youth in courses of a few weeks to a few months; workshops regionally dispersed, located near the students; admissions decentralised; average number trainees/year: 10,000-12,000 - Other human capital: Initiate human capital formation in non-conventional areas like practical training in business development, community development, etc. - Health: Special initiatives in improving drinking water supply
HD indicators to be monitored at decentralised level; strengthen data collectionat localised levels (esp. Village book)

Research topics for understanding HD issues better: *Non/off-farm employment, girl children, mainstreaming ethic groups, dynamics of rural (agricultural) land markets, regional variations in development*

CHAPTER 1:
INTRODUCTION

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INTRODUCTION

'The current situation in the country does not permit people to relax … youngsters must devote their aspiration and creativity to strengthen the nation'.

Kaysone Phomvihane

PURPOSE

Laos is a low-income, land-locked country, wherein a very large proportion of the population lives by subsistence agriculture and its allied activities. Being a farming economy is in itself not a problem; however, increased demographic pressure and integration of the economy and society with the external world is bringing about rapid changes, redefining land and resource use and altering farmers' access to their basic means of livelihood. The majority of the population is not adequately prepared to manage a transition away from the agrarian structure and there are few, if any, governance institutions equipped to steer the change in a just and equitable manner. Consequently, the likelihood of employment uncertainty, job loss, inequality and poverty are real, particularly in rural areas. A small section of workers is also engaged in work in industry and services, mostly in unprotected and low-paying jobs. An unconfirmed number also out-migrates to Thailand for work, mostly informally.

This report aims to make an assessment of the state of employment and livelihoods of workers in Laos with a view to chart out policies for creating conditions for more and decent work and integrating a larger number of workers into mainstream sectors. Since improvement in the quality of work essentially accompanies pro-employment and pro-poor economic development, the report considers both the economic development process and direct intervention in the labour market. The three main groups of workers studied are those working in agriculture (and its allied activities), urban low-income workers, and workers who migrate outside of Laos.

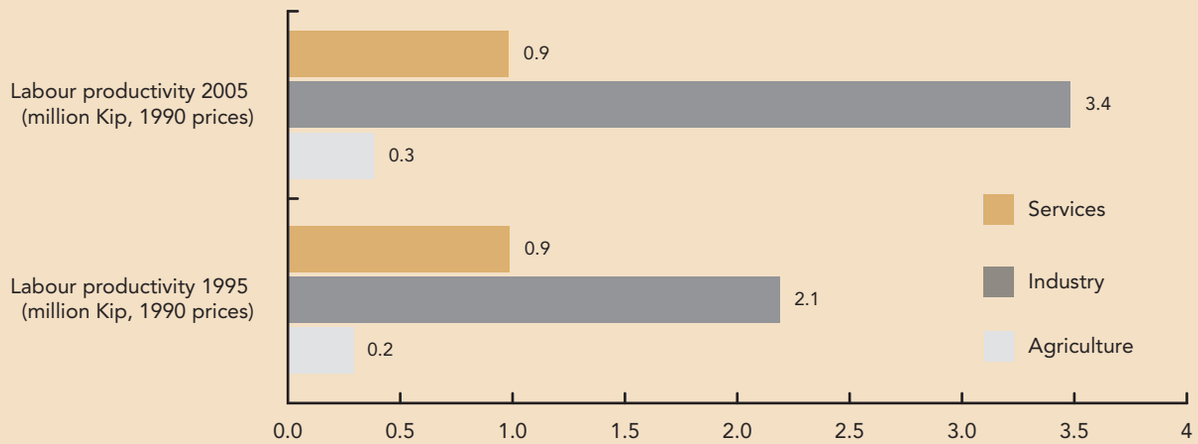
Integrating larger numbers of workers into the national development process and ensuring that they have secure livelihoods is high on the government's development agenda. It is believed, therefore, that the findings of this report will be useful for strengthening public policy.

CONTEXT OF THE REPORT

Laos is not a labour surplus country. However, there are acute concerns regarding the quality of employment for ordinary people, particularly in rural areas but everywhere generally. Very large proportions of women and men are still engaged in subsistence activities and their livelihoods, to a significant extent, are dependent on 'extractive activities'. Their standards of living are modest to low, and with the advent of economic liberalisation, many village communities face competition for the use of natural resources from new stakeholders. The rapidly increasing population has worsened matters further. In some areas, swidden-type (slash-and-burn) farming practices were used until very recently. The government's concerted effort to discontinue these has now reduced them to a minimum. Not all peoples and communities, however, are finding the transition from subsistence forms of agriculture to be smooth, as their learning processes about alternative livelihood methods are piecemeal. Some oft quoted reasons for this are: low levels of education, an attitude attuned to an agrarian way of life, and limited agricultural extension services. Many leave their villages and join the ranks of the low skilled to earn modest amounts. The employment situation could become more difficult in the years to come as the high population growth during the 1980s and 1990s has now resulted in increased numbers reaching the working-age groups (see Box 1.1).

There has been resounding growth of 6.3 percent in the national income between 1992 and 2007. However, the growth sectors have not absorbed Lao workers to

Figure 1.1: Labour productivity in agriculture, industry and services, 1995 and 2005



Sources: *Population censuses of 1995 and 2005, EC-06 and National Income data; GOL (1997); GOL (2006a); GOL (2007c); and GOL (2007a).*

any visible extent; on the contrary, there are widespread reports and anecdotal evidence of expatriate workers obtaining the jobs in these growth sectors. Capital-intensive as it is, industrial growth is also causing large rural-urban, sectoral and other disparities. As Figure 1.1 shows, labour productivity in non-agricultural sectors is 4-10 times higher than that in agriculture, and has sustained itself over the decade 1995-2005. Many people, having moved to urban areas in search of alternative livelihoods, have not always enjoyed 'decent work' in its generic sense. Their working conditions, and those of Lao migrant workers working internationally, have been a topic of regular debate; they work long hours for a low wage, usually under uncertain conditions. Migrant workers working internationally, in particular, could also be working illegally and be subject to penalties and exploitation.

Employment utilises the entire spectrum of human capabilities, not just physical labour but also dexterity and creativity. In addition to expanding people's horizons and distributing incomes, employment promotes general participation in society and the economy. Remunerative employment also promotes better health and education of workers and their families. Employment is a powerful medium for enhancing human dignity. The International Labour Organisation ('ILO') has been pursuing the agenda of promoting 'Decent Work' since the late 1990s. Most importantly, a decent work agenda makes a case for more jobs. Next, it states that decent work is work that adheres to labour standards, pays a remunerative wage, promotes social security, and permits space for social dialogue among workers, and between workers, employers and the government. Accordingly, the ILO agenda endorses the link between employment and human empowerment and a better quality of life, which form an integral component of human development.[1]

Following the National Strategies Statement made at the Eighth Party Congress, committing to removing Laos from the group of 'least developed countries' by 2020,[2] the Sixth National Socio-Economic Development Plan ('NSEDP 2006-10') aims to raise the standards of living of ordinary people and integrate a geographically and ethnically diverse nation. To achieve these goals, the government has increased investments in human capital (education and health), agriculture and infrastructure.[3] Laos is also committed

1 ILO (1999), p 7

2 GOL (2006b). The National Growth and Poverty Eradication Strategy (NGPES), which was earlier formulated to take up this task, has now been merged with the NSEDP

3 World Bank (2008). The proportion of expenditure on education is in the range 2-2.5% of the GDP, which is much smaller than the spending by other countries in the region; it is higher than it was in the 1990s. Among the other priorities are governance reforms, steps to integrate the country into the Southeast Asian Region and clearing unexploded ordinance.

to meeting its Millennium Development Goals ('MDG') in addition to those set by the Eighth Party Congress. It is widely believed, therefore, that during the remaining years of the Sixth NSEDP and the Seventh NSEDP thereafter, the government will emphasise strategies that will create large-scale productive and remunerative employment. It is this belief that justifies a report on the current state of labour and livelihoods in Laos.

OBJECTIVES OF THE REPORT

This report intends to pursue the following objectives with a view to addressing the employment and livelihoods of women and men in Laos.

I. Employment and livelihood: relationship with economic growth

1. What are the trends and patterns (across provinces) in people's standards of living, economic growth, human capital and human development (HD)? Are there relationships between employment, poverty, HD and the composition of economic growth?

2. What is the structure of the workforce? Which economic activities promise to create more and decent jobs and raise HD, and how could they be scaled up?

II. Livelihoods pattern of women and men in rural areas

3. What are the patterns of work, idle time and the status of livelihoods? What key areas need intervention to improve lives and the quality of work?

4. What are the earnings, standards of living, access to productive resources (including land, forest and water) and state of human capital of people, and which key issues require public policy attention? [4]

III. Nature and quality of work in urban informal activities

5. What is the employment situation and earnings of people in lower earning occupations in urban areas?

6. What are the work standards, job security and mobility in urban informal activities? Which are the key areas requiring intervention?

IV. Out-migration and reintegration of migrant workers

7. Key questions:
   a. How many Lao workers are there in other countries, mainly Thailand?
   b. How can procedures for work migration be made simpler, transparent and more enabling?
   c. What steps need to be taken to make remittances and reintegration of workers easier?

V. Human capital, employment and human development

8. Key questions:
   a. What is the status of primary education, and vocational and technical training, in Laos, each being essential for quality work in non-farm sectors as well as farms?
   b. What different steps could be taken to raise employability, enablement and empowerment of workers?

Gender, environment and ethnic issues will cross cut through the report.

METHODOLOGY

Data analysis based on existing studies and data (for Objectives 1 and 2)

The report draws upon secondary data and existing studies conducted by different government and international agencies and individual scholars. Of specific note is the re-tabulation of the Economic Census of 2006 dataset and to an extent, the Population Census of 2005, permitting an examination of the extent of non-farm employment at a greater disaggregation than at any time before. To the extent possible, a regional- and gender-disaggregation of data has been undertaken.

Analysis based on survey-based village studies (for Objectives 3 and 4)

A field survey of 20 villages was conducted, spread across the south, centre and north of Laos. The typology of the sample of villages is as follows:

1. Villages with developed and market-integrated agriculture,

4 For related concerns, see different studies conducted under the Lao-German Land Policy Development Project [e.g. see Soulivanh *et al* (2004); Soulivanh *et al* (2005); Schumann *et al* (2006); Seidel *et al* (2007); Ngaosrivathana and Keomanivong (2007)]. See also Chamberlain (2007), at p 13; and, Chamberlain and Phomsombath (2002); and Ballard (2005).

Box 1.1: Country background

The history of Laos can be traced back to at least the 14th century, but the country took its present form only in about the 1930s. It was declared the Lao People's Democratic Republic in 1975. The current development process began in about 1986 when the New Economic Mechanism was adopted [Evans (2002), Maclear (1980) and Chanda (1983)]. Lao people are predominantly subsistence farmers, engaged in earning livelihoods from land and natural resources. Urbanisation has come about in the last two decades, though many urban areas outside the four major cities—Vientiane Capital, Kaysone Phomvihane city, Luang Prabang city and Pakse—still look quite rural. Civil society and governance has to be viewed against this backdrop.

Lao society

Laos has a multi-ethnic and multi-lingual society. There are 49 recognised ethnic sub-groups speaking different dialects and languages. These ethnic groups have now been grouped into four broad ethno-linguistic groups the Lao-Tai (64.9 percent of the total population), Mon-Khmer (23.5 percent, Sino-Tibetan (2.9 percent), and Hmong-Iu Mien (8.9 percent). To an extent, each of the ethnic groups maintains its cultural and linguistic identity. The official language is Lao, but there is no restriction in people belonging to different ethnic groups conversing in dialects or other languages. No local dialects or other languages have a separate script; as a consequence, there is no developed literature either. This puts those who only speak local dialects or languages at a disadvantage in today's 'knowledge-driven' economy. The most widely prevalent religion is Buddhism, but people follow animism (including ancestor worship), Christianity, and Islam in many ethno-linguistic groups with no interference and there are no reports of inter-religious group tension. In addition, ethnic differences are not usually verbalised.

Civil society is different in Laos, resulting from its history, culture and geography. There are few, if any, nationally promoted non-government organisations (NGOs); instead, most responsibilities that such organisations assume in other countries are carried out by quasi-state agencies such as the Lao Women's Union, Lao Trade Union and Lao Youth Union, in addition to Buddhist or similar organisations.

Media

The Lao people, like other peoples in the region, have not had a tradition of using the written word for communication. Even now, vocal or visual expression (e.g. radio and television) carry a greater appeal. Books, magazines and news-papers are accordingly less popular here compared to neighbouring Vietnam, for example. The government makes little attempt to censor the flow of foreign reading material or block international television channels, other than the ones that out-rightly offend cultural sensibilities. The overall lack of books and written media, however, has prevented people from realising their full intellectual capacities. This situation is gradually improving, though, and the proposed new Media Law might help liberal thought find root.

Development ranking

Laos is ranked 130th out of 177 countries by the Human Development Index ('HDI'). [See the Human Development Report 2007-08 (UNDP 2007a); data pertaining to 2005.] This is despite it achieving a brisk pace of economic growth in the last two decades and a major part of the national income now originates from the more productive, non-agricultural sectors. Among the reasons for the low HDI ranking are the vastly varied (and difficult) geography, ethnic diversity, underdeveloped physical and social infrastructure, and the benefits of economic growth not adequately reaching the larger population.

Employment challenges

The National Population and Housing Census for 2005 shows that 39 percent of all persons in that year were aged 14 years or less. In the years to 2015, based on the fertility rates in the 1990s and the population structure, the workforce is likely to increase by about 50-60 thousand people each year. These young people will have to be educated and found decent jobs in a sustainable way.

Laos thus faces the challenge of improving the skills of its existing workers and new entrants and integrating them into the mainstream economy to ensure a wider and sustainable distribution of the gains on a large scale.

2. Villages which have taken up growing plantation crops,

3. Villages experiencing high out-migration to Thailand,

4. Regrouped villages; the regrouping effected through a merger of remotely located/small villages,

5. Resettled villages; the resettlement effected due to construction of large development projects, and

6. Villages not falling into any of the above classifications – the 'other villages'.

These villages might not represent the whole country. Nevertheless, they allow some conclusions to be drawn regarding: livelihood patterns and strategies, labour-time use, diversity of the occupational base, access to land and productive resources, productivity, earnings, and the risks and uncertainties that workers face in different geographic settings[5]. The study canvasses two types of questionnaires: a village (community) questionnaire and a household questionnaire. The quantitative inquiry covers all the households in each village. A total of 2,043 households were surveyed, covering 5,430 workers (2,735 male and 2,695 female). Fifty percent of the households were resurveyed four months after the first survey, to capture seasonality in work patterns. Finally, select qualitative studies have been conducted to supplement the quantitative data.

Analysis based on sectoral studies (for Objectives 5, 6 and 7)

For Objectives 5 and 6, a survey covering 800 urban workers—both self-employed and wage employed—was conducted in four cities (Vientiane, Luang Prabang city, Kaysone Phomvihane city and Pakse) to assess access to jobs, working conditions, earnings, social protection, job mobility and employment outlook. Some qualitative profiles have been developed. For Objective 7, select field surveys have been conducted in six villages in three provinces using qualitative methods. In addition, an extensive review of existing data and literature, information obtained from key informants, policy makers, analysts and international agencies working on migration form the basis for inferences drawn.

Objective 8 was pursued based on existing data, reports and interviews with government and other officials, in addition to conducting select studies in seven technical and vocational training institutions.

5 This typology emerged after extensive consultations with senior Lao government officials in Vientiane Capital as well as in the provinces. People's displacement and resettlement were articulated as matters of deep concern, and hence villages affected by these are in the sample.

ANNEX 1.1:
HUMAN DEVELOPMENT AND EMPLOYMENT

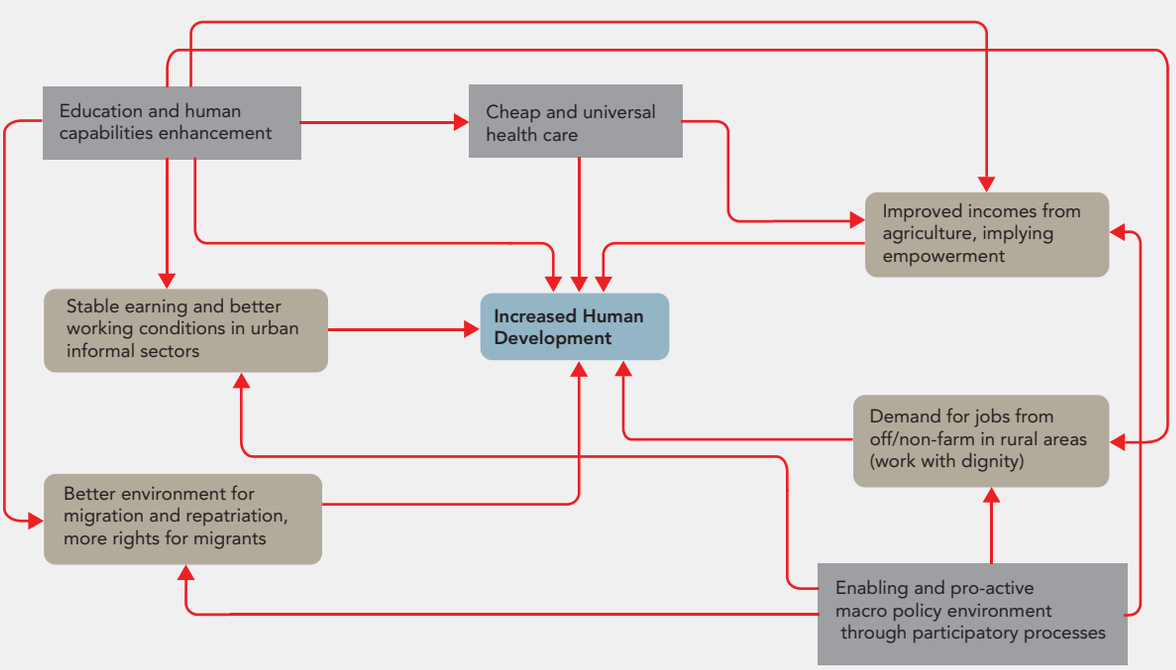
What is human development?

Genuine development is the enrichment of people's lives. Such a sentiment has found echo at least since 1990, when the first Human Development Report was brought out by the UNDP. HD requires that people, rather than commodities, be the 'ends' in a development process. People's capabilities must improve, which should then give them greater choices and the freedom to exercise them. Thus, as Amartya Sen says, 'human wellbeing is the capacity to do and to be', implying that both capabilities and opportunities matter. HD's goals and means change with locale and time; therefore, seen in the spatial and temporal context, there could be no fixed axioms in an HD paradigm other than the centrality of 'people'. [Sources: Global Human Development Reports (various years), and Fukuda-Parr and Shiva Kumar (2004), Part 1.]

Human development and employment

Figure A1.1 explains that *productive and remunerative employment is an important link between economic growth and standards of living of workers and peoples*. Employment in mainstream sectors generates and distributes incomes widely among the wider population. Thus, it is the most powerful means to alleviate poverty; a fact aptly recognised at the World Summit on Social Development in Copenhagen, 1995. [For details, see Osmani (2002), Osmani (2004) and UNDP (2007)].

Figure A1.1: Employment and human development - A schema



CHAPTER 2:
HUMAN DEVELOPMENT: A SCORECARD

CHAPTER 2:
HUMAN DEVELOPMENT:
A SCORECARD

'Go on saying the [same thing] again and again … and may be one day they will listen'.

Mahbub ul Haq, principal architect and advocate of human development

OVERVIEW

The Lao economy has grown at a healthy 6-7 percent over almost two decades. Laos's rank has improved to 130th in 177 countries on the HDI scale as per the 2007-2008 global Human Development Report ('HDR'). However, it is still classified as one of the world's least-developed countries, partly due to its geography and partly because the capacities of its people are limited, and modern institutions are still evolving. Laos collaborates with a number of multi / bilateral partners and is a responsible recipient of international assistance. The government is also responsive to the notion that an enabling environment is needed to broaden the span of partnerships, e.g. with civil society.

About 27 percent of the population are estimated to live below the national poverty line (provisional estimates for 2007-2008). Aggregate poverty proportions have reduced in the last decade, but there appears little reason to believe that the modern growth sectors have helped reduce poverty, as almost 80 percent of the workforce works outside these. Also, poverty has reduced unevenly across provinces.

The literacy rate among the persons who reached 15 years of age or above between 1995 and 2005 was near 100 percent. However, low enrolment rates and high school dropout rates pose challenges. Almost half the primary schools do not have full teacher-strength or requisite buildings. In addition, few teachers understand more than one language. Consequently, there is shortage of teachers in locales wherein children do not speak the Lao language. The average number of years of education per person in Laos is only about four. Low human capital is a typical reason for low employability of workers outside subsistence agriculture. The health situation also calls for attention. Of particular concern is the rise in IMR in some provinces although the IMR in aggregate has reduced in the last decade. The Maternal Mortality Rate ('MMR') is also unacceptably high at over 400 per 100,000 live births.

Different development indicators perform differently across provinces and over time. In some provinces where poverty was initially low, it has risen. In some low-income provinces, education variables have shown improvements. In a few provinces, health indicators have deteriorated. A simultaneous monitoring of a spectrum of variables, therefore, is essential. Overall, Attapeu, Sekong, Saravane, Phongsaly Oudomxay and Huaphanh are among the lowest HD provinces, while Vientiane Capital and Vientiane province are the highest.

In the future, protecting the interests of the existing stakeholders in land while establishing mining or similar land-using projects, monitoring living standards, completing schools and improving access to clean drinking water, are all required.

PURPOSE

Inclusive and sustainable economic growth results in higher and better quality employment, and equitable income distribution. However, it requires sustained effort to keep countries on such a growth trajectory. There is, therefore, a need for the regular monitoring of critical variables relating to human wellbeing through the HD lens. The process involves computing the same variables repeatedly or computing new ones, and comparing them temporally and/or spatially. In addition, the HD paradigm entails constructing composite indices to assess the overall progress made and the issues that remain. Finally, the paradigm requires looking for newer challenges in improving human development.

Laos has relatively fewer databases to measure and assess different dimensions of HD compared to other countries in Asia. Some useful data nevertheless exist, and maximum effort has been made to interpret them. Disaggregation by province, gender and ethnic group has been made when possible.

THIS CHAPTER:

1. Reviews the state of economic governance,
2. Highlights upon the improvements or otherwise, in standards of living and human capacities, and
3. Assesses the state of human development at a province-level disaggregation, seen through HD indices.

HUMAN DEVELOPMENT PERFORMANCE SEEN THROUGH THE INDIVIDUAL INDICATORS

Select issues in economic governance

Better governance of land can enhance livelihoods

This section focuses on agricultural land, which is the most important issue relating to people's livelihoods and employment. Much of the land in Laos is not surveyed and few cadastral maps have been drawn up[6]. Hence, a very large number of farmers (or other landholders) do not have authentic papers to claim ownership over their lands. Farmers cultivate the land pursuant to mutual, often verbal, understanding between themselves and village or district chiefs. Two field observations, however, highlight problems associated with a lack of tenurial security:

1. There are instances when the higher authorities earmark and allot lands, already cultivated by local farmers, for other purposes (e.g., to large concessionaires). This puts the farmers at a disadvantage, as they have no legal basis on which to contest these decisions[7].
2. In certain locales, farmers have begun to claim ownership over lands, which until recently they had used for shifting cultivation. Contested claims have not evolved into conflict situations yet, but suggestions of this have been heard[8].

The government is currently in the process of finalising a new decree on land concessions and it is believed that this would put to rest these kinds of disputes that arise as a result of farmers having undocumented rights over land. While implementing the decree, it is proposed here that as a matter of principle, people's livelihoods take precedence over any other concerns. After all, the right to livelihood is akin to right to life, which is enshrined in Laos' constitution.

Industrial land contracts: can they be made equitable and sustainable?

The government gives out land concessions for mining, plantations, and hydroelectricity generation to foreign and domestic companies. In the mining sector alone, 131 such contracts were granted to 113 companies in 2008, covering an area equivalent to about 10 percent of the country's land area – larger than the total rice area in the country[9]. The contracts, however, are not

6 Mann and Rock (2008), pp 5-6.

7 The Land Law 2003, No. 04/NA, states that land papers are the only authentic basis of claim on land. Field observation: In Saravane province, farmers lost land to a concession company.

8 Source: Field observation, Luang Prabang and Luangnamtha provinces.

9 Source: Department of Investment and Planning, Ministry of Planning and Investment. There is no systematic record of concessions given out for plantations, though NERI estimates that 150-180 thousand ha have been given out. These have been given out by both central and local governments.

Comercial fishing can diversify rural incomes

always favourable to Laos. One figure reflecting this is the abysmally low lease rate of US$ 6-10 per hectare per year at which plantation concessions have been granted. Next, in the case of hydroelectricity export, the contracts often fix tariff rates for more than 15-20 years, again, to the detriment of Laos. In addition, royalty rates in some of the existing projects have been thought to be low. Smaller revenue amounts to the state affect its capacity to invest in human development and people's welfare[10].

Laos has not reached its full potential to work with international partners in economic ventures and this is reflected in the incapacity of local partners to actively participate in and retain a relatively larger share of value-added in the country. For example, in most large foreign investment projects, the senior management and technical staff are expatriates. To an extent, this is acceptable at least for the time being. However, having expatriate junior staff and semi-skilled and unskilled workers is unacceptable, because it leaves very little value added in the country or employment for Lao nationals. In at least one case, expatriate workers are deployed for manual work in agriculture! These examples make one wonder whether the country should open up a little more carefully to foreign companies[11].

Deforestation is caused by many of the concession activities, along with population pressure, urbanisation, timber demand, etc., and is adversely affecting rainfall and water availability. The government acknowledges the fact that there is inadequate water in reservoirs, which reduces electricity production[12]. Field reports suggest that water bodies, streams and rivers now have less water round the year compared to previous times, affecting rural people's livelihoods through reduction in flora and fauna, including fish, an important part of the diet of many communities (Box 2.1). While laws have been passed to protect forests (ban on raw timber export, wanton tree felling, etc.), compliance is low and as a result, the damage is significant. Empowering village communities to protect the forest in their neighbourhoods would

10 See for details, Pholsena and Banomyong (2006), Chapter 4 for the power sector; Soulivanh *et al* (2004); Soulivanh *et al* (2005); Schumann *et al* (2006); Seidel *et al* (2007); Ngaosrivathana and Keomanivong (2007); and Dwyer (2007) for land.

11 Such apprehension has also been raised in NHDR-3, as well as in Pholsena and Banomyong (2006).

12 This statement was a part of the Prime Minister's concern for GDP growth in an address to the banking community. See The Vientiane Times April 30, 2008.

Box 2.1: Perceptions of village communities on the forest and water situation: Select observations

'The forest is gone, small streams have disappeared and along with them, the fish. The main river waters touch record lows … it has been raining much less recently, and especially during April and May, there is hardly any water. The villagers are now bathing along with cows and other animals in the same water pools.' Ban Thalie, Nan District, Luang Prabang.

'The weather has changed over the last few years. It is becoming hotter, it rains less, and there are more temperature extremes. We have heard from the television about "Global Climate Change", which will bring in more extreme weather conditions. I am afraid about my rubber plantations because some of the younger plants died during December because it was too cold'. Mr. Lormue, village chief, Ban Lormue, Luangnamtha.

'Many trees, small and large, have been cut by outsiders and villagers … it is now much drier in the dry season as it does not rain that much. Non-timber forest products ('NTFP') have also reduced …. Mushrooms, which were part of our regular food, now sparsely grow in the forest'. Ban Yuangthong, Paek district, Xiengkhuang.

'The weather has been hotter now compared to earlier because forests have severely diminished due to wanton cutting of trees by villagers and outsiders. Rainfall in the last 7-8 years has noticeably reduced'. Ban Nongmai, Kham district, Xiengkhuang.

'There are no more flora, fauna or non-timber forest products available in the forest … actually, the forest itself is gone, replaced by plantation saplings. There is now a huge problem for us to get food in the way that we used to, earlier … from the bounties of the nature'. Ban Songhong Noi, Laognam district, Saravane.

Source: *NHDR Rural Survey 2007-2008, DOS.*

be a useful step. Is 'joint commons management' an option here, similar to the now popular 'joint forest management' in practice elsewhere[13]?

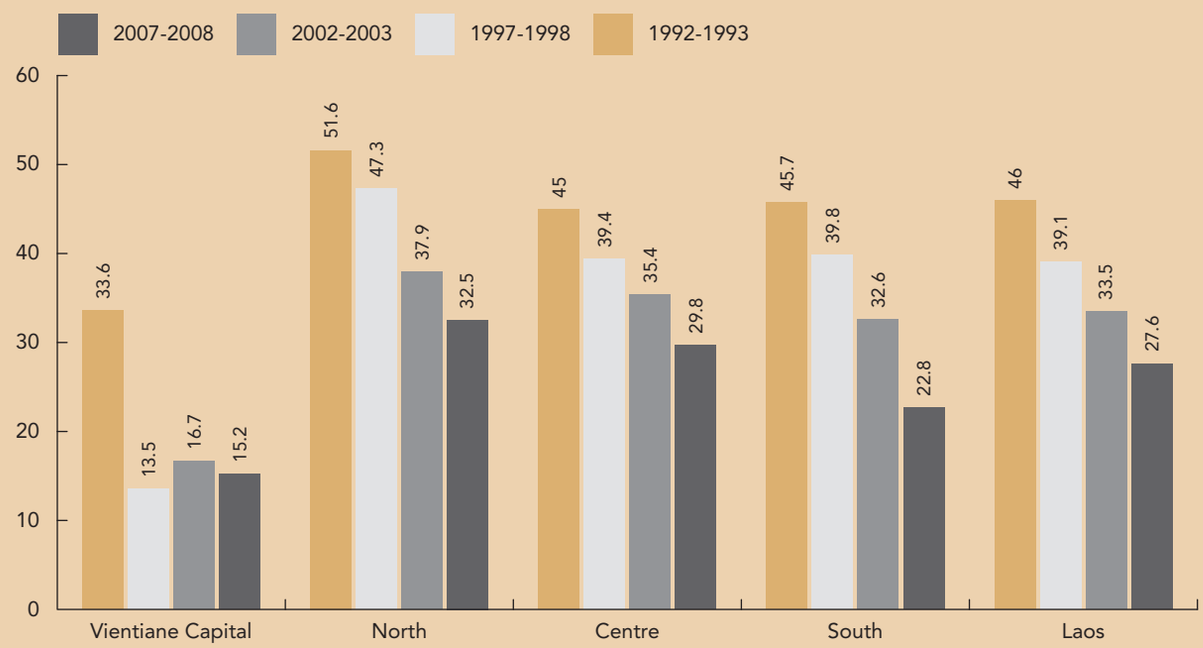
Relocating and regrouping of villages should improve livelihoods

The government has launched a programme for relocating villages displaced by large industrial projects. Another programme regroups smaller, unviable villages located in remote uplands to create a critical minimum mass (larger villages), to which economic, social and human services could be extended. Both these programmes, however, call for a closer look from the point of view of maintaining livelihoods and social cohesion. More specifically: in some relocation sites ethnic issues need to be addressed more effectively; in others, arrangements for the distribution of agricultural land *before* people shift need to be made; in yet others assessments of the availability of natural resources for the relocated population have to be more accurate; and the list of concerns goes on[14]. Two field observations throw light on the picture. In the north, some people from the Akha ethnic sub-group (ethno-linguistic group: Sino-Tibetan – see Box 1.1) have been resettled in a Lue (ethno-linguistic group: Lao-Tai) village. In another case, people from the Hmong sub-group, Khmou sub-group (ethno-linguistic group: Mon-Khmer) and Lao sub-group have been regrouped into a single village. With a larger population in each of the settlements, the per capita availability of non-timber forest produce has reduced. In addition, since the sub-groups do not know each other's language well, they rarely communicate with each other. Their relationship is not always congenial, as lack of communication inhibits settling disagreements, e.g., over the sharing of commons. Therefore, the need to take a comprehensive view of the resettlement and regrouping programmes is real.

13 http://en.wikipedia.org/wiki/Joint_Forest_Management

14 Ducourtieux, Laffort and Sacklokham (2005), p 499-526; Evarard and Goudineau (2004), p 937-962; GOL-EC-UNDP (2004); and Baird and Shoemaker (2005).

Figure 2.1: Percentage of the population below the poverty line in Laos, different regions and years



Sources: *GOL (1994); GOL (1999); GOL (2004); and LECS-4, 2007/2008*

Others

The inability to raise adequate state revenues results in low government salaries, which means that the government is not able to attract or retain the best-qualified people. Low salaries for government staff also create fertile ground for breeding corruption. In addition, limited evolution of the legal structure and opacity in economic decision-making at different levels of authority inhibit local and foreign investment in critical areas[15].

BRIEF CONCLUSIONS:

1. *When a development process hinges on natural resources, there is an inevitable conflict of interests between the old and new stakeholders. This needs active reconciliation.*

2. *There is a trade-off between reaping quick profits for a few, and preserving the environment which is beneficial to many more. From an HD perspective, therefore, the legal framework for land and natural resources should unambiguously protect the environment, and these laws should be enforced.*

3. *While the government is committed to re-examining land, forest and mining concession activities to protect the interests of people who are presently dependent on these resources, this commitment needs to be translated into actionable policies and practice.*

People's standards of living are improving, but regional disparities remain

Poverty is a state of deprivation; in its most elemental form, it is a lack of access to food and basic necessities. People are poor when they are unable to earn enough to support a decent standard of living. Joblessness, low paying jobs, inequality, social exclusion, and a host of variables are associated with poverty.

15 The tax revenue to total government revenue ratio was 78 percent in 2005-2006, while total revenue to GDP ratio was 13.8 percent. Given the size of the government, these ratios are small. Stuart-Fox (2007) measures governance in Laos on a 7-point scale (seven is best). He finds 'accountability and public voice' at 1.19 in 2005 and 1.16 in 2007, 'civil liberties' 2.16 and 2.39, 'rule of law' 1.63 and 1.99, and 'anti-corruption and transparency' 1.51 and 1.64, in these two years.';

The Lao authorities have been monitoring poverty since the early 1990s, for which they conduct five-yearly sample surveys. They are known as the Lao Expenditure and Consumption Surveys ('LECS')[16]. Four have been conducted to date: in 1992-1993 ('LECS-1'), 1997-1998 ('LECS-2'), 2002-2003 ('LECS-3'), and 2007-2008 ('LECS-4')[17].

In 1992-1993, about 46 percent of the population subsisted below the poverty line. This percentage has progressively reduced since then, and provisional estimates from a partial tabulation of the 2007-2008 data suggest that poverty has now reduced to about 27.6 percent (Figure 2.1). In terms of regional spread, the northern region has always had higher proportions of the poor. Even the rate of poverty reduction there is low. Poverty has mainly reduced in the centre and south. Rural poverty reduced from 51.8 percent to 31.7 percent through 1992/1993-2007/2008, and urban poverty from 26.5 percent to 17.4 percent in the same period[18]. The slow reduction in urban poverty overall and its *rise* in the period 2002/2003-2007/2008 could be attributed to in-migration of the poor from rural areas: Vientiane Capital has had a lower incidence of poverty, but it has been on the rise in the last decade, most probably owing to in-migration of the poor[19].

Table 2.1: Percentages of persons below the poverty line and changes therein, 1992/1993-2002/2003, rural areas

	% poor			% Change in number of poor		
Province	92/93	97/98	02/03	92/93-97/98	97/98-02/03	92/93-02/03
Vientiane C	52.94	11.12	20.16	-65.91	25.63	-57.17
Phongsaly	72.02	58.38	52.66	-25.28	3.18	-22.90
Luangnamtha	55.39	53.54	22.13	102.14	-53.21	-5.42
Oudomxay	47.33	70.59	46.21	1.27	-23.77	-22.80
Bokeo	63.64	39.96	20.62	82.49	-48.42	-5.87
Luang Prabang	62.40	42.29	40.62	-22.14	7.20	-16.54
Huaphanh	73.33	72.56	54.84	27.58	-24.19	-3.29
Xayabury	14.90	18.35	23.71	133.04	21.28	182.64
Xiengkhuang	71.62	43.93	46.63	-28.00	-5.91	-32.26
Vientiane P	31.93	29.03	19.85	0.31	-24.71	-24.48
Borikhamxay	16.81	26.99	37.03	38.78	3.48	43.61
Khammuane	49.76	49.27	35.91	22.15	-30.40	-14.98
Savannakhet	58.25	44.38	48.02	-4.72	7.36	2.29
Saravane	48.00	40.30	57.11	1.79	51.72	54.45
Sekong	66.98	52.86	44.62	-22.20	-8.22	-28.59
Champasack	46.81	39.56	19.81	8.56	-47.88	-43.42
Attapeu	82.31	49.00	47.32	-1.20	-5.27	-6.41
Laos	51.78	42.46	37.63	1.75	-11.10	-9.54

Source: *World Bank (2005).*

16 The national poverty line is calculated on a nutritional basis. An adult must be able to consume an equivalent of 2,100 kilocalories a day to be above the poverty line. S/he should have access to some non-food necessities. The monetary equivalent of 2,100 kilocalories is first calculated, and then an allowance of 30 percent added to this cash amount for non-food items. The sum of these two is the poverty line.

17 GOL (1994), GOL (1999) and GOL (2004). LECS 4 has not yet been published.

18 The poverty gap and intensity also show similar trends. GOL-UNDP (2008); Richter, van der Weide and Souksavath (2005); and World Bank (2005). Chamberlain (2007) finds poverty to be higher among ethnic groups other than the Lao-Tai, and so does Engvall (2006).

19 The Population census of 2005 suggests that in-migration to Vientiane Capital was the largest in all the provinces (see pp 22-23).

Rural poverty is higher and more prevalent than urban poverty and therefore it is of greater concern. In 2002-2003, nine out of the 17 provinces had poverty proportions greater than the national average[20]. In 1992-1993 as well, there were nine provinces with a greater proportion of poor compared to the national average. Seven of those nine provinces were in the list of 'poorer than the average', in both 1992-1993 and 2002-2003. These 'chronically poor' provinces are Phongsaly, Luang Prabang, Huaphanh, Xiengkhuang, Savannakhet, Sekong and Attapeu. In 1992-1993, about 55 percent of the rural poor were concentrated in the seven chronically poor provinces. This number was 54 percent in 2002-2003. Regional concentration of the poor is thus almost unaltered. Finally, the three provinces of Xayabury, Borikhamxay and Saravane experienced a rise in the numbers and proportions of poor over the said decade (Table 2.1).

The dynamics and geography of rural poverty:

1. Intra/inter-country migration: There is large-scale movement of people out of their villages and provinces to seek livelihoods. If the poor out-migrate, the sending locales would have lower proportions of the poor, and the receiving ones would have larger proportions. Alternatively, if the non-poor out-migrate, the sending locales will have larger proportions of the poor and the receiving ones would have lower proportions. While authentic data on internal migration are not available, the large gaps between what a population should have been at a location (based on birth and death rates) and what it actually is, suggest a movement of people from the north and west to the centre/east and Mekong plains. The centre/east and Mekong plains are also more urbanised.

2. Changing population to natural resource ratio: The population is growing but the level of natural resources has remained unaltered or reduced. Those people depending heavily on natural resources for their primary livelihoods face deprivation and poverty. Privatisation of forests and commons also reduces the access of the local people to forests and commons.

3. When land is acquired for development projects, or long-standing farming-practices change—e.g., giving up upland farming practices in favour of agriculture on the plains—people feel a kind of alienation, and at least in the short-term, uncertainty in their livelihoods. Partial responsibility falls on the less than fully adequate resettlement package. The most affected populations are:
   a. People in resettled villages,
   b. Farmers who are no longer growing opium, and
   c. Farmers who have moved away from swidden cultivation.

Has economic growth helped reduce poverty? The poverty ratio reduced by 18.1 percentage points over the 15 years between 1992/1993-2007/2008 or *by 3.3 percent* (annual compound rate), while the GDP rose by about *six percent* annual compound rate during this period. The poverty reduction rate has thus not been very large or very small. In the five-year period between 1992/1993-1997/1998 when the GDP grew at a relatively slower pace, poverty reduced by 3.3 percent annually. During the five-year period between 1997/1998-2002/2003 when the GDP grew more rapidly, the poverty reduction rate was 3.1 percent. Finally, during the five years between 2002/2003-2007/2008 when the GDP grew even more rapidly, the poverty again reduced by 3.4 percent. Thus, irrespective of the growth in national income, poverty fell by a near constant rate, implying that the relationship between the two variables is not very obvious. This argument is further supported by the fact that increased labour use outside agriculture has not accompanied growth: more than three-quarters of the workforce still works in largely traditional agriculture.[21]

Finally, a word about consumption inequality. The Gini coefficient rose between 1992/1993-1997/1998, but fell thereafter in 2002/2003 (to 0.33). Between 1992/1993-2002/2003, however, there was an increase in the Gini coefficient, which was then a cause for concern. Provisional tabulations from the 2007/2008 data suggest that inequality might have further risen during 2002/2003-2007/2008 (Gini coefficient for 2007/2008 is 0.35). This is a real concern.

A number of suggestions emerge for poverty alleviation: expanding employment and livelihoods in a regionally dispersed manner, diversifying the

20 These were Phongsaly, Oudomxay, Luang Prabang, Huaphanh, Xiengkhuang, Savannakhet, Saravane, Sekong and Attapeu.

21 Based on LECS-1, LECS-2 and LECS-3, Engvall, Magnoli and Richter (2005) find poverty to have reduced in response to growth. While statistically their numbers seem to make sense, the causality might be contentious.

High quality primary education is essential for building human capital and equity

occupational base, transitioning populations away from a natural resource-based existence more smoothly, and strengthening the livelihoods component in relocated and regrouped villages.

BRIEF CONCLUSIONS:

1. *Trends and patterns in poverty differ widely across provinces, implying that the distribution of the gains of development, and consequently, the social and physical benefits to people, are not uniform across regions. Bringing about regional parity is thus a priority.*

2. *There is large-scale movement of people between and within provinces as well as outside Laos. Monitoring this trend would help in targeting them better in order to improve their living and working conditions.*

3. *There is a need to measure and monitor poverty at the province and district levels. Such a measure would bring out the livelihood-related problems that rural dwellers face, especially the ethnic populations.*

4. *Chronically poor provinces and regions that have experienced an increase in poverty proportions should be the foci of public action.*

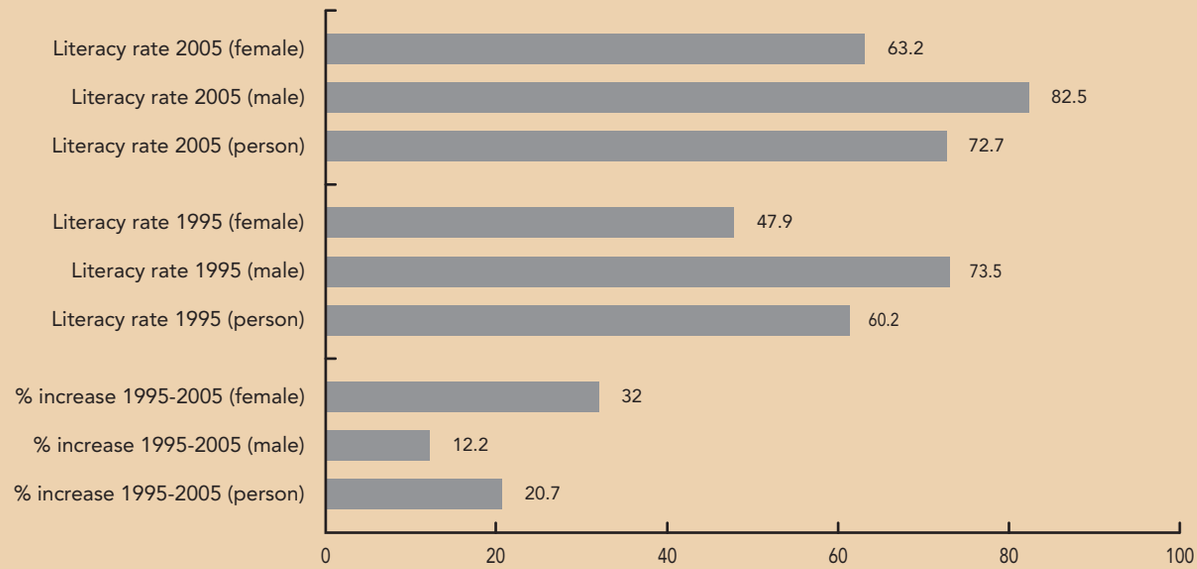
5. *There is a need to monitor the relationship between growth and poverty to ensure that interventions are being undertaken for the benefit of the wider population.*

Human empowerment: Literacy, education and health

Education and skills raise employability. The relationship between better quality employment, knowledge, and health has been established for over four decades. In an increasingly knowledge-driven world, homemakers can also contribute to better incomes and quality of life for themselves and their offspring through adopting lifestyles that are more scientific and eco-friendly.[22]

22 Becker (1993); Schultz (1963); World Bank (1993); World Bank (1995).

Figure 2.2: Literacy rates among the population aged 15 years and above, by gender, 1995 and 2005



Sources: *Population censuses of 1995 and 2005 (GOL (1997) and GOL (2006a)).*

Literacy rates and beyond

The literacy rate (or, simply, 'literacy') is a ratio of the number of literates to population in the age group 15 years and older. The overall literacy in adult populations rose to 72.7 percent in 2005, an improvement by 12.5 percentage points over 1995 (Figure 2.2). The population has been rapidly increasing during this period; hence, percentages camouflage the real achievement. While female literacy rates are lower than those of males in every province, there has been some narrowing of the gender-gap during this period: female literacy improved by 15.3 percentage-points while male literacy improved by nine percentage-points.

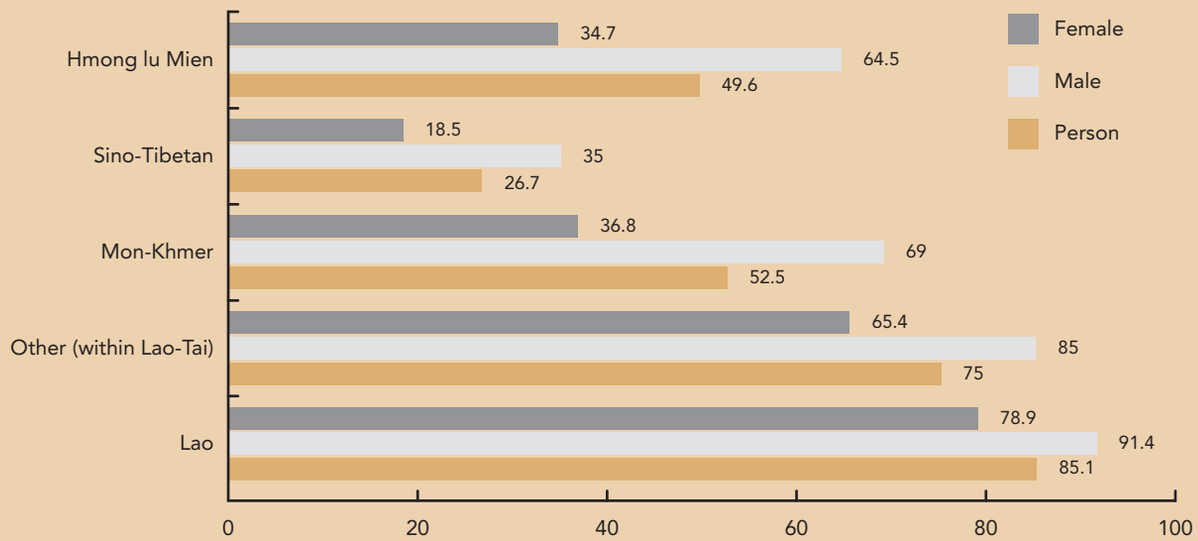
However, there is more to literacy than the self-reported literacy figures in the figure. 'Basic functional literacy' in 2001 was considerably lower at 45 percent (male: 54, female: 37); 'functional literacy' 38 percent (male: 45, female: 30) and 'secured functional literacy', 31 percent (male: 37, female 25)[23]. Such low levels of functional literacy are a clear indicator of the disempowerment of female workers in particular, at work and in life in general.

The regional spread of literacy is also quite uneven: 11 out of the 17 provinces fell below the national average in 2005. This includes much of the north: Phongsaly, Luangnamtha, Oudomxay, Bokeo, Luang Prabang and Huaphanh; some provinces in the south: Saravane, Sekong and Attapeu; and two in the centre: Khammuane and Savannakhet. That the two central provinces also show deficiency suggests that some otherwise not so poor or isolated provinces could also lag behind on literacy. In other words, not all development indicators move together, *making a case for monitoring several indicators simultaneously.*

Table 2.2 classifies provinces by their levels of literacy in 1995 and rates of change between 1995 and 2005. Xayabury and Xiengkhuang had high literacy (greater than the national average) in 1995 and maintained a high rate of change through until 2005. Phongsaly, Luangnamtha, Oudomxay, Bokeo, Luang Prabang, Khammuane, Saravane, Sekong and Attapeu had low literacy (less than the national average) in 1995 but experienced large gains between 1995 and 2005. The provinces of Huaphanh and Savannakhet, however, appear in the category of low literacy (in 1995) and low improvement (between 1995 and 2005). This is

23 The different functional literacy rates are calculated based on tests. The last survey concerned 2001, conducted by the Ministry of Education. See MOE (2008a).

Figure 2.3: Literacy rates among ethnic groups and genders, of population aged 15 years and above, 2005



Source: *Population Census of 2005 (GOL (2006a)).*

Note: *The Lao-Tai ethno-linguistic group has been divided into 'Lao' and 'other' among Lao-Tai, to present a greater disaggregation.*

Table 2.2: Literacy rates in 1995 and changes in literacy rates 1995-2005, of population aged 15 years and above, by province

Rate of change in literacy 1995-2005 (%)	Level of literacy 1995 – High	Level of literacy 1995 – Low
High	Xayabury Xiengkhuang	Phongsaly, Luangnamtha, Oudomxay, Bokeo, Luang Prabang, Khammuane,Saravane, Sekong, Attapeu
Low	Vientiane Capital, Vientiane province, Borikhamxay, Champasack	Huaphanh, Savannakhet

Sources: *Population censuses of 1995 and 2005 (GOL (1997) and GOL (2006a)); 'high' refers to more than national average, and 'low', to less than national average.*

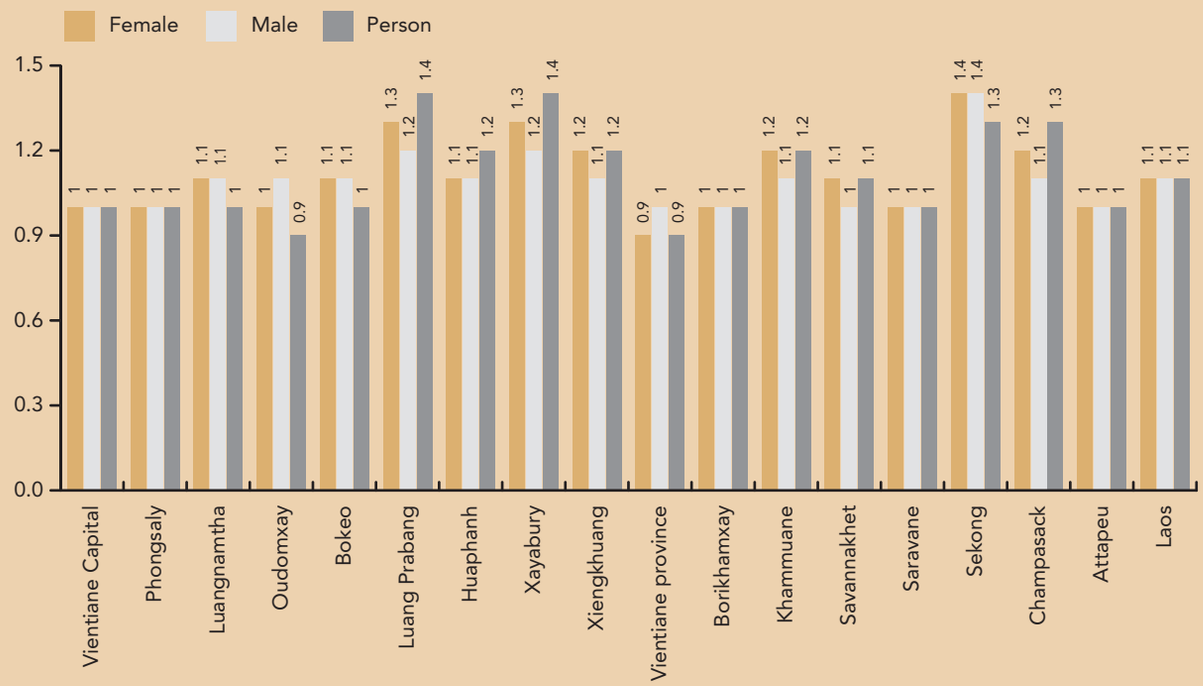
worrisome, and concerted public action is called for to raise literacy rates in these provinces.

Literacy rates vary across ethno-linguistic groups. The sub-groups with the highest literacy rates are the Lao, followed by other sub-groups within the Lao-Tai group (Figure 2.3). The other three groups, namely Mon-Khmer, Sino-Tibetan and Hmong-Iu Mien are distinctly lower on the literacy scale. There is also a strong gender difference among all the ethnic groups, other than the Lao-Tai. Besides a lack of awareness among them about the advantages of education (owing to their remote location), there is also a shortage of schools and multi-lingual teachers in the hinterlands where they live (Box 2.2). Finally, 81 percent of school-teachers are Lao-Tai, 14 percent are Mon-Khmer and five percent are Hmong-Iu Mien (plus Sino-Tibetan). Since the Lao-Tai do not necessarily speak the languages that many ethnic groups converse in, the teaching remains less than effective[24].

The proportion of the overall population that has never been to school reduced from 37.6 percent in 1995 to 22.8 percent in 2005, a good achievement. There is some ethnic differentiation, though: in 2005,

24 MOE (2008a).

Figure 2.4: LANERAG-NERAG ratio 1995-2005, by province and gender



Sources: *Calculated from the Population Censuses of 1995 and 2005 (GOL (1997) and GOL (2006a)).*

among the Lao 12 percent have never been to school, among Khmou 33 percent, among Hmong 25 percent and among Tri, Akha and Lolo, over 75 percent.[25]

Literacy among new entrants to relevant age groups

Literacy among new entrants to relevant age groups ('LANERAG') refers to literacy amongst populations that reached the age of 15 years and above between 1995 and 2005. The advantage of computing LANERAG is that it siphons out older populations unlikely to gain literacy at their ages. The ratio of LANERAG to new entrants to relevant age groups ('NERAG') for all persons, males and females, is greater than unity, implying that LANERAG outnumbers the increase in population. In other words, persons from older age groups are also gaining literacy (Figure 2.4, last bar). This is encouraging.

LANERAG-NERAG ratio is unity or greater at the provincial level as well, other than in Vientiane province where it falls short of unity. A smaller LANERAG-NERAG ratio in Vientiane province, an otherwise relatively developed province, and a ratio of 1.4 in

25 Population Census of 2005, p 51 (GOL 2006a).

Box 2.2: Some reflections and voices on education

'Our village school offers education only up to Class 2, and we have all completed it. If we wish to study more, we would be required to go to the next village, about three km from here. It is not very easy for us, small girls, to travel to that village everyday: there is no safe or inexpensive mode of transport available to go there.

We may have fancy dreams of obtaining vocational education, in tailoring, beauty or fashion ... we get to watch the television sometimes, which gives us such ideas ... but vocational schools are far away, in Pakse, more than 60 km away from here. We have no means to support ourselves there, nor do we have relatives in that city who would keep us. Frankly, we do not even know the costs involved, but we know that we have neither the financial means, nor logistic support to access these facilities'

Focus group discussion with a female youth group (ethnic sub-group: Katang (Mon-Khmer)), Ban Songhong Noi, Laognam district, Saravane,
Source: *NHDR Rural Survey 2007-2008, DOS*

A prerequisite for good learning is the provision of basic infrastructure for rural schools

Sekong and less than one in Oudomxay (for females), they being otherwise relatively less developed provinces, demonstrates the fact that not all development variables move together. In terms of an explanation of these patterns, are literate youth out-migrating from Oudomxay, and at the same time, are illiterate youth in-migrating to Vientiane province? Internal migration requires a detailed inquiry in Laos.

Enrolment rates[26]

Sustained school attendance holds the promise of creating educated persons, better human endowment and thus, superior employability in the future. A number of variables like enrolment, attendance, retention, and so on, are prerequisites for this.[27]

During 2005-2006, the net enrolment rates ('NER') at the primary school level were 86 and 81 percent respectively for boys and girls. It was as low as 50 percent in Luangnamtha, Phongsaly and Saravane.[28] Extra effort will therefore need to be made to achieve a 100 percent NER. In terms of gender, the only provinces where there was some sense of equity are Oudomxay, Borikhamxay and Khammuane. Seen in relation to ethnic groups, many more Lao-Tai compared to the other ethno-linguistic groups enrol in schools.[29] Next, the net attendance rates ('NAR') were 69.9 percent (male) and 67.9 percent (female), in 2006, *implying that 10-15 percent of those who enrol, do not attend school.*[30] NAR are higher among the richer groups compared to the poorer ones and among the Lao-Tai compared to others. Children from the Sino-Tibetan group fare most poorly on this count. Finally, the school dropout rate is very high in the first year of schooling, more among female children than male. The dropout rate again climbs up in Grade 5, though with no apparent gender difference. Some provinces where the school dropout rates were higher than the national average were Phongsaly, Oudomxay,

26 Most statistics relating to school facilities are drawn from MOE (2008a).

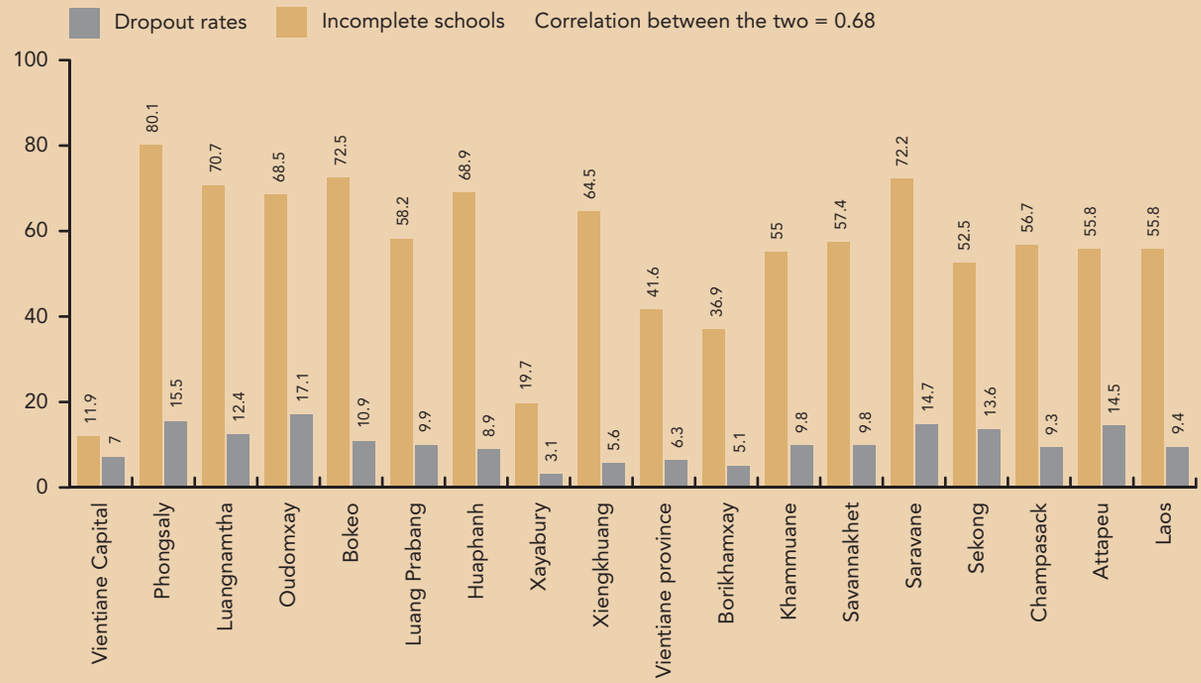
27 See proceedings of the World Conference on 'Education for All' Jomtein, Thailand, 1990.

28 See MOE (2008a); MOE (2008b) p 28.

29 LECS-3 reports present enrolment rates disaggregated by ethno-linguistic groups. See GOL-UNDP (2008).

30 See Multi Indicator Cluster Survey of 2006 (MICS-3) in GOL (2007b).

Figure 2.5: Percentage of incomplete schools and school dropout rates (primary school), by province, 2004-2005



Source: *MOE (2008a).*

Huaphanh, Khammuane, Saravane, Sekong and Attapeu [31].

There are several reasons for non-enrolment, non-attendance and dropping out.

1. More than half the schools either do not have complete buildings or lack the teacher strength, or both (referred to as 'incomplete schools'). Incomplete schools were 57 percent of the total number of schools in 2004-2005, though this number has been gradually falling over time. Province-specific data suggest that the dropout rate and incomplete schools are closely associated (Figure 2.5). Increasing investment to complete schools buildings and appointing teachers is therefore an obvious priority (see also, Chapter 6).

2. About 20 percent of villages do not have schools. While schools might not be necessary in all of them, in many there is a need. This is particularly true for educating girl students, for whom safety considerations overrule all others.

3. Amenities in schools matter: less than 25 percent of primary schools are fully equipped with water supply and sanitation. Non-availability of these facilities is one of the reasons for particularly girl-children not to attend.

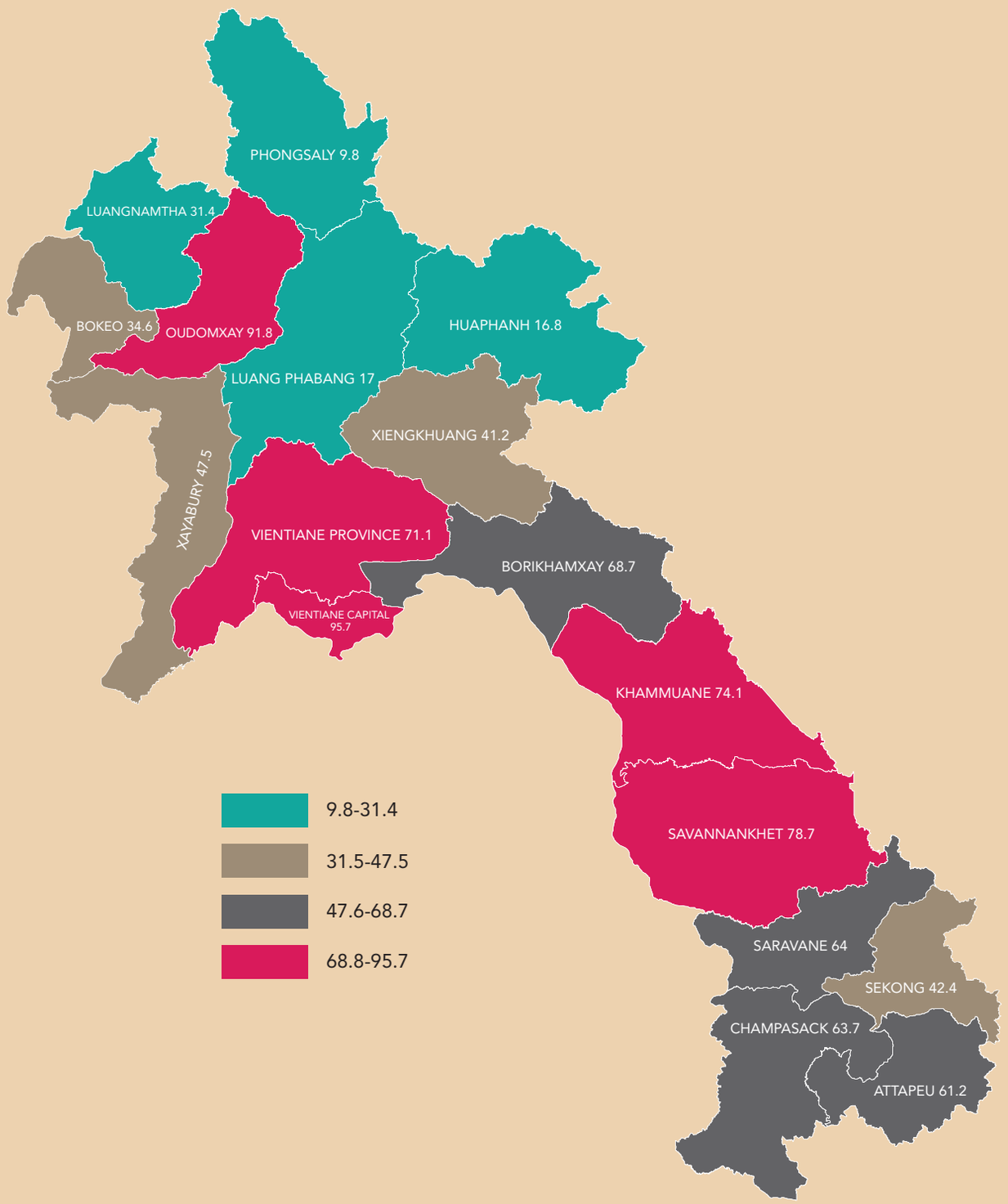
4. There are few bilingual teachers: as a result, children from ethnic groups who do not speak dialects (or languages) other than their own find it difficult to grasp proceedings in school.

5. Schools are not fully cost-free, in spite of Article 25 of the Constitution guaranteeing the right to education to all and the Decree on Compulsory Education (1996) states that primary education should be free for all. It is estimated that 4-5 percent of the dropout or non-attendance rates are related to factors other than non-availability of schools [32].

31 Different data in this paragraph relate to different years because not all data are not collected or collated for every year. Source: MOE (2008a).

32 MOE (2008a), p 18.

Figure 2.6: Percentage of villages with access to safe drinking water, by province, 2005



Source: *Calculated from Population Census of 2005 (GOL (2006a)).*

It is not surprising that the average number of years of education is only 4.2 years (4.8 for males and 3.5 for females)[33].

Nutrition and drinking water

A healthy human being is more able to be a diligent student and a productive and willing worker who can better perform daily functions in life. Good health is also a prerequisite for a person to play a larger societal role. Among other requirements, basic nutrition is paramount.

In 2002-2003 (LECS-3), 19.8 percent of households suffered from food poverty: 21.5 percent in rural areas and 14.8 in urban areas[34].The World Food Programme's ('WFP') 'Food Security and Vulnerability Analysis', finds that in 2006, every second child in rural areas was malnourished. In addition, 12 percent of women in the reproductive age group were underweight. The report states that reduced access to wild meat, other NTFP and aquatic resources have contributed to this situation significantly. People belonging to the Sino-Tibetan ethno-linguistic group are the worst affected (62 percent), followed by Mon-Khmer (56 percent), Hmong-Iu Mien (54 percent) and Lao-Tai (42 percent)[35]. That the rapid economic growth in recent years has barely benefited the wider rural population, particularly those living in the interior, is evidenced in these statistics.

The task of collecting water should not be so laborious

Data from the Multi-Indicator Cluster Survey ('MICS-3') for 2006 suggest that 37.9 percent of children (aged 0-5 years) are underweight, 41.2 percent stunted, and 7.4 percent wasted[36]. There are more underweight and stunted female babies than male. Next, there are more underweight, stunted and wasted babies among ethno-linguistic groups other than the Lao-Tai. Finally, there are larger numbers of underweight, stunted and wasted babies in rural areas, in families having less-educated mothers, and/or lower income groups.

Unsafe drinking water causes malnutrition and mortality, since the contaminants do not permit nutrition to be retained in the body. Contaminants themselves can also cause mortality. Hence, safe drinking water is one of the most important preventive health inputs. Options for low-cost, clean drinking water are now available, using solar energy (see http://www.sodis.ch). About 35 percent of the population drank safe potable water in 2005 compared to only 15 percent in 1995 in Laos. This is a definite achievement, though the regional variation is large (Figure 2.6).

Infant mortality[37]

The probability of a person surviving longer rises dramatically if s/he survives the early months and years. In a limited sense, the Infant Mortality Rate ('IMR') and Child Mortality Rate ('CMR') are the most important indicators of the state of human health.

33 Population Census of 2005 (GOL 2006a).

34 See calculations made by Richter, van der Weide and Souksavath (2005) based on LECS-3 data in GOL (2004).

35 WFP (2007), p 91.

36 Underweight: less weight for age, Stunted: less height for age, Wasted: less weight for height; year of reporting: 2006; See GOL (2007b), pp 25-26.

37 Some definitions:
a. Infant mortality rate (IMR) = Probability of an infant not surviving for one year at the time of birth, per 1,000 live births.
b. Child mortality rate (CMR) = Probability of an infant not surviving for five years at the time of birth, per 1,000 live births.
c. Life expectancy = Probability of a person surviving a certain number of years at the time of birth.

Good market infrastructure helps to increase incomes and hence, better health.

In 1995, IMR was 104, which in 2005 reduced to 70 (males: 75 and females: 60). Accordingly, the life expectancy rose from 51 years to 61 (males' from 50 years in 1995 to 59 in 2005, and females', from 52 years to 63). Child mortality decreased from 170 to 97.6 in this period. These are all encouraging indicators.

Province-specific data on IMR for 1995 and 2005, as seen in Figure 2.7, however suggest that despite a general improvement in IMR, in five provinces out of 17 the IMR has risen in that time. They are Oudomxay, Khammuane, Saravane, Sekong and Attapeu. An increase in IMR is not a good sign. Correspondingly, the regional variation in IMR has widened during this decade: the coefficient of variation in IMR has more than doubled between 1995 and 2005. Finally, the deterioration of IMR in Khammuane and Saravane is particularly intriguing, these not being located in the hinterland. Any increase in these trends calls for immediate intervention.

BRIEF CONCLUSIONS:

1. *Strengthening supply-side factors like completing incomplete schools (buildings, staff and equipment), appointing multi-lingual teachers, offering generous scholarships and making schools truly free, could all help raise the education-related ratios. Details are discussed in Chapter 6.*

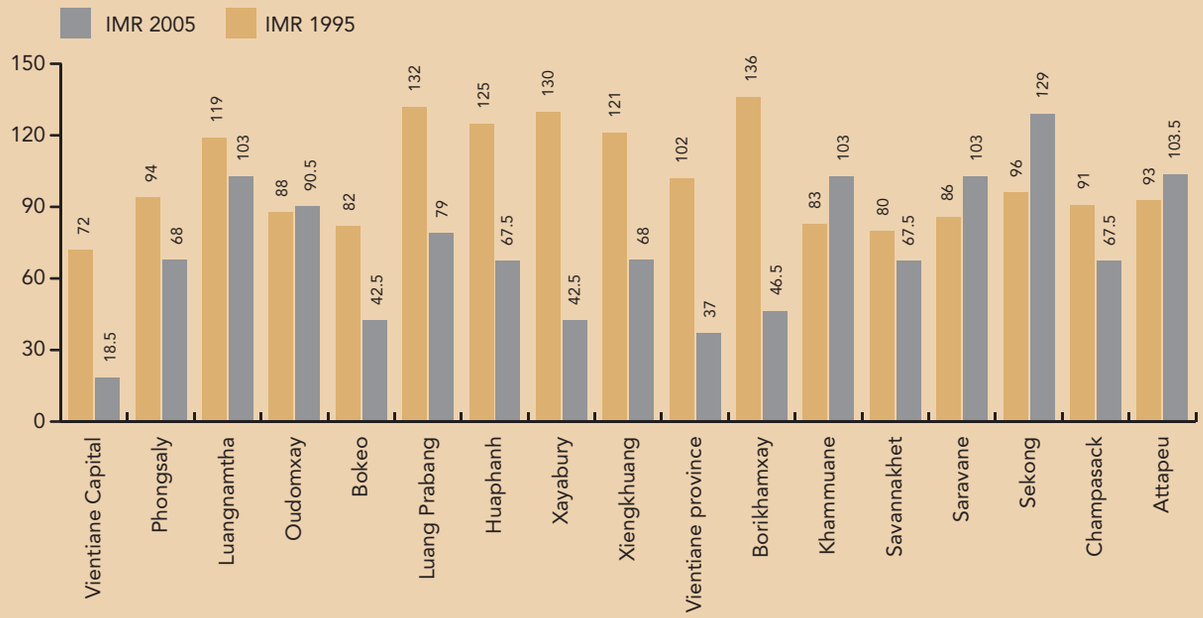
2. *Nutrition and child health in identified provinces (especially the increase in IMR) require urgent intervention. Low cost options are now available and should be practised; e.g., potable drinking water could be available at virtually zero cost, by disinfecting water using sunlight. See http://www.sodis.ch.*

3. *Not all development indicators move together. Special inquiries into why certain social indicators are moving in undesirable directions in some provinces are paramount.*

HUMAN DEVELOPMENT ASSESSED THROUGH COMPOSITE INDICES

Human development indices are a family of measures developed to assess the state of human wellbeing. The three most common ones (and computed here) are the Human Development Index ('HDI'), the Gender Development Index ('GDI') and the Human Poverty Index ('HPI'). Each of these is a composite of 3-4 variables. The exact methods of calculation of these can be seen in Annex 2.1.

Figure 2.7: IMR for 1995 and 2005, by province



Source: *MOE (2008a).*

The Human Development Index: International comparisons

Although Laos has improved its HD ranking in the last few years, it still ranks near the bottom on most of these indicators within the ASEAN region (Table 2.3).

Inter-province comparisons of HDI

The method used for computing HDI at the province level in Laos is described in Annex 2. There are two deviations from the standard definition, as below.

First, an inequality coefficient (Gini) moderates the income variable (consumption data substitute for income, as income data at province level are not available). This is important, since unequal distribution of gains dampens the impact of aggregate increases in income.

Second, access by road has been included as a fourth variable, since lack of connectivity has been responsible for the isolation and underdevelopment of many regions, provinces and population groups[38].

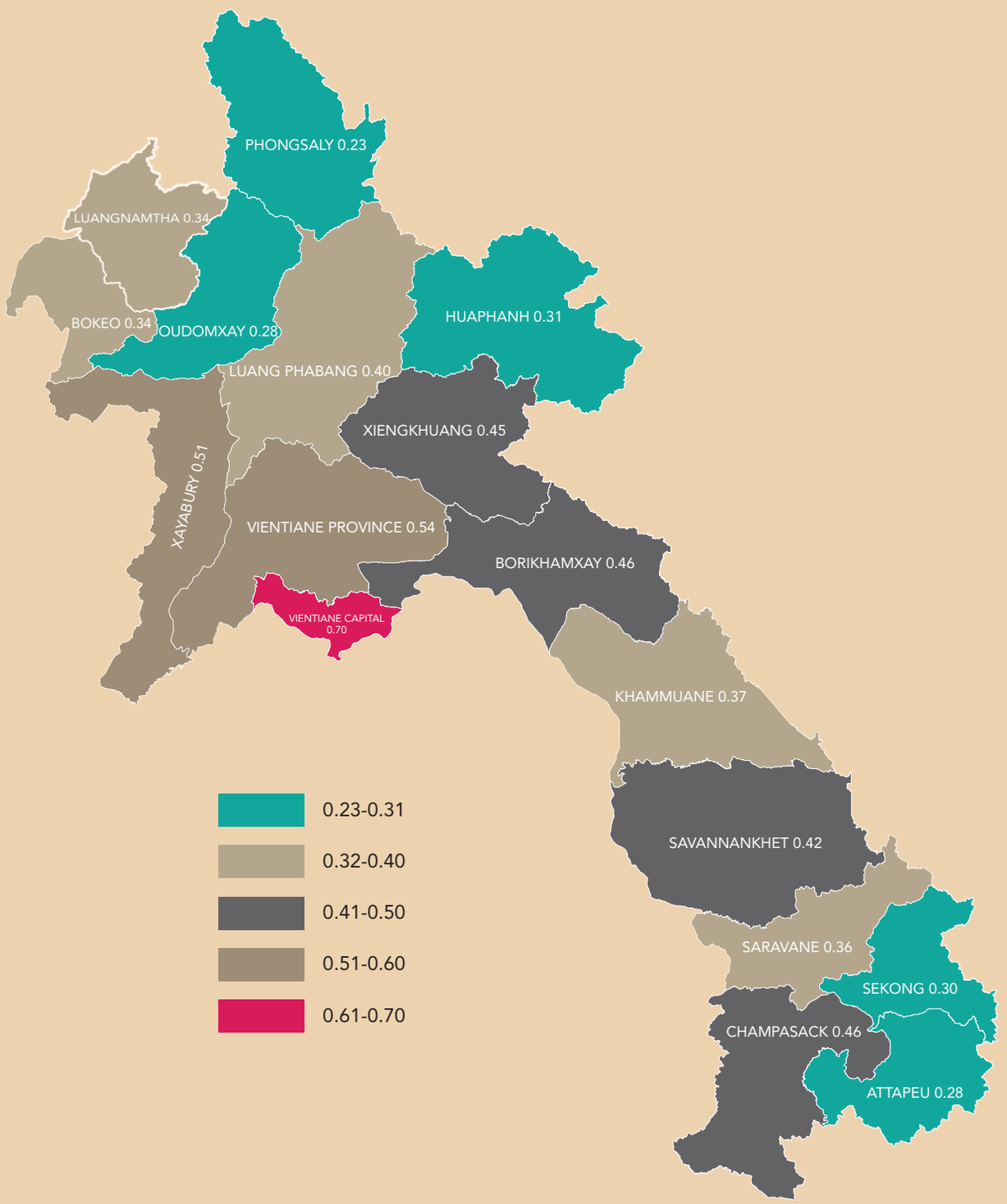
Table 2.3: Ranking of ASEAN countries on the HDI, GDI and HPI scales

Country	HDI rank	GDI rank	HPI rank
Brunei Darussalam	30	31	n.a.
Cambodia	131	114	85
Indonesia	107	94	47
Laos	**130**	**115**	**70**
Malaysia	63	58	16
Myanmar	132	n.a.	52
Philippines	90	77	37
Singapore	25	n.a.	7
Thailand	78	71	24
Timor-Leste	150	n.a.	95
Vietnam	105	91	36

Source: *UNDP (2007); n.a. refers to data not available; data pertain to 2005. The sample number of countries compared for each of the indicators is different.*

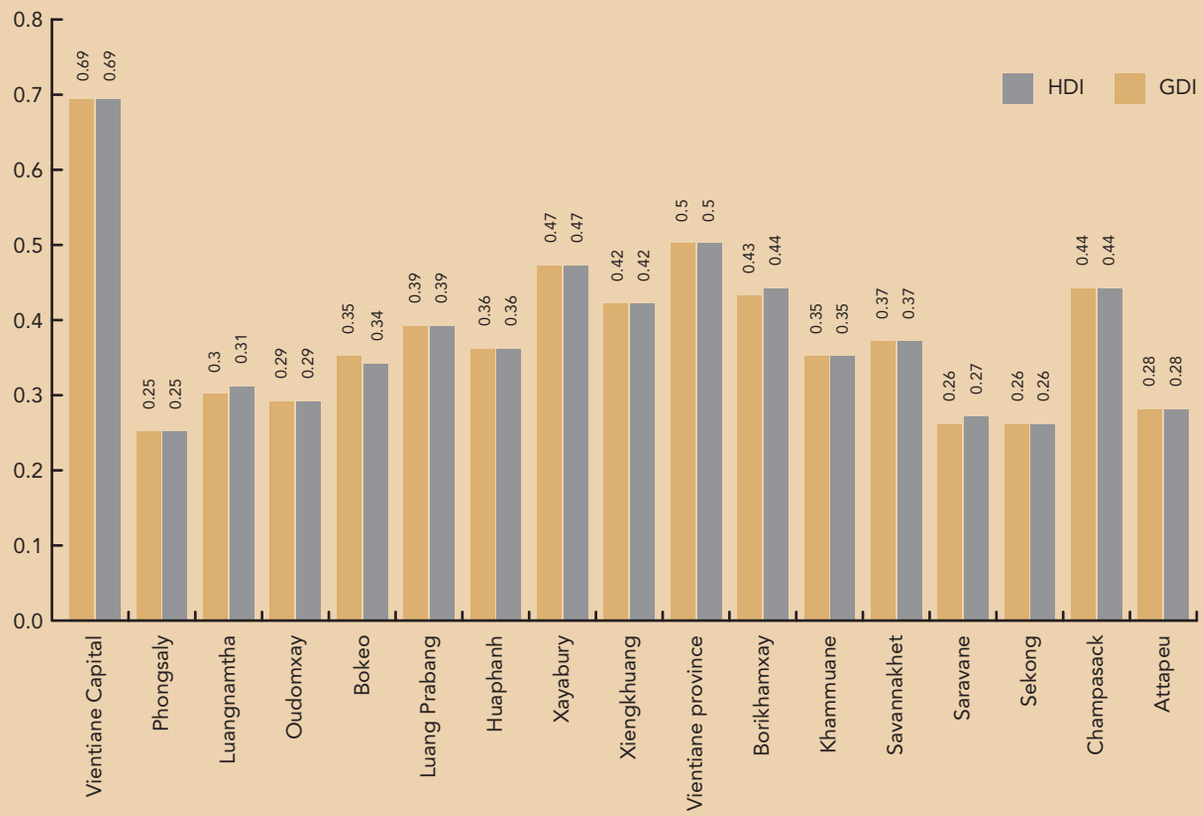
38 See Menon and Warr (2007) for the importance of roads in Laos. The Socio-Economic Atlas of the Lao PDR also provides a good illustration of isolation-related issues in Laos (see Messerli *et al* 2008).

Figure 2.8: Province-specific Human Development Index values, 2003-2005



Sources: *Calculated with data obtained from the Population Census of 2005 (GOL (2006a)), LECS-3 (GOL (2004)) and Ministry of Education.*

Figure 2.9: GDI and HDI for different provinces, 2003-2005



Sources: *Calculated with data obtained from the same sources as HDI. Here HDI is computed, without roads and adjustment to income distribution to make it comparable to GDI.*

The province-level HDI coefficients computed for 2003-2005 (Figure 2.8), suggest HDI is the highest in Vientiane Capital and lowest in Phongsaly. The general typology is that the more market-exposed and occupationally diverse provinces have higher HDI values, and vice-versa. The bottom of the list includes the provinces of Sekong, Oudomxay, Attapeu, and Phongsaly.

Comparing provinces on HDI scale for 1995-1997 and 2003-2005

In its generic formulation, HDI is a cross-sectional measure and comparing it in a temporal context is not permissible. However, temporal comparison becomes permissible if the goalposts are differently defined. In the first step, a consistent set of 'highest' and 'lowest' performers over time are identified. In the next step, goalposts—arithmetic means of the concerned variables from 'highest' and 'lowest' performing provinces—are set (Annex 2.1). Table 2.4, which presents the HDI ranks of different provinces for 1995 and 2005, suggests that an uneven increase in HD in different provinces has changed the relative ranking of provinces on the HDI scale through the decade[39]. Although all the provinces have gained in their HD index value, Saravane, Savannakhet, Bokeo and Khammuane have lost several rungs in the ranking. Once again, the uneven development performance of different provinces in that decade is evident. Is inter-province migration responsible, or is it insufficient public action? Have strategies which performed well in one area, been found to be unsuitable in another? Why are otherwise well placed provinces like Khammuane and Savannakhet losing ground? Detailed studies are required to answer these questions.

39 The HDI values for 1995 and 2005 can be seen in the Data Appendix. .

Table 2.4: Ranking of different provinces by HDI in 1995 and 2005

Province	Rank
Vientiane Capital	Same (1,1)
Vientiane province	Same (1,1)
Champasack	Lose (3,4)
Xayabury	Gain (4,3)
Savannakhet	Lose (5,9)
Khammuane	Lose (6,12)
Borikhamxay	Gain (7,5)
Xiengkhuang	Gain (8,6)
Saravane	Lose (9,16)
Attapeu	Lose (10,13)
Luang Prabang	Gain (11,7)
Huaphanh	Gain (12,10)
Oudomxay	Lose (13,15)
Bokeo	Gain (14,11)
Sekong	Lose (15,16)
Phongsaly	Lose (16,17)
Luangnamtha	Gain (17,14)

Source: *Calculated with data from Population Censuses of 1995 and 2005 (GOL (1997), GOL (2006a)); GOL (1999); GOL (2004); and Ministry of Education. Here HDI is computed without roads and adjustment to income distribution to make it comparable to GDI.*

Gender Development Index

GDI and HDI for different provinces are shown in Figure 2.9 (definition: Annex 2.1). They suggest that almost everywhere, GDI is very similar to the HDI; it is slightly different only in a few cases. These differences are too small to attract any comment. One reason for this near equality between the two is the scant availability of data on gender-specific earnings.

Human Poverty Index

Human poverty is a non-income measure of poverty and reflects the effect of low incomes on human well-being: principally mortality, poor health and lack of education. Figure 2.10 suggests that HPI is the lowest in Vientiane Capital and highest in Sekong. Phongsaly, Luangnamtha, Oudomxay, Saravane, Sekong and Attapeu all have a high HPI, they rank high on income-poverty, and they appear low on HDI. Note, however, that unlike the case of HDI, Luangnamtha is placed among the bottom rungs here, along with Sekong, Attapeu and Khammuane. Again, not all development indicators move together.

Many indicators, individual or grouped, suggest that the six provinces of Attapeu, Phongsaly, Saravane, Sekong, Huaphanh and Oudomxay lie at the bottom of all rankings.

BRIEF CONCLUSIONS:

1. *To repeat, since not all development indicators move at the same pace or in the desired direction, it is important to monitor a whole spectrum of variables rather than just one or two variables. For this, HD monitoring at decentralised levels needs to be established – see Box 2.4. In the ultimate analysis, higher social investments should be made in less developed regions. Additionally, there is need to put in place, policies that attract both private investment and the attention of the international community in such areas.*

2. *Composite indicators suggest that the provinces of Attapeu, Phongsaly, Saravane, Sekong, Huaphanh and Oudomxay lag behind on most counts.*

KEY RECOMMENDATIONS

1. There is competition between users of natural resources when new stakeholders emerge. In the process, the disempowered groups (farmers) will inevitably lose livelihoods. To prevent this, more detailed project appraisals (manuals are now available), public debates and consultations with affected people should precede any change in land use. More specifically:
   a. Any project that entails alteration in land use (and control) from one purpose (and owner) to another requires that the present land use be ascertained judiciously. If the process adversely affects some people's livelihoods, providing them with alternatives (land, jobs or both) should become the first priority.
   b. The process of land transfer must be transparent and participatory. Meetings should be held with the affected village communities, wherein the project's details, land acquisition details and resettlement plans are discussed. People's

Box 2.3: Is there gender equality in Laos?

A comparison of GDI and HDI suggests that there is no apparent gender differentiation in Laos. While interpreting GDI, it should be borne in mind that GDI is not a measure of performance of males versus females on the HD scale. Instead, it is an HD Index, moderated by gender concerns. The index for each variable is computed separately for males and females. Gender-specific population weights then aggregate the two indices. GDI computation requires an 'aversion number' to account for aversion to inequality that women face, and this alone is the gender-sensitive element of the index. If women do not face any significant discrimination on the select variables, namely, literacy, primary enrolment, wage rate, work participation or longevity, GDI will not be significantly different from HDI.

There are many dimensions of gender inequality beyond those the GDI captures. For example, girls are severely disadvantaged at all levels of education. As a result, in the job-market, they do not get high paying jobs as easily and they climb up the rungs of job ladders more slowly. The Gender Empowerment Measure ('GEM') takes account of such factors, but its data requirements do not permit its computation here. While laws in Laos are quite liberal about hiring women-workers, maternity leave, opportunities for training, etc., these have little impact outside (or even inside) the formal and government sectors. Anecdotal evidence suggests that in household decision-making, especially when money is involved, women have to consult men but the reverse is not always true. Finally, in the higher echelons of power (be it in politics or industry), women's representation is small.

The Census of 2005 finds that unpaid family workers—a less privileged category in the workforce—are 52 percent of the total self-employed, and mostly female. The proportion of female unpaid family workers increased during 1995-2005. 'Employees', the more privileged workers, were 11.7 percent of the workforce; about 7.3 percent of them were in the government (30 percent female) and 4.4 percent in the private sector (40 percent female).

LECS-3 data show that men on average spend 5.8 hours a day in income generating activities plus housework, while women spend seven hours a day. Women spend 2.5 hours daily on average on housework while men spend only 0.6 hours. Moreover, females spend on average only 0.9 hours in school a day while males spend 1.3 hours.

The status of a woman compared to a man in Laos, or any of the Southeast Asian countries, is superior compared to that in south or west Asia for reasons related to their larger participation in the market-oriented workforce and hence greater control of cash, and absence of social malpractices like dowries. However, this is no reason to be complacent, as gaps remain.

Sources: *GOL (2006b); GOL (2004); LWU and GRID (2005).*

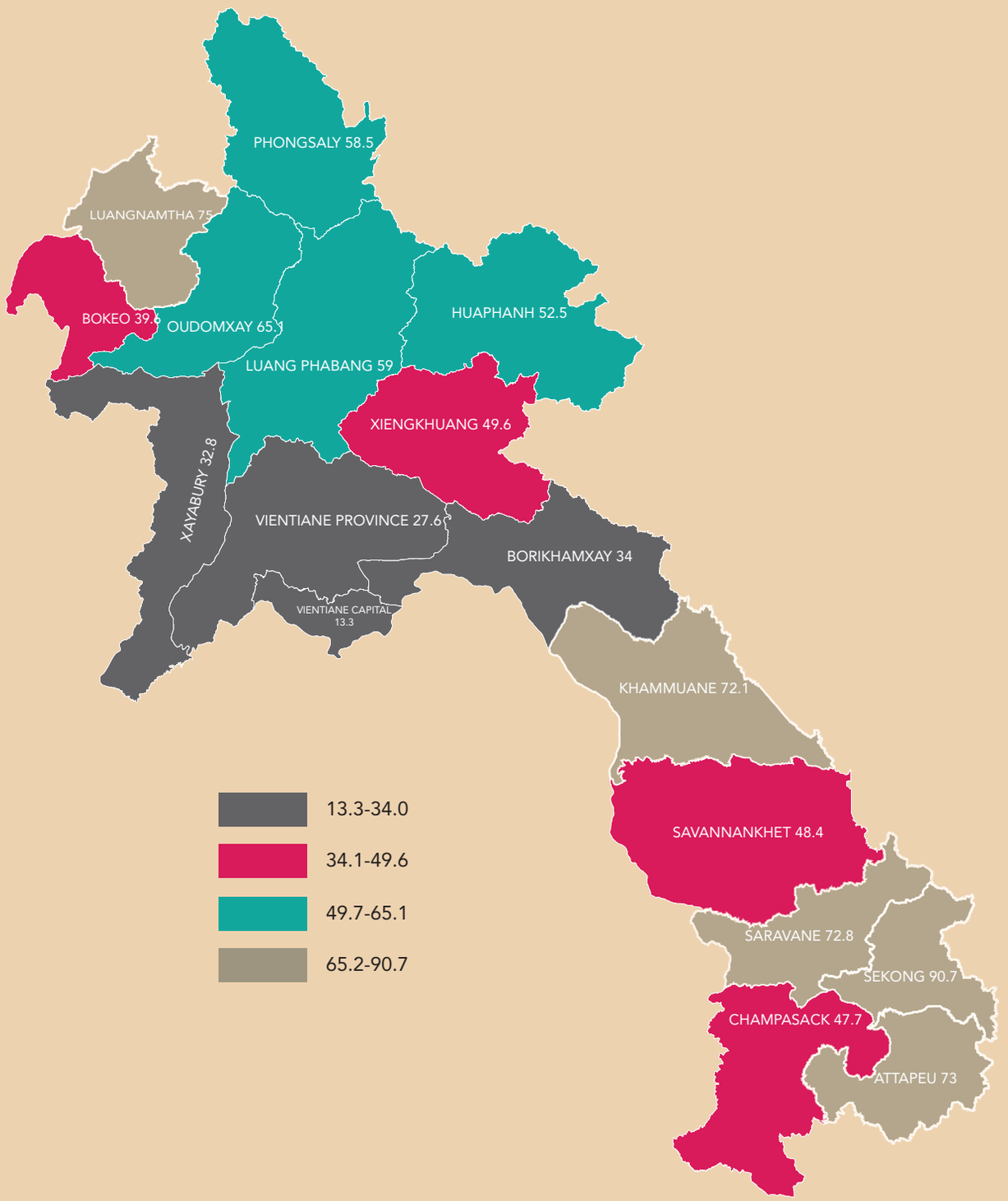
views on the resettlement package should also be sought. Promises made to resettle people must be documented, and responsibilities of executing agencies identified.

c. After the initial baseline survey, follow-up surveys to assess the standards of living and other coordinates of the affected population should be carried out regularly for at least three years.

2. The measurement and monitoring of people's standards of living, population movements and such details at the province and district levels are critical, to appreciate the realities at localised levels. The government should collect data on key indicators (e.g., unemployment, wage rates, local food prices, in/out-migration, demographic variables, and so on) through administrative surveillance, or other suitable methods. Different data collected at these levels should also be integrated into the national statistical system. Strengthening capacities to collect and collate statistics at the local level should assume greater priority. For this, redesigning the Village Book and training district and village staff on data collection are essential, and generous funding is a prerequisite.

3. There is a need to equip all primary schools with proper buildings (including amenities), other

Figure 2.10: HPI for different provinces, 2003-2005



Source: *Same as for Figure 2.8*

Box 2.4: Monitoring HD at disaggregated levels

The present system of monitoring and evaluation for human development, poverty or employment programmes is an *ex post facto evaluation* (LECS, Census), and the only monitoring done is a departmental reporting of expenditures. There is a Socio-Economic Development Plan monitoring unit within the Ministry of Planning and Investment ('MPI'), but it is largely dormant for want of resources. There is a need to set up a concurrent, user-friendly and transparent data generation system. The starting point is to strengthen the Village Book system, from where select data could be collated at the district and province levels, and finally integrated into the national statistical system.

1. Data on key variables like programme expenditures and achievements should be generated for each village and district. This would serve the purpose of feeding information back to the villages and districts about their performance (or lack of it) and inform planning and execution agencies. Data collected by the Ministry of Planning (under the Commune Council programme) in Cambodia is a possible model to follow.

2. It is also important to define and make public the tenurial status of all land, privately owned or not privately owned (e.g., common lands that are part submerged by water or lands under forests or wastelands). Once their status is defined, they could be put to optimal use without conflict between different stakeholders.

3. Systematic records on births, deaths, marriages, pregnancies, and migration should be maintained at the village and district levels. Such data, useful in monitoring demographic changes, the status of women, the health status of households, family planning, etc., could be generated through an administrative surveillance mechanism.

4. Key statistics must be publicly displayed at the village level to ensure transparency. Large information-boards could perhaps be prepared and displayed outside each village office.

teaching equipment and teachers. Details of different facets of this issue are discussed in Chapter 6.

4. Nutrition and child health in identified provinces (especially the increase in IMR) require urgent intervention. Since it is well known that clean drinking water can ensure children retain most of their food intake, this should be a priority. Of course, not just the quality of water is important, alterations in food habits of people are also essential, an aspect that needs to be researched into.

5. Higher social investments must be made in less developed regions. Additionally, there is need to put in place, policies that attract both private investment and the attention of the international community in such areas.

ANNEX 2.1:
COMPUTING HD INDICES

Human development indices as computed for international comparisons

HDI: The Human Development Index is a composite representation of the state of human development in a country or region. In theory, HD covers vast ground and as such, it might be difficult to capture all of its dimensions in a single index. For brevity, therefore, a composite of the following variables constitutes the HDI:

a. Per capita household income (measured in purchasing power parity (PPP) terms for international comparison),
b. A linear (weighted) combination of literacy rate and net enrolment rate, and
c. Life expectancy.

Indices for each of the above are separately computed. They are then added together and divided by three, to form the HDI. Since each of the individual three indices is a unit-less number, linear addition is permissible.

An index for a single variable is calculated from cross-sectional data, pertaining to either countries or regions/ provinces within a country:

$$\text{Individual Index} = \frac{[(\text{Actual value of the variable}) - (\text{minimum value of the variable})]}{[(\text{Maximum value of the variable}) - (\text{minimum value of the variable})]}$$

GDI: The Gender Development Index (GDI), in principle, is the same as the HDI, with the difference that it is gender-sensitive. At the first step of its calculation, an index is computed in relation to gender for each of its three components. An 'equally distributed index' ('EDI') is then calculated, which is an aggregation of the gender-specific individual indices using population weights of each sex, and an 'aversion coefficient' to express aversion against gender-inequality. The formula is as follows:

$$EDI = [\{\text{population proportion of females } X \text{ (female index)}^{-1}\} + \{\text{population proportion of males } X \text{ (male index)}^{-1}\}]^{-1}$$

The final step is to then add the three EDIs and divide the sum by three, to obtain the GDI.

HPI: Human Poverty Index (HPI) represents the state of people's deprivation resulting from a continued denial of basic needs. It is the 'effect' of poverty. It is composed of three components:

a. Simple average of the percentage of the population that does not have access to safe drinking water supply and children are underweight,
b. Illiteracy rate (%), and
c. Infant mortality rate (IMR %).

The formula for calculating HPI:

$$HPI = [1/3(P_1^3 + P_2^3 + P_3^3)]^{1/3} \text{ where Pi are as in a., b. and c. above.}$$

Source: *Global HDR, any issue.*

ANNEX 2.1: COMPUTING HD INDICES

Computing Human Development Indices for provinces in Laos

For province-level calculation of HDI, there are four components:

a. Inequality-adjusted mean per capita household consumption in a province;
b. Literacy rate and net enrolment rate;
c. Life expectancy; and
d. Road access.

Note: For temporal comparisons, HDI is computed based on (a), (b) and (c) above, without equality adjustment in (a). GDI is also computed based on (a), (b) and (c), without inequality adjustment in (a). These have been so calculated due to a paucity of comparable data for the earlier period, and by gender disaggregation, respectively.

Data

Province income: The per capita household consumption substitutes income, since province income is not available. This has been multiplied by (1-Gini) of land inequality to account for the existing inequality in each province. Data sources: for provincial consumption, LECS-3 (GOL (2004)); and for land inequality, Population Census of 2005 (GOL (2006a)).

Literacy rate: Data for population 15 years of age and above, obtained from the Population Census of 2005 (GOL (2006a)).

Net enrolment rate: Net primary level enrolment rates, Data source: Ministry of Education (year: 2005).

Life expectancy: Population Census of 2005 provides this information (GOL (2006a)).

Road access: Population Census of 2005 provides information on the percentage of villages connected by roads.

Goal posts

Maximum income is 25% higher than that in the highest income province and minimum income is 25% lower than that in the lowest income province. Maximum literacy rate and enrolment rate are 100 and minimum literacy rate and enrolment rate are zero. Maximum life expectancy is 25% higher than that in the highest life expectancy province and minimum life expectancy is 25% lower than that in the lowest life expectancy province. For HDI computed for temporal comparison, the goal posts are: (1) the value equivalent to 25% higher than the mean of the two years' highest values for the upper limit; and (2) the value equivalent to 25% lower than the mean of the two years' lowest values for the lower limit.

For HPI

(a) Average of the percentage of the population not having access to safe drinking water supply (data: Population Census of 2005 (GOL (2006a)) and the percentage of persons suffering from long-term illness (source: LECS-3 (GOL (2004)) (data on underweight children are not available at province level); (b) Illiteracy rate (%) (Source: Population Census of 2005; and (c) Infant Mortality Rate (IMR, %) (Source: Population Census of 2005 (GOL (2006a)).

CHAPTER 3:

BROADENING THE OCCUPATIONAL CHOICES OF PEOPLE: AN AGGREGATE SECTORAL ANALYSIS

CHAPTER 3:

BROADENING THE OCCUPATIONAL CHOICES OF PEOPLE:
AN AGGREGATE SECTORAL ANALYSIS

Rural reform, accompanying rapid industrialisation, ushers-in a decisive shift from an involution path … township and village enterprises experience dramatic growth, and rural settlements became rapidly urbanised with growth in non-farm activities….

Anonymous

OVERVIEW

Workers outside traditional (low productivity) family farms are more productive and earn more; therefore, the transfer of workers towards non-farm work is both empowering and desirable. About 79 percent of Laos' workforce is engaged in agriculture and its allied activities. There was a shift of workers towards non-agricultural activities by about 7-percentage points through 1995-2005: small, keeping in view a sustained 6-7 growth in GDP since the early 1990s. There are also wide inter-province variations in the sectoral deployment of workers, with the more developed provinces having a higher proportion of workers outside family farms, and vice versa. A little less than half the workers who came into the workforce between 1995 and 2005 joined non-agricultural activities. The others joined agricultural activities: they claimed land by clearing the forest and/or splitting the existing small land plots to sustain livelihoods. The overall area under cultivation grew more than 50 percent between 1995 and 2005.

There are fledging industrial and service sectors. Industry has become the largest net contributor to economic growth, but it employs only 4.8 percent of workers. The elasticity of labour use with output is 0.57. An important part of industry is natural resource-based (mining and hydroelectricity). Maximum investments have been made in mining and hydroelectricity and as a result, both have grown rapidly in recent years. This investment is vital to the economy, but creates few jobs. The manufacturing component of industry (garments, wood processing, food processing, etc.) has grown more slowly, though it has a lower capital intensity and higher elasticity value. The service sector has also grown slowly, though some sub-sectors like trade, transport, tourism, education and health within it hold the promise of diversifying the occupational base. The elasticity of labour use in the service sector is 0.94. On aggregate, however, the growth process has created few jobs: the elasticity value of labour use with GDP growth is 0.40.

Some large-scale investments have come in through the foreign direct investment ('FDI') route but the national private sector (and SMEs), which can create more jobs and bring about decentralised growth, is still small. Major constraints on broadening the base of industrial growth are: inadequately trained people, poor infrastructure, high costs, a small national private sector, shortage of finance, and the list goes on. The government, abreast with these realities, passed an Enterprise Law in 2005 and Small and Medium Enterprise Law in 2004. It has taken other measures as well, which need to be actively taken forward.

Looking forward, extractive industries must have forward and backward linkages to help the local economy, there must be an emphasis on agricultural growth and there must be innovative approaches to boosting the private sector.

PURPOSE

A sectorally diversified workforce is a definitive indicator of the movement of an economy towards a higher level of development. Individual workers earn higher amounts and live better, they are exposed to alternative life styles, and they and their families enjoy greater choices. There can be multiple paths to diversifying occupations and creating better quality employment, and thereby raising HD. In the more successful East Asian economies, the development process has entailed increased productivity in agriculture and a rapid shift of workers into non-agricultural sectors[40].

The process is somewhat as follows:

1. Agricultural modernisation initially absorbs labour more productively. Approaches to modernisation are agrarian and land reform, the application of labour-using technology, and the marketing of agricultural produce at remunerative prices.

2. The resulting higher land yields lead to land consolidation and farm mechanisation, in turn releasing surplus labour from agriculture and facilitating a rise in labour productivity and wages in the sector.

3. The surplus (cheap) labour, along with ample (and low-priced) food, leverages the growth of non-farm sectors. Employment rapidly diversifies. The ready markets, available for non-farm products because of increased agricultural incomes, further speed up this process.

4. Over time, most labour is absorbed in non-farm activities and labour productivity across sectors tends to equalise at a higher level.

Has Laos followed this path? Data to date suggest that the answer is 'not yet', since a large proportion of the population still works in low productivity agriculture despite a hefty and sustained growth in GDP. Nevertheless, some non-farm activities have expanded and from a planning perspective, it is important to know which ones, as policies could be developed to facilitate greater non-farm employment.

THIS CHAPTER EXAMINES:

1. The extent of the shift of workers away from the (family-farm oriented) agricultural sector to different non-farm sectors and their employment in other activities,

2. The capacities of different sectors and sub-sectors to create more jobs, and

3. Factors constraining growth of labour-using non-farm sectors – human capital, enterprise development, business climate.

DIVERSIFYING SECTORS AND OCCUPATIONS

Sectoral diversification has so far been small

In aggregate

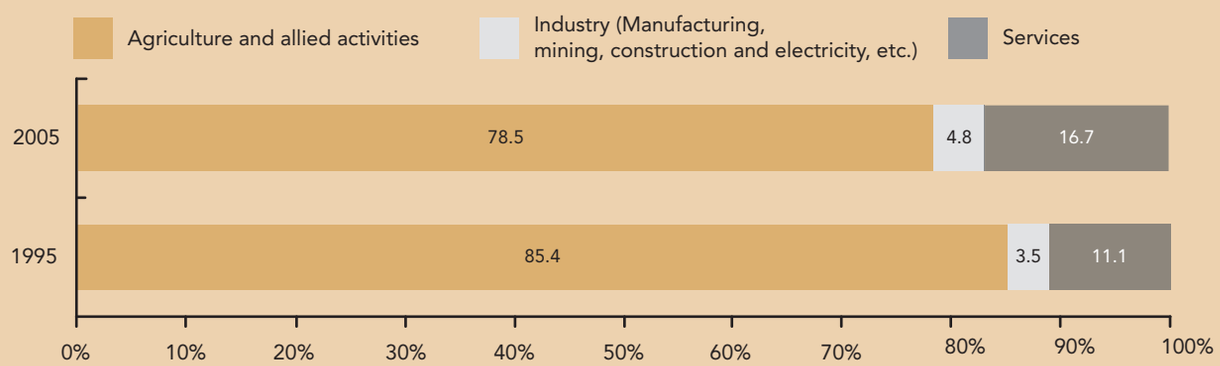
Workers engaged in agriculture as their principal activity constituted 85.4 percent of total workers in 1995. This number reduced to 78.5 percent in 2005, a 6.9 percentage-point shift from agriculture towards non-agriculture over the decade: an annual (arithmetic) percentage-point shift of about 0.7 percent (Figure 3.1)[41]. There were more male workers in non-agricultural activities compared to female in both 1995 and 2005; expected, because in geographical mobility and skills, men score higher than women do. However, *unexpectedly*, the rate of shift of female workers towards non-agricultural activities was higher (eight percent) compared to that of male workers (5.5 percent). This is due to the service sector having absorbed many female workers. While there is reason to be satisfied on this count, there is a caveat: female workers inevitably enter informal labour markets where the working conditions might not be much different from where they were before. There is also the possibility of them being exploited[42]. Some of these aspects are discussed later in this chapter, and in Chapter 5.

40 See Ishikawa (1967); Rastyannikov (1982); Hayami and Ruttan (1971); Hayami and Kikuchi (1981); Breman and Mundle (1991); Mellor (1976), and more recently, the Chinese example. See also Grinspun (2004); Humphreys, Sachs and Stiglitz (2007) on issues relating to growth and distribution of benefits

41 Sources: Population Census (of 1995 (GOL (1997) and 2005 (GOL 2006a)). The Sixth NSEDP document states that the share of employment in agriculture should decrease to less than 74% by 2010. At the current rate, this target is steep. (GOL 2006c), pp 86-87

42 See Oloth (2006).

Figure 3.1: Sectoral distribution by percentage of workers for 1995 and 2005



Source: *Population Censuses for 1995 and 2005 (GOL (1997) and GOL (2006a)).*

Between 1995 and 2005, about 0.57 million people entered the workforce, 52.6 percent of whom were absorbed in the agricultural sector while 47.4 percent took up work in non-agricultural activities (Figure 3.2). By definition, these were between the ages of 10-30 years – the youth. It is an established fact that the youth wish to seek employment outside agriculture. However, there have not been enough opportunities for even half the youth to find jobs outside the farms. There is also the possibility of low employability of these youth outside agriculture and its allied activities.

Seen regionally, the proportion of workers engaged in non-agricultural activities varies vastly across provinces: Vientiane Capital and Vientiane province have a relatively more diversified workforce compared to the national average. In contrast, in the far-flung provinces of Saravane, Attapeu, Phongsaly, Huaphanh and Sekong, agricultural activities engage a very high proportion of workers (Figure 3.3).

There are wide variations in the proportion of non-farm jobs created across provinces between 1995 and 2005. For example, in Phongsaly and Huaphanh between 1995 and 2005, the number of female workers in agriculture reduced in absolute terms. In this same period, the number of female workers joining non-agricultural activities *exceeded the total number of female workers joining the workforce overall*. This means that the total number of female workers joining non-agricultural activities must also include female workers who have come from agricultural activities.

Finally, the ratio of the increase in *non-farm workers*, and the increase in *all workers* between 1995 and 2005 is defined here as the average pace of occupational diversification. Those provinces where this ratio falls below the average are classified 'slow', on (or near) it are 'borderline' and above it are 'rapid', in diversifying their occupations. Table 3.1 shows the distribution of provinces by these groupings. The two worrisome provinces—in the sense that they are slow in occupational diversification—are Saravane, which is also behind most provinces on many development indicators, and Savannakhet, which is losing ground on other indicators as well.

A caveat: in general, a movement away from agriculture improves the HD status of people. However, this may not always be the case. For example, a movement away from agriculture should have helped Phongsaly to rise up the HD ladder, but it did not! Since Phongsaly is last on the HDI scale and Huaphanh is also not high, why has this diversification not resulted in better HD? *One possibility is that non-farm jobs in these provinces are no different from farm jobs, they being in the low-productivity/low-paying informal sectors. This aspect requires detailed research in these provinces.*

BRIEF CONCLUSIONS:

1. *There has been a shift of 6.9 percentage points in the workforce from agriculture to non-agriculture. This is small when seen in the context of the healthy growth in the GDP.*

Box 3.1: Non-farm employment promotes poverty reduction: Anecdotal evidence

Economy-level evidence of the fact that non-farm employment helps reduce poverty can be seen in Box 3.3.

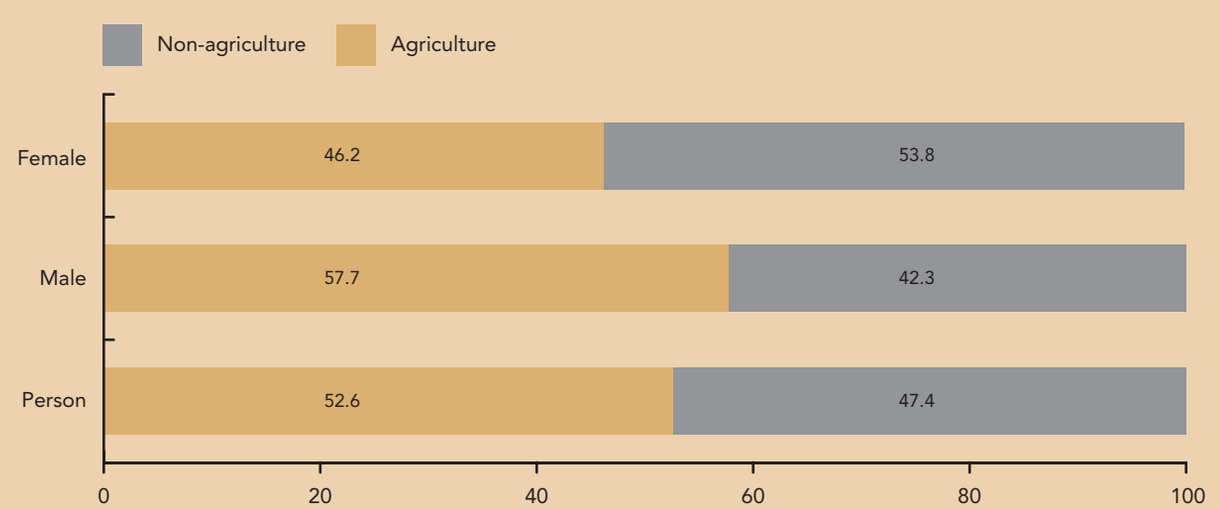
'We get employment all round the year in mining *Kua* (tin ore). These operations are small scale, and we all participate as self-employed workers, on contract to give the ore to the [Korean] company. The work is hard, as we have to break stones for long hours under the sun all the time ... the work extends to late hours in the evening when the ore is cleaned. However, the earnings are higher … could be in the range of 40,000 Kip or more a day, depending on how much we dig. If family members join in, we get more money as we dig larger quantities of the ore. There is drudgery and boredom in the work, and there is no upward mobility, but then, in this desolate place, agriculture is not an option ... in fact, we earn more than those in agriculture do'.
Small-scale village miners, Ban Noy, Hingboun district, Khammuane

'During the rainy season, we have jobs … all of us are engaged in growing rice … even those who often migrate out, come back in this season to contribute to growing rice. However, after the rainy season rice is harvested, there is nothing for us to do. We have no irrigation, which could sustain dry season crops. Young people have opportunities to out-migrate, but we women, who have children and homes to look after, have very few options. We stay in the village, pretending to be busy … try to raise chicken but last year's bird flu has severely affected bird sales … we really have no work'.

There is, therefore, a clear case for accelerating occupational diversification for reducing poverty and increasing HD.
Older women's group, Ban Don Kong Khao, Khong Sedone district, Saravane

Source: *NHDR Rural Survey 2007-2008, DOS*

Figure 3.2: Distribution by percentage of workers joining the workforce between 1995 and 2005, by broad sectors for each gender



Source: *Population Censuses for 1995 and 2005 (GOL (1997) and GOL (2006a)).*

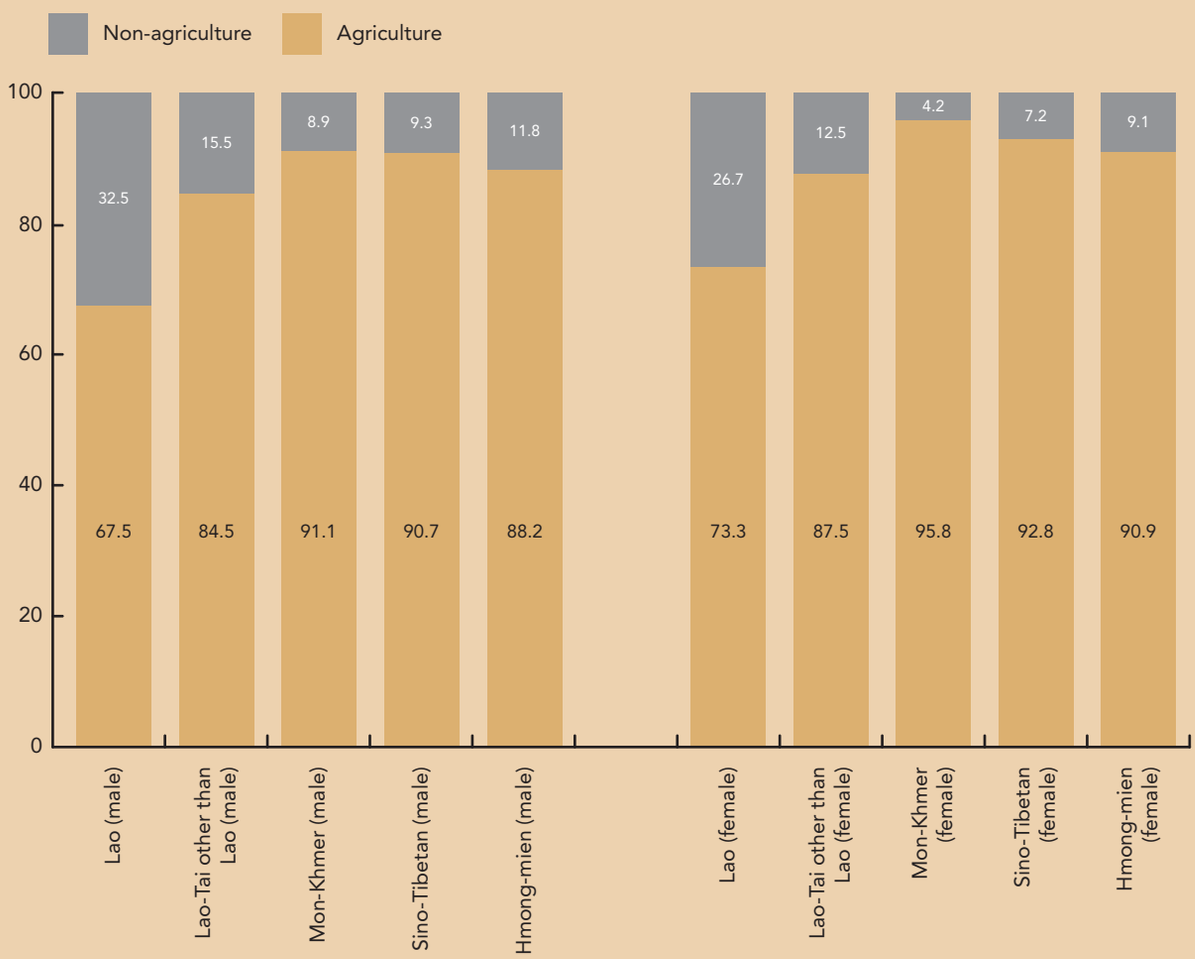
Box 3.2: Occupational diversification by ethnic groups

The figure below presents the proportion of workers engaged in agriculture and non-agriculture, disaggregated by ethno-linguistic groups. The figure shows a disaggregation of the Lao-Tai group into a 'Lao' sub-group (about 54.5 percent) and 'other Lao' (about 10.4 percent) because the two are not exactly homogenous. Two observations stand out.

First, there are considerably larger proportions of workers in non-agricultural activities among the Lao sub-group compared to the rest. In contrast, the activities of Mon-Khmer workers are the least diversified. The 'other Lao' sub-group in the Lao-Tai family (Sino-Tibetan and then Hmong-Iu Mien), fall in between, in that order. Surely, this is a reflection of the geographic, cultural and linguistic isolation of some of the ethnic groups, a finding mentioned earlier and again attracting attention. Any policy will require sensitivity to this issue.

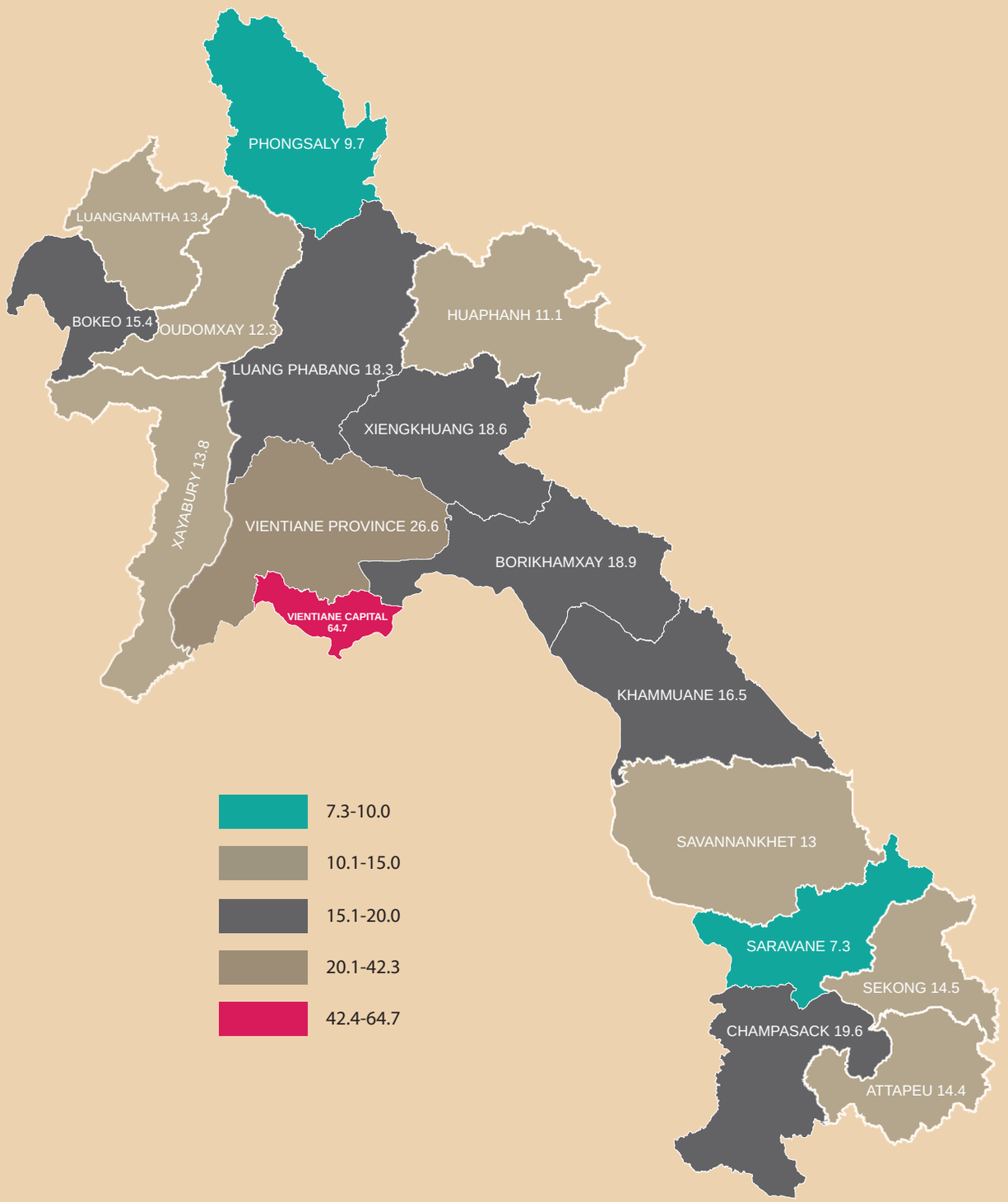
Second, larger proportions of female workers are concentrated in agricultural activities compared to male workers in all the groups; once again, female workers belonging to the Mon-Khmer group have the least non-farm jobs. Limited education and skills, along with the geographic and linguistic isolation are central to them not being able to diversify into non-farm jobs.

Sectoral distribution by percentage of workers, for each ethno-linguistic group and gender (aged 10 years and above) 2005



Source: *Population Census of 2005 (GOL (2006a)).*

Figure 3.3: Percentage of workers engaged in non-agricultural activities by province, 2005



Source: GOL (2006a).

2. *Less than 50 percent of the workforce joining in the period 1995-2005 (i.e., the youth) found work in non-farm sectors. This is a reflection of the incapacity of the non-farm sectors to absorb workers and/or the low employability of workers outside agriculture.*

3. *There is a somewhat inexplicable movement of workers away from the agricultural sector in some northern provinces and Sekong; inexplicable because it is not accompanied by a visible decrease in poverty or rise in HD indices. It is thought that workers are moving from low-productivity agriculture to other low productivity activity in informal sectors outside it. This needs inquiry*

Promoting jobs in the non-farm sectors: A disaggregated analysis

What exactly is the classification of activities within the non-farm sector? Do these activities have the potential to grow and provide decent work? Do they have the potential to take up the challenges of human development?

Classification of non-farm workers by sub-sectors[43]

Workers in the service sector accounted for 76 percent of total non-farm sector employment in 1995. This figure *rose* to 77.7 percent in 2005-2006. Thus, industry provides less than a quarter of non-farm jobs. Manufacturing output grew the fastest in recent years, it now constitutes more than 30 percent of the GDP, and its contribution to GDP growth is the largest. In contrast, the service sector constitutes about a quarter of the GDP. The fact of the service sector, rather than industry, dominating employment in the non-farm sector is atypical in a developing country at an early stage of development.

The span of activities in the non-farm sector being narrow, (a 2-digit) distribution of workers has been re-grouped into 11 categories (judging from the relative size of employment and output – Figure 3.4). The concentration of workers is stark: government employees are more than a quarter of total non-farm workers, closely followed by wholesale and retail trade workers, and then manufacturing. These three sub-sectors account for about two-thirds of total non-farm workers. In no other sub-sector group does the worker strength exceed even 10 percent of the total non-farm workers. First, this pattern suggests that industry is highly capital- and skill-intensive (mining and hydroelectricity), in an economy where people are looking to diversify their work pattern. Second, a low level of human capacity retards the employability of most people outside trad-itional agriculture. Finally, trading and economic services having employed large numbers outside agriculture, suggesting that some of these activities might not be much different from work in subsistence agriculture, in terms of quality of work or earnings. Being a helper in a small shop or a cleaner in a small restaurant are typical examples. It is not surprising that despite some occupational diversification seen in Phongsaly and Huaphanh, the HD level there did not rise.

Occupational diversification outside traditional agriculture is a necessary condition to raise HD, though it is not sufficient: employability and type of employment also matter. Which of these sub-sectors have the potential to grow and absorb workers in increased numbers?

Table 3.1: Distribution of provinces by relative rates of change (1995-2005) in non-farm jobs to total jobs

Province	Rank
Rapid (much greater than average)	Phongsaly, Luangnamtha, Oudomxay, Bokeo, Luang Prabang, Xiengkhuang, Sekong
Borderline (near average)	Huaphanh, Xayabury, Khammuane, Champasack, Attapeu, Vientiane province, Borikhamxay
Slow (lower than average)	Vientiane Capital, Savannakhet, Saravane

Sources: *Population Censuses of 1995 and 2005 (GOL (1997) and GOL (2006a)).*

43 This section interprets a dataset prepared by juxtaposing the Economic Census of 2006 ('EC-06', GOL (2007a)) and the Population Census of 2005 (GOL (2007a)). For details, see Annex 3.2.

Selective mechanisation in agriculture can improve work quality and productivity

Employment in government is unlikely to rise, lest the government deficit rises. The main growth sectors are manufacturing, hydroelectricity, mining, construction, (wholesale and retail) trade, education, health and economic services. However, are these activities likely to create jobs in substantial numbers in the future? The employment-output elasticity values computed for the period 1995-2006 suggest that the answer is 'yes' for some activities and 'not necessarily' in others (Table 3.2)[44].

Industry

Industry, whose output grew at about 11 percent (annual compound rate) between 1990 and 2007, is composed of mining, manufacturing, construction, and electricity (plus gas and water, including sewerage). It provides employment to 23.2 percent of non-farm workers. The output to employment elasticity is 0.57, higher than in family farms but still not high enough to absorb workers quickly.

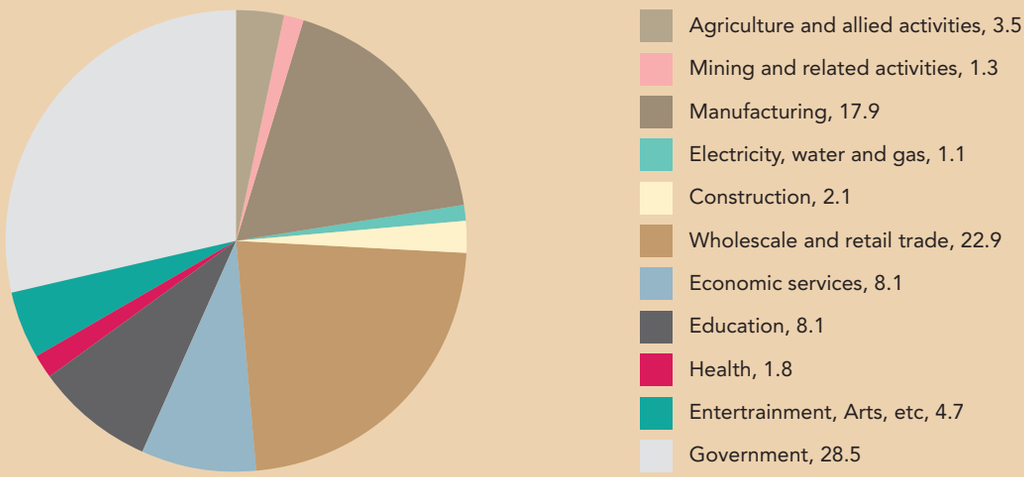
Mining

Mining output grew almost *100 times* between the five years 2002-2007 and its contribution to GDP rose to about 12 percent in 2007[45]. The share of investment in the mining sector compared to the total investment commitment during 2003-2007 (5-year average) was about 10 percent. It has an employment elasticity value of 0.29: low, when seen from an employment perspective. Mining employs about 1.3 percent of total workers in the non-farm sector, or 0.28 of the total workers in the economy. In absolute numbers, this is no more than 8,000 workers. Lane Xang Minerals Limited ('LXML') in Savannakhet province is the biggest company in the country, claiming to have a turnover of about 500 million US dollars. It employs no more than 5,800 workers (2,800 regular and 3,000 casual – about 600 workers are

44 Elasticity measures the extent of change in a variable caused by change in another variable. *Percent* changes are measured rather than changes in *absolute numbers* so that units of measurement do not influence the elasticity value. If elasticity value is unity, employment rises in the same proportion as production; if less than unity, it falls short and if greater, it creates more than the proportionate number of jobs. Output-employment elasticity is not sensitive to whether an industry or activity is capital or labour intensive. Capital-output ratio and capital-labour ratios also need to be considered. (Sources: http://en.wikipedia.org/wiki/Price_elasticity_of_demand.) Elasticity values have been calculated using data from the Population Census of 1995 and Economic Census of 2006 for employment and National Income database for production throughout the rest of this chapter (GOL (1997) and GOL (2006a)).

45 From 2000, the contribution of the natural resource-based sectors to the GDP increased from about 25 percent to about 45 percent. See GOL-UNDP (2008), p 23.

Figure 3.4: Distribution by percentage of workers by broad industry groups in the non-family farm sector, 2005-2006



Sources: *Economic Census of 2006 (EC-06) (GOL (2007c)); and Population Census of 2005 (GOL (2006a)); agriculture here refers to commercial agriculture outside the family farm sector.*

expatriate)[46]. Most Lao workers are engaged in clearing the land of its vegetation, a low wage job, no different from casual unskilled work in a rural setting. There is some small-scale, artisanal mining and it has a relatively high employment potential, but the level of this activity is small. The work in these artisanal mines entails digging earth, breaking stones and moving the ore – again no different from unskilled casual wage work, though the wage might exceed the wage in agriculture.

In its present form, mining does not have the potential to create jobs, but it could help to promote HD (through employment or other routes) if some conditions are satisfied:

1. If instead of restricting activities to digging the ore in Laos, some downstream activities are undertaken in Laos itself with larger involvement of Lao workers, a higher portion of the value added in the value chain could stay in the country and more jobs created. Establishing manufacturing units (SMEs or others, preferably by the national private sector) to process and use the raw material could help. Michael Porter famously said in 'Competitive Advantage of Nations', that technology could

Table 3.2: Employment to production elasticity values, broad sectors, 1995-2006

	Industry/activity	Employment-production elasticity values
1	Aggregate	0.40
2	Agriculture	0.37
3	Non-agriculture	0.79
4	Industry	0.57
5	Mining	0.29
6	Manufacturing + construction	0.63
7	Electricity, gas and water	0.38
8	Services	0.94
9	Wholesale and retail trade	0.73
10	Hotels and restaurants	1.32
11	Others	n.a.

Sources: *Calculated from National Income data from the Department of Statistics for production (GOL (2007a)); and EC-06 (GOL (2007c)) and Population Census of 1995 for employment (GOL (1997)).*

46 Source: Presentation made by LXML's representatives at the Ministry of Planning and Investment, entitled 'Economic Contribution of the LXML Project', Handout p 5, April 1, 2008.

Water transport can be a remunerative off-farm activity

be accessed from elsewhere to create a comparative advantage[47]. However, the key to it lies in the potential to *absorb the technologies,* for which widening and deepening the human capital base is a prerequisite. In addition, banks should be more forthcoming to finance local industries under the 'infant industry' argument.

2. Revenues generated from the royalties of mining concessions could be earmarked for investment on different components of human development and infrastructure. Consequent to this investment, labour-intensive industries would spontaneously grow, helping create many non-farm jobs. The whole process would empower people and increase their choices.

3. A number of auxiliary jobs in transport, repair, food for the residents, etc. could be localised much more, to create jobs and expose new work areas to workers closer to the project. If this is not possible in existing projects, newer contracts could incorporate such clauses, since work on many sites has yet to begin.

4. As and where possible, royalty rates could be revisited. At least in projects where the negotiations are yet not finalised, additional international expertise could be sought for royalties and other benefits. These services are expensive but worth the cost. In select areas, help from international NGOs specialising in these fields could also be sought.

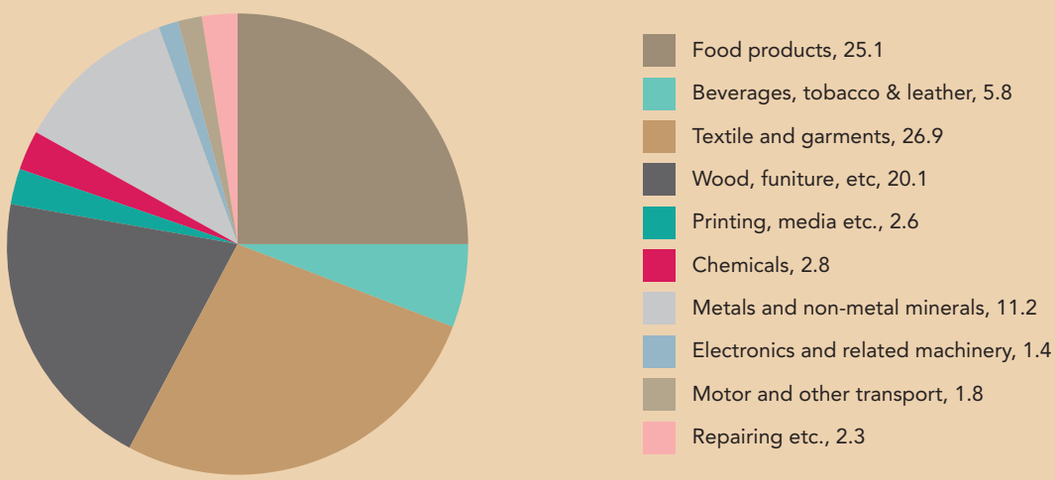
5. Keeping in view the importance of mining to the Lao economy in the coming decades, setting up a mining institute for research and training is paramount (see more in Chapter 6). In addition, mining companies must be required to transfer some of the core technology to the national technical staff.

Hydroelectricity

Hydroelectricity output has grown at 13.1 percent annually between 1990 and 2007. It employs no more than 6,500 workers, yet the share of this sector's investment commitment to total investment commitments in Laos during 2003-2007 (5-year average), was about 51 percent[48]. The employment to production elasticity

47 Porter (1998).
48 GOL (2008a).

Figure 3.5: Distribution by percentage of workers within the group 'manufacturing', 2005-2006



Source: *Calculated from EC-06 (GOL (2007c)).*

is also not very high at 0.38. However, few, if any, alternatives exist for producing grid-based power, since this activity is highly capital intensive. Authorities could take the following steps to leverage employment through this sector:

1. Use the power to boost downstream rural and small-scale industries, mineral processing, etc., in addition to energising pumps for irrigation. In short, power should not mainly be for export, which it is presently. It should be for local use as well, for reaping its spin-off and welfare effects.

2. Revisit the tariff rates to get a better deal for the power sold to other countries and companies; at least get better rates for new projects, where the deals have not been finalised. The consequent revenues could again help strengthen infrastructure and HD.

3. Micro hydroelectricity plants are already gaining ground. Their promotion could help boost non-farm activities as well as energise irrigation pumps in more remote areas. The nationally owned private sector/SMEs or village communities could be encouraged to develop this version of power generation.

Manufacturing

Manufacturing (plus construction) has grown at 9.5 percent between 1990 and 2007. It is less capital intensive and its elasticity of employment is larger at 0.63; if this sector grew rapidly, it could rapidly absorb workers. Some typical activities that have generated and could generate many jobs with relatively small investment are: textiles and garments; wood processing (including furniture); food processing; and construction. Keeping in view their importance, this section presents a small narrative of the first three.

Textile/garment

The Economic Census of 2006 ('EC-06') lists 2,545 textile/garment establishments in Laos: 48 large factories employing 100 or more workers each (engaging 21,048 workers in all); 130 factories employing between 10-99 workers each (engaging 3,650 workers); and the remaining 2,367establishments employ fewer than 10 workers each (engaging 4,516 workers). Many of the smaller establishments sub-contract for the larger ones; the larger ones design and cut the cloth, the smaller ones stitch on a sub-contract basis. Since the garment sector enjoys little comparative advantage in Laos other than cheap labour (which, factory owners claim, is not particularly skilled; hence productivity is low), and

Promotion of more high quality jobs is necessary

the 'quota system' (Multi-Fibre Agreement ('MFA')) in exporting to the West (which is now dismantled), this sector has become slack. It is not surprising that unlike a few years ago, investors are not setting up new factories at the rate they were. New investment commitment in 2006-2007 (2-year average) was 0.5 percent of total investment commitments in Laos. Lack of support from the financial sector, few if any forward and backward linkages, high transport costs, and now taxes, are already throttling industry.[49] Some companies have also begun to close shop and move to other countries.

There is a need for a comprehensive revival package for this industry to revive. While detailed research is essential to design a package, some directions derived from discussions with manufacturers are as below:

1. There is an urgent need to raise the unit productivity of workers. For this, training should be strengthened, preferably through a partnership between the garment companies and vocational training institutes. To minimise staff attrition, all employees must be issued binding contracts, which state that if they leave before a minimum period, they face penalties.

2. The garment manufacturing association thinks that the government could consider reducing taxes for at least the next 2-3 years. Detailed studies should be carried out to find whether this or some other incentive would help deepen the roots of this industry in Laos.

3. Companies often face seasonality in sales, which increases their unit costs since fixed and labour costs are non-negotiable. Product diversification to minimise the impact of seasonality and working as sub-contractors of larger Thai or Chinese companies would help here.[50]

4. Transport costs must reduce: apart from improved infrastructure, administrative delays in clearing goods at the border must shorten. One way to do this is to enter into an agreement with the Thai government that Lao government-certified trucks

49 There is a 3-5 percent production tax on factories exporting product. Exporters complain that such a tax does not exist in Vietnam, which is a strong competitor.

50 However, such a decision is a corporate decision of the companies concerned. At best, the government can remove barriers that prevent them from doing this

There can be advantages in promoting value-added natural resource-based industries

are be permitted to go to Thai harbours without further checks in-between.

Wood/furniture

EC-06 finds 2,923 establishments in the wood/furniture sector: 28 large factories employing 100 or more workers each (5,234 workers in all); 292 factories employing between 10-99 workers each (9,003 workers in all), and the remaining 2,603 establishments employing fewer than 10 workers each (7,054 workers in all). This sector has great potential to grow, since Laos has a thriving timber sector. This growth is not occurring because huge quantities of unprocessed and semi-processed wood are instead exported and many processing factories do not get adequate raw material. Lack of skilled workers, little knowledge and experience, limited entrepreneurship, and constraints in international marketing also limit growth. This sector requires a major overhaul for it to grow.

1. Timber export in any form, processed or otherwise, must be a low priority on the export list, if not on a negative list. Local wood processing and furniture companies should get the best and plentiful wood. In this regard, vigilance and compliance regarding informal trade must be a concern, especially in the border provinces.
2. There is a need to raise product quality and unit productivity. For this, training should be strengthened, preferably through a partnership between the wood processing and furniture companies and vocational training institutes. To minimise staff attrition, all employees must be issued binding contracts, which state that if they leave before a minimum period, they face penalties, but which also provide them with protection under Lao labour law.
3. Efforts to link with international markets through long-term contracts could help in marketing the product. Associations of manufacturers could play a constructive role here.

Food processing

EC-06 finds 15,804 establishments in the food-processing sector: eight large factories employing 100 or more workers each (2,242 workers in all); 171 factories employing between 10-99 workers each (3,033 workers in all); and the other 15,625 establishments employing fewer than 10 workers each (26,578 workers in all). This sector too has great potential to grow since a wide variety of crops, vegetables and fruits, in addition to livestock, are (or could be made) available in abundance in Laos. However, since Lao

Lao PDR can benefit greatly by promoting inland fish processing and marketing

farmers do not necessarily produce for sale, the food processing companies face a raw material constraint, and some enterprises operate at less than 50 percent capacity. There is also the problem of seasonal (non) availability of raw materials locally, and the transport system is unable to transport raw material efficiently over long distances. Finally, especially in the border areas, farmers find it more profitable to sell their produce to food-processing companies on the other side of the border, rather than to Laos-based companies. Once again, being an export industry, it needs to be internationally competitive. Some thoughts, drawn from experiences of other countries:

1. Contract farming – see later in this chapter,

2. Increasing the size of establishments – see later in this chapter,

3. Enhancing product quality, getting international certifications (e.g. ISO, HACCP), and sub-contracting with major marketing companies in ASEAN,

4. Making transport inexpensive (see (d) under 'textiles/garments' above), and

5. Efforts to link with international markets through long-term contracts could help in marketing the product. Associations of manufacturers could play a constructive role here.

Note: There is the possibility of developing industries other than these, e.g. in light engineering and metallurgy. Some foreign engineering companies have begun machine assembly in Savannakhet. If these companies consider the investment environment viable in Laos, so could nationally owned private sector companies. Government policies are required to jump-start some of these activities.

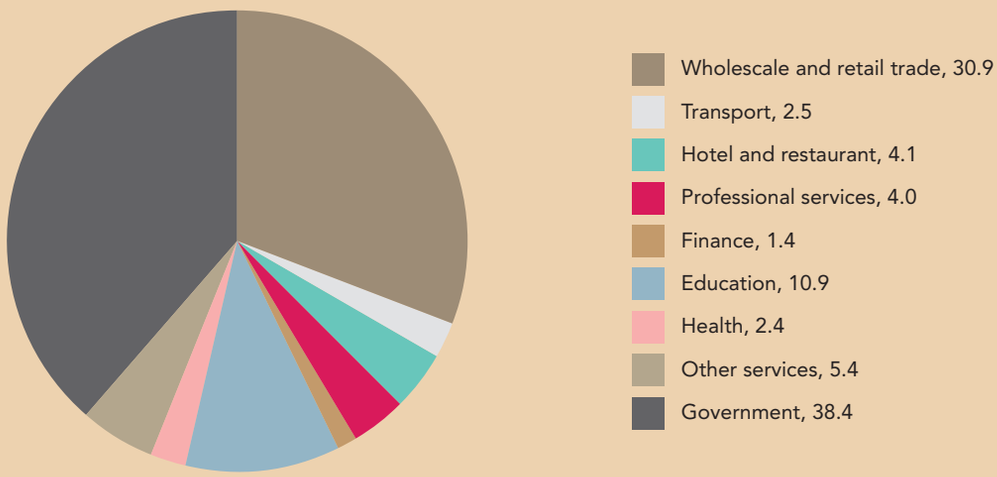
Services

The service sector has grown slower than industry, at 6.8 percent annually during 1990-2007. Activities in this sector have lower capital intensity, and the employment elasticity of output is high at 0.94. It has therefore created more jobs than the industry sector. Some promising sub-sectors within services are: trade (wholesale plus retail); transport; professional services; tourism (hotels and restaurants as proxies for 'tourism'); health; and education (Figure 3.6). However, it must be remembered that many service sector activities do not yield much in terms of quality work or earnings; hence, public policy must always concentrate on 'employability' and 'decent work', along with boosting productive jobs within services.

The employment elasticity of output for trade is high at 0.73, which implies that there is a significant possibility of creating jobs through boosting trade. Because trading is a low capital-intensity activity, it has spread across Laos in the form of thousands of small retail outlets and created the second largest number of jobs within services. The sector can get a major boost if larger quantities of marketable products emerge from agriculture and industry. The commercialisation of agriculture and contract farming has had huge spin-off effects, which have created jobs in other countries; it should be no different here.

The health and education sectors have the potential to expand. Their expansion would also provide a greater spread of skills and employability, which

Figure 3.6: Distribution by percentage of workers within the group 'services', 2005-2006



Source: *EC-06 (GOL (2007c)).*

are direct contributors to HD. One way to provide a boost to them is through greater government expenditure. Public-private partnership is also an option, in addition to opening up both these sub-sectors to the private sector. The health and education sectors are open to the private sector in many countries; consequently, jobs have been created in large numbers. The problem is that with the entry of the private sector, user fees increase. For developing countries, unless large sections of the population are protected by insurance, subsidies, scholarships, etc., privatisation can lead to the majority of people having no access to the services, since they have modest incomes[51]. Various provisions to protect low-income groups could be made, if the government increases educational and health budgets equivalent to proportions of the GDP, as in ASEAN and East Asia. Royalties from natural resources can help.

There is good potential for tourism and transport to create employment: the output elasticity of employment for hotels and restaurants is 1.32, the highest seen in any of the sectors and sub-sectors. The tourism sector could get a major boost with little extra cost, if newer frontiers are opened up for tourists; e.g., the northern provinces like Phongsaly and Huaphanh. They are presently difficult to reach in winter, but they are great attractions. In addition, value-added tourism can create more jobs[52]. The quality of employment, however, will have to be watched, as the majority of workers in tourism do menial jobs, and these last no more than a decade.

BRIEF CONCLUSIONS:

1. *The composition of the growth matters: a more labour intensive growth can result in greater distribution of gains. In recent years, investments are largely in extraction-oriented, capital-intensive sub-sectors, like mining and hydroelectricity. To make these employment-friendly (and HD-conducive), some options are localising the backward and forward linkages of these sub-sectors.*

51 Privatisation of health services and medical education in India (and a subsequent withdrawal by the state) has resulted in the emergence of '5-star, deluxe' hospitals and expensive clinics, which attract the local rich and foreign patients, the so-called 'medical tourists'. These hospitals have soaked up most of the qualified personnel and resources, and little is left for the larger population which is unable to pay. See Time, May 14, 2008; The Economist August 21-27, 2008.

52 A tourist can spend money on items other than sightseeing, board, lodging and travel. Value-added tourism refers to such add-ons where s/he could spend this money. In Mauritius, for example, in addition to sunning on beaches, there are other activities like water sports, undersea walking, and a healthy nightlife, all of which engage a tourist much more. The essence of value-adding tourism is to provide maximum opportunities for the tourist to spend, thereby creating higher value added and jobs locally

Water transport can be a cheap and efficient method of travelling

2. *Despite non-farm employment being small (and that within it, the service sector rather than industry holds commanding place), there is potential for it to grow in the presence of a business-friendly policy and environment. Sub-sectors like textiles, garments, wood-related industries, food processing, transport, trade, tourism, education, and health, hold the promise of creating more jobs. This, however, could happen best if there are comprehensive promotional packages (unique to each industry) and carefully designed public-private partnerships.*

3. *While each of the sub-sectors has its own nuances, the more general recommendations are:*
   a. *Improve the quality of human capacity;*
   b. *Raise the quality of infrastructure;*
   c. *Make compliance with the law swift; and*
   d. *Attempt to reduce costs,*
   e.g. of transport, energy and overheads.

Work on family farms can alleviate poverty and raise human development

Working in the agricultural sector (family farms) does not necessarily result in a person being poor. On the contrary, vibrant and high productivity agriculture can raise incomes considerably! In the last decade, however, the only growth in this sector appears to have come about through expanding the area being farmed, by about 55 percent between 1995 and 2005 (or 4.5 percent annual compound rate, about the same as growth of production in the sector). In addition, agriculture is not diversified. Such a trend cannot be sustained for long, as there are limits to how much more land can be claimed for farming. Therefore, efforts should be made to raise the *yield rates* of the land currently being farmed. Intensive agriculture deploys workers more productively, and also ushers workers into off-farm and non-farm activities through forward linkages. In fact, the possibility of reducing poverty and raising the HDI are much higher if agricultural productivity grows compared to non-farm growth (see Box 3.3).

Families working and living by agriculture must enjoy a better livelihood. For this, agriculture and its allied activities must grow in a way that ensures the distributions of gains remain with the farmers. Thus, as far as possible, large plantations should be promoted only in areas where their adverse affect (if any), is least felt by farmers. Some options to improve family farm incomes:

Institutional

1. There should be tenurial security over land for land markets to develop and attract investments.
2. Control over excessive splitting of agricultural plots is essential to have economies of scale. How

this happens is highly country-specific; however, experiences from elsewhere could help. E.g., Chile, Egypt, India, Iraq, Japan, Lebanon, Mexico, South Korea and Syria all have experiences of policies to control excessive land splitting.

Technological

3. A 'farming-systems' approach can be beneficial, to make better use of land and other resources to provide incomes the year round.
4. Better use of bio-chemical (eco-friendly) technology with the right crop mix can raise farm yields.
5. Better quality seeds help improve yield rates.
6. Agricultural extension services should be increased.

Marketing

7. Marketing channels for farmers to sell their produce at remunerative prices in the hinterland can get better prices, and hence incomes, to the farmers. Contract farming is one method to ensure this. Others are to form farmers' cartels for setting the purchase prices (like the Coffee Growers' Association). In some countries, farmers create large storages (backed by credit) so that they do not have to sell their produce at harvest time at very low prices. In a few others, the government intervenes to stabilise prices. Laos could choose which option is most suited for its needs. Finally, electronic media (television, cell phone) are a means for farmers to get the current market prices.

Infrastructure

8. Extending credit and savings schemes to support any existing micro credit schemes can help increase incomes.
9. Yields improve dramatically with controlled irrigation; hence, investment in sustainable and participatory irrigation systems is desirable.

Box 3.3: Agricultural growth, poverty and HD

A pooled cross-sectional exercise was attempted (each province being observed for two years, with inter-provincial cross sections in relation to 1995-1997 and 2003-2005 pooled together), to statistically verify this relationship. The dependent variables are the proportions of persons below the poverty line and HDI, alternatively in two equations, and the explanatory variables are paddy yield-rate and the proportion of non-farm sector jobs to the total number of jobs. Paddy yield is a proxy for a higher income to farmers, rice being the most important crop in the country. Both the equations, being good statistical fits, *underscore the need to invest in raising crop yields in addition to creating more non-farm jobs for raising HD and alleviating poverty.*

Equation 1: Dependent variable: Logarithm of poverty percent

Independent variables	Coefficient	't' values	Statistical significance
Constant:	5.52	19.19	Significant (1%)
Logarithm of land productivity (paddy)	0.85	2.68	Significant (5%)
Logarithm of percent non-farm jobs	0.46	4.32	Significant (1%)
Dummy (panel intercept)	0.27	2.12	Significant (5%)

$R^2 = 0.62$; F=17.41; n=36

Equation 2: Dependent variable: Logarithm of HDI

Independent variables	Coefficient	't' values	Statistical significance
Constant:	-2.75	20.72	Significant (1%)
Logarithm of land productivity (paddy)	0.65	4.30	Significant (1%)
Logarithm of percent non-farm jobs	0.34	6.69	Significant (1%)
Dummy (panel intercept)	0.10	1.65	Significant (10%)

$R^2 = 0.88$; F=76.83; n=36

BRIEF CONCLUSIONS:

1. *Since occupational diversification often accompanies agricultural growth, it is imperative to address issues in raising agricultural productivity. Special emphasis on agricultural development in the hinterland, where the ethnic communities live, would also promote regional equity.*

2. *Agriculture itself has the potential to provide better livelihoods, if the yield rates are increased through a series of technical and institutional measures.*

3. *The role of extension services, credit, and marketing is critical in modernising agriculture.*

OVERCOMING CONSTRAINTS: THE SUPPLY SIDE

Labour intensive economic growth, the macro-economic environment and employability, all matter in creating jobs. This section examines first the extent of preparedness of workers (the employability factor). It then analyses the capacity of enterprises to grow, by assessing their size. Finally, it examines the business climate necessary for them to take up the challenge of industrialising the country and creating more jobs in the non-farm sectors.

Workers' education

A quarter of all workers are illiterate, and an overwhelming majority of them are educated only at levels less than the full number of years of primary school education (i.e., five years, Figure 3.7). Preparing workers for the skill and knowledge challenge, which any modern knowledge-driven industry requires, is therefore paramount. This is more so among female workers, as they have higher levels of illiteracy and lower skill levels (Box 3.4).

EC-06 data show that about 12 percent of workers in the Non-farm Economic Enterprises ('NFEE') sector have had no formal education (Figure 3.8). Thus, there are 'not-formally-educated' workers outside agriculture as well. To expect that the NFEE would absorb more such workers is unrealistic. The majority of workers in all sectors other than mining (where the numbers employed are rather small) hold 'general education' qualifications, not higher or technical qualifications. Thus, the overall low education and skill levels could be a constraining factor for a number of non-farm sectors and enterprises to grow.

Workers' education levels, when considered in separate industry-groups, suggest that other than in 'electricity, water and gas', and 'other services' (which include consultancy and private sector-operated health and education for profit), less than 20 percent of workers in the rest of the industry sub-groups have technical, vocational *or* college/university education. In fact, in commercial agriculture, food processing, textiles and garments, and wood processing, fewer than 10 percent of workers have these qualifications. These data speak of the lack of skilled workers, especially in manufacturing activities. This is probably also the reason why only capital-intensive industries with few backward and forward linkages have found roots in Laos.

It might be argued that this educational profile is not very different from that in many countries at an early stage of development. Why, then, is there often a complaint that Lao workers are less employable owing to low-skills and productivity? Some answers voiced by employers in addition to field observations[53]:

1. Workers do not get *quality* education or adequate knowledge and skills for industrial applications. The teaching is by rote; it does not provide analytical skills, a desire for reading, or a sense of curiosity.

2. The workers' worldview and attitude to work is different from that required in a non-farm, knowledge-economy setting. This view might be contested, but the concern has been voiced, nevertheless.

3. Most jobs in the NFEE require fluency in Lao language and in some cases, foreign languages as well. However, often school-exposed people from some ethnic sub-groups are neither fluent in Lao, nor a foreign language.

4. Excessive prevalence of general education and too little technical education retards employability in many activities.

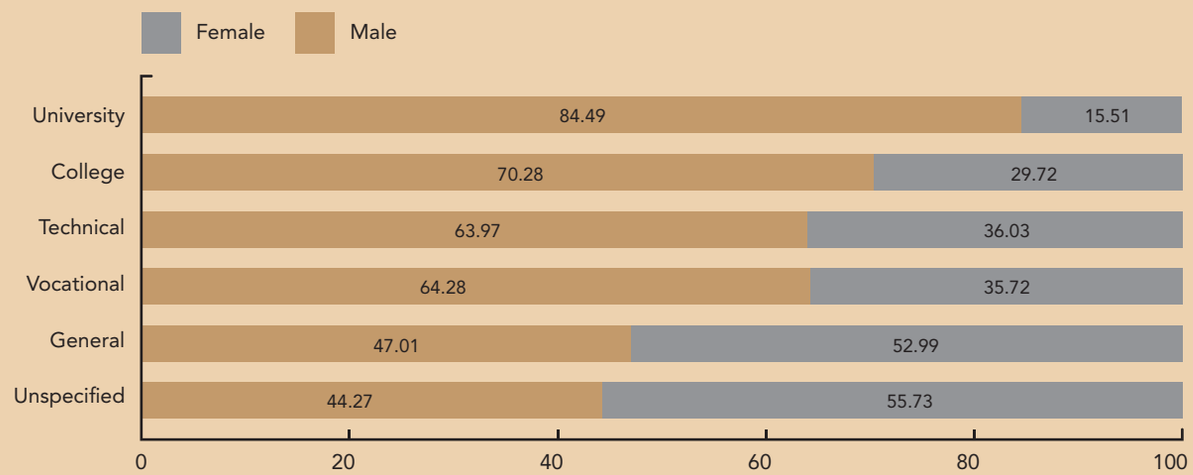
5. The technical and vocational education system leaves many gaps: the schools are far too few, they do not necessarily cater to an audience that

53 Source: Seminar organised by Ministry of Education with employers and educators, for the NHDR Project; see MOE (2008a).

Box 3.4: Female workers' education and employment

There is sharp differentiation between the extent and type of education attained by female and male workers. Female workers lag behind male workers in attaining university education, college technical education and vocational education in the NFEE sector (Figure below). They are ahead of male workers only in general education and unspecified education (meaning no formal education). As a result, female workers get relatively lower quality jobs, and thereby, have lower status in the workforce. A Duncan index of dissimilarity, calculated on a 2-digit level classification of workers, shows a value of 0.44, suggesting that there is a difference between the allocation of male and female workers in the NFEE sector. [The Duncan Index of dissimilarity: $D = 0.5[\sum(|Mi/\sum M - Fi/\sum F|)]$, *where*: Mi is the number of male workers in the i^{th} industry, Fi is the number of female workers in the i^{th} industry, M and F are the total number of male and female workers. Maximum dissimilarity is when D=1, and minimum when D=0.]

Distribution by percentage of male and female workers by kind of education attained, in NFEE, 2006



Source: *EC-06 (GOL (2007c)).*

requires this kind of education, the quality of education is not job-matched, and the schools are not flexible with respect to admissions and market demands – see Chapter 6 on this issue.

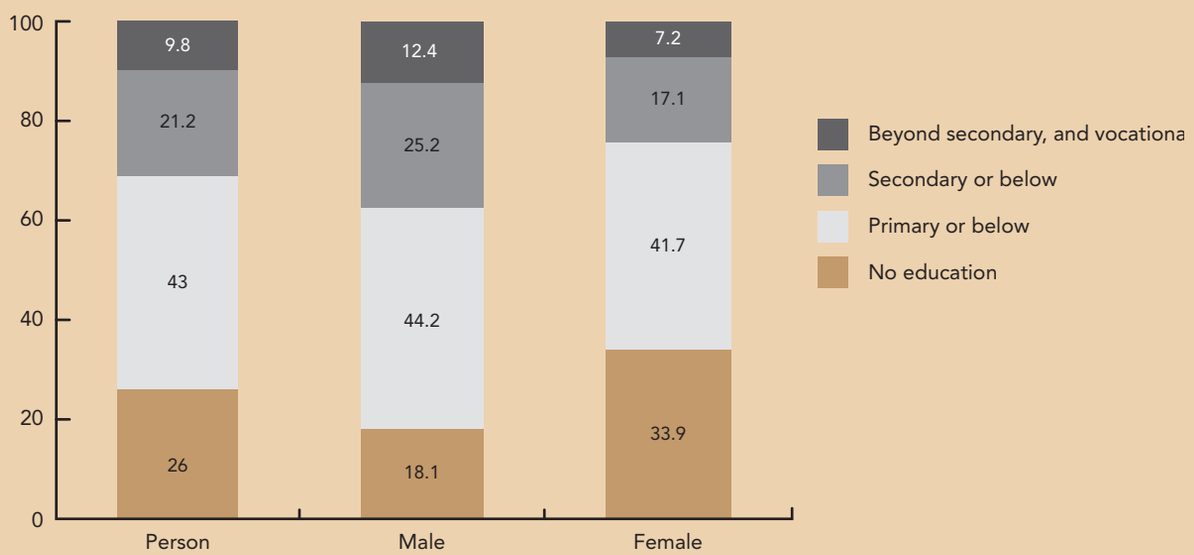
The reasons stated above point towards the need to strengthen education and skills at all levels to improve the employability of workers and potential workers. One possible approach to mitigate the situation is introducing intense short-term courses for relatively younger workers. In addition, the technical and vocational education system needs a re-examination (see Chapter 6 for these training components).

The scale factor

Among the many factors that boost or retard growth of non-farm enterprises is the inherent potential of the enterprises to grow. One of the sub-factors in this regard is the scale of enterprises: can they act as growth engines at their current size?

The average number of workers employed per NFEE is only 2.7. More than 55 percent of them are single-worker enterprises, and 95 percent fall in the category of those employing five or fewer workers. Only 44 percent of the total workers are paid, the rest being unpaid family workers (including the self-employed). In aggregate, this does not show growth-oriented enterprises. At a more disaggregated level, NFEEs employing 10 workers or more are less than three percent of the total enterprises but engage 37.4 percent of NFEE workers, 92 percent of whom are paid employees. Next, enterprises that employ 2-9 workers engage about 42.3 percent of workers. Finally, single-worker enterprises employ only about a fifth of the total in the NFEE sector (Figure 3.9). In short, enterprises employing two or more workers have the potential to create greater employment.

Figure 3.7: Distribution by percentage of workers by levels of educational attainments, for each gender, 2005



Source: *Compiled from Population Census of 2005: GOL (2006a).*

Enterprises employing 10 and more workers provide more than 50 percent of the employment in as many as seven sub-sectors out of the 14 (Figure 3.10). In contrast, single-worker enterprises provide less than 30 percent of the employment in every sector, except in retail trade. They have a presence in retail trade since most of it is family-operated. Here too, however, enterprises employing 2 to 9 workers have a larger employment share.

Relatively larger enterprises can be engines of growth and job creation, since they are present in a wider span of sectors compared to, say, the single-worker enterprises (which are present mainly in retail trade). Given a favourable business environment, they are likely to absorb technologies, access credit and use market information systems for faster growth. This, however, is not to say that single-worker enterprises have no role in job-creation. In fact, many of the enterprises employing 2 to 9 workers were initially single-worker enterprises; thus, single-worker enterprises are the first step towards initiating activities outside the family farm.[54] The major challenge, therefore, is to find a policy framework where enterprises grow in scale – see below.

A caveat: This analysis does *not* mean that the larger the enterprises, the better they will be for growth and employment. On the contrary, very large foreign companies in Laos are capital intensive, and mainly operate in extractive industries. In addition, they transfer little, if any, technical knowledge and capacity. In contrast, SMEs are more likely to be owned by Lao entrepreneurs, meaning that a large part of the value added stays in Laos.

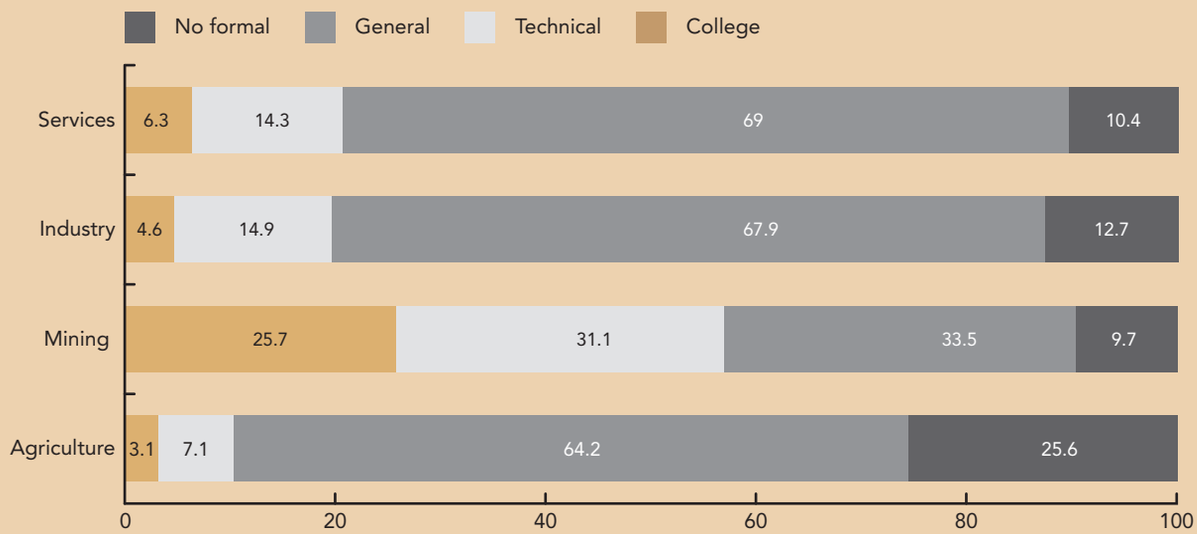
The business environment and policy framework

Industrialisation cannot rely on foreign capital alone. The national private sector must grow and assume a leadership role, helping to retain a larger share of value added in Laos, spread varied technical and business skills locally, and prevent a monopoly-like situation emerging. Nationally owned industries also increase business and technical prowess and raise the pride and confidence of the wider population.

The national private sector (and associated technological prowess) remains small: government data for 2006 show that the share of Lao investments in total

54 The GTZ Enterprise Baseline Survey Report also finds this (GTZ (2006)).

Figure 3.8: Distribution by percentage of workers by level of education, engaged in NFEE, for each sector, 2006

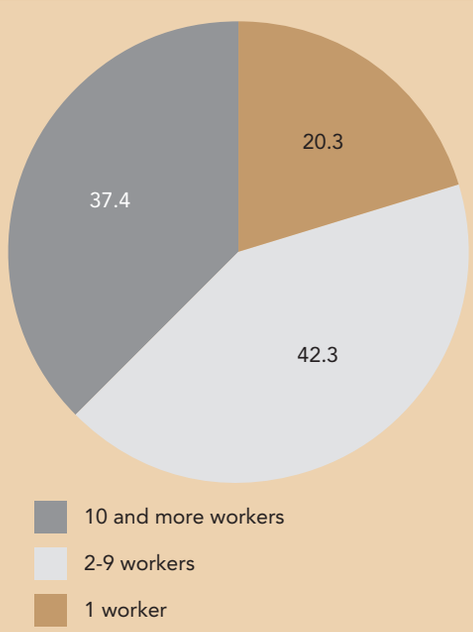


Note: *'College' education here includes university education.*
Source: *Compiled from EC-06 (GOL (2007c)).*

investment commitments in that year was only 13 percent[55]. Almost all major mining companies are foreign owned and managed, with the Lao government and/or others holding a minority share. In the garment sector, out of 54 export-oriented factories in 2008, only about a dozen are Lao-owned. Many foreign companies have not been able to 'dig-in', despite them having been here for more than a 12-15 years. One major challenge is to develop nationally owned and controlled industries across a spectrum of activities.

The Prime Minister issued a decree for the promotion of SMEs in April 2004, wherein training, markets and access to finance were explicitly mentioned. An SME Promotion Fund was to be established pursuant to the decree. In 2005, an Enterprise Law was promulgated, replacing the Business Law of 1994. As stated by Mr. Soulivong Dalavong, a senior minister, "The purpose of the new law is to bring about real changes ... in enterprise registration and licensing of business activities in favour of investments ... the more investments there will be, these would create more jobs ... and will bring wealth to the people..."[56]. The intent has been there, but action needs to be swift and on a broad front.

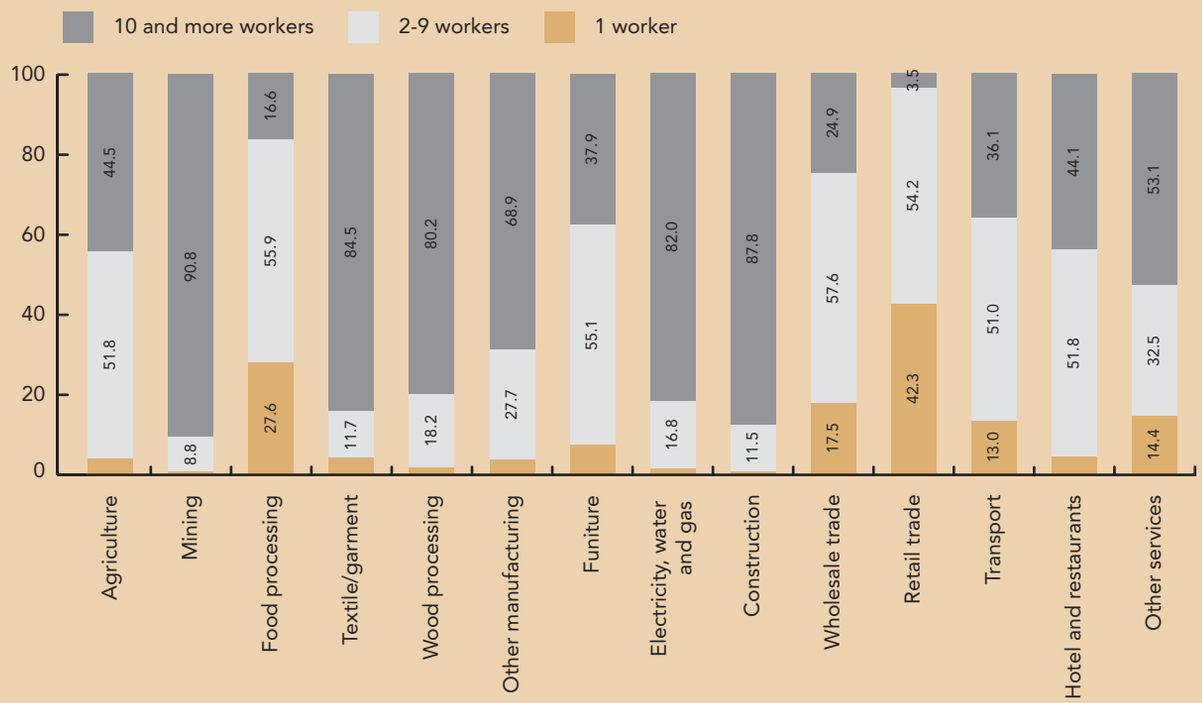
Figure 3.9: Distribution by percentage of workers by size of enterprise in NFEE sector, 2006



Source: *Calculated from EC-06 (GOL (2007c)).*

55 GOL (2008a).
56 Quoted in GOL-JICA (2008), p 1.

Figure 3.10: Distribution by percentage of workers by size of enterprise engaged in NFEE, for each sector, 2006



Source: *Calculated from EC-06 (GOL (2007c)).*

Historically, Laos has been an agriculture-dependent country. After the proclamation of the Lao PDR in 1975, the emphasis was on state-owned enterprises at least until 1986, and there are still many state-owned enterprises. The finance sector is very small, as are local markets. In addition, techno-managerial prowess is still developing from a low base. Laws to promote private investment are less than five years old. Development of a fully-fledged private sector is a gradual process, though it could be assisted by creating an enabling environment.

Some key areas of intervention other than those often mentioned are as follows:

1. To reduce the cost of infrastructure, one option tried and found to be successful elsewhere is a demand-led Special Economic Zone ('SEZ'), developed in partnership with the private sector. If it is not demand-led, in all likelihood it would have unused capacities in some areas and/or some acute shortages in others, leading to wastages.

2. A 'growth-centre approach' could be useful for area-specific industrialisation.

3. Mobilising savings in localised neighbourhoods (through micro credit institutions or village development funds) is paramount. These savings should then find their way to investment. A stock exchange is also a possible idea.

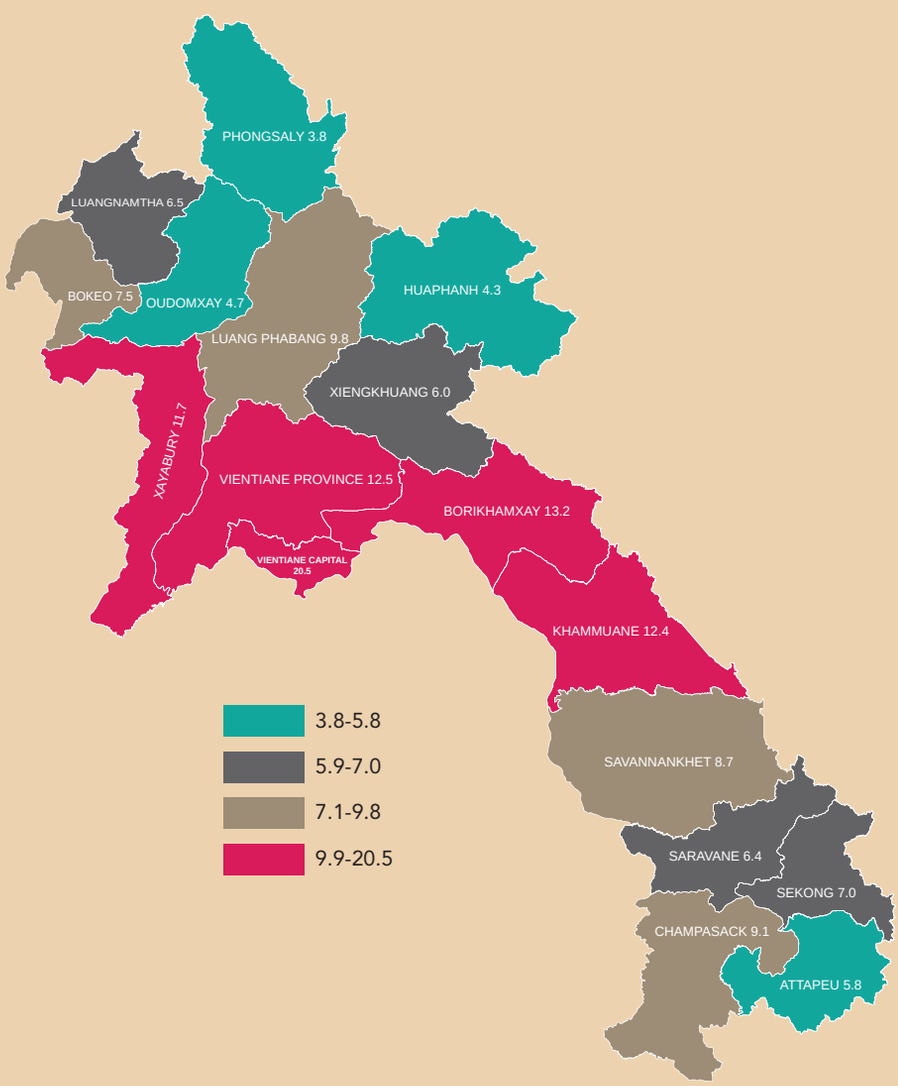
4. Special provisions and incentives under the 'infant industry argument' could be extended to the locally owned SMEs. In addition to the bank loans mentioned earlier, simplification of procedures (e.g. a 'one-stop' facility) is an important step. In fact, doing away with industrial licensing

Box 3.5: Regional dispersion of NFEE

There is large regional variation in the distribution of NFEE across the country. To an extent, this is natural; no country's regions have equal numbers of enterprises, because businesses are set up where there is business potential. In heterogeneous agrarian countries like Laos, despite migration streams in recent times, populations are still not able to move away from their land, language and ethnic groups. The fact is that there are very few enterprises, and therefore there is a lack of opportunities for workers in specific geographic locales. This results in regional concentrations of poverty.

Figure 3.15 shows the distribution of NFEE per 1,000-population for non-single-worker enterprises. Four provinces have 53 percent of the total number of NFEEs. The classification of the distribution of NFEEs is clear: the relatively more developed provinces have a larger number of (small and medium) enterprises compared to provinces lagging behind. The correlation coefficient between the density of NFEE and poverty is (-) 0.7 and statistically significant, reiterating the role of non-farm sectors in reducing poverty. This correlation holds irrespective of whether micro enterprises are included or not. his statistic supports the idea of bringing enterprises closer to people and people closer to enterprises, meaning rural industrialisation.

Number of NFEE by province, with two or more workers per 1,000 population



Source: *EC-06 (GOL (2007c)) and Population Census of 2005 (GOL (2006a)).*

altogether in a phased manner (other than for select industries), should be seriously considered.

5. Joint standing committees of the government and private sector should be set up to discuss issues of business promotion.

6. Inviting the private sector to invest in the backward and forward linkage activities of mining and hydroelectricity projects on a competitive basis could be considered.

Box 3.6: Some recent findings on doing business in Laos

1. Findings of a Gesellschaft für Technische Zusammenarbeit (German agency for technical cooperation) ('GTZ') Survey of Enterprises in 2006:
   a. There is a lack of business development services,
   b. The financial sector is underdeveloped,
   c. There is inadequate knowledge of laws,
   d. There are underdeveloped inter-business linkages and value chains, and
   e. There is a lack of service orientation in government agencies. In addition, promoting a regionally dispersed private sector requires infrastructure (transport, electricity), certainty about the business environment, lower cost of capital, and so on.

2. Findings of a World Bank study in 2004 and ADB-World Bank in 2007:
   a. Infrastructure is generally weak,
   b. There are avoidable government regulations,
   c. There is discretionary taxation,
   d. There is some macroeconomic uncertainty,
   e. The financial sector is weak,
   f. The general level of skills among workers is low, and
   g. There is room for improving governance.

3. The Heritage Foundation ranked Laos at 137th position in the world in 2008 on business freedom. On a scale of 100, trade freedom is ranked at 57, fiscal freedom is ranked at 71, government size is ranked at 91.8, monetary freedom is ranked at 73, financial freedom is ranked at 20, property rights are ranked at 10, and so on.

Sources: *GTZ (2006); ADB (2007); and World Bank (2004); http://www.heritage.org.Index/country*

7. The existing business federations and forums of business exchange must be revitalised: e.g., the National Training Council, SME-Promotion and Development Committee, the Lao Business Forum, to name a few. In addition, there should be a greater presence of the private sector in decision-making on public investments and other business and commercial matters.

8. There should be a system to impart training in entrepreneurship and promote business incubation.

The government should study possibilities of replicating the 'one-district one-product' experience from select areas of Saravane and Savannakhet provinces to boost non-farm activities. It could also consider establishing 'agro-processing clusters'. However, before doing this, the experiences will have to be studied in detail.

BRIEF CONCLUSIONS:

1. *The general level of workers' education and training is not high enough to be useful to high value adding industries. Even in star export industries like garment manufacturing, less than 10 percent of workers hold higher, technical or vocational education. This is not high enough for industry to be competitive.*

2. *The quality of education, both general and technical, leaves many gaps. Here, both the supply and demand side deserve attention. The problem could be mitigated by intense training targeted at different levels – see Chapter 6.*

3. *The average scale of enterprises must grow rapidly. Promoting a national private sector through specialised packages can help in this regard. Under the 'infant industry argument', there could be a number of steps taken to promote them.*

4. *Some special steps, which have worked in other countries, are establishing demand-led SEZs, mobilising more savings for investment, following a growth centred approach, simplifying procedures, and so on. It is an educated guess that they could work here.*

KEY RECOMMENDATIONS

1. Effort needs to be made to ensure that forward and backward linkages and supporting industries and

services of the presently low job-creating (extractive) industries are strengthened *within* Laos. The government should also take steps to promote the national private sector, especially SMEs.

2. Transferring technologies to local professionals as a part of capacity-building commitment (by the international mining concessionaires) in the mining sector should be seriously considered.

3. Outsourcing relatively low-skilled activities of large development projects to the local economy would diversify the local economy and create more jobs; e.g., in food supply (to the staff), repairing machines and transport. The government should step in to ensure maximum utilisation of local resources.

4.1 Since sub-sectors like textiles, garments, wood-related industries, food processing, transport, and trade and tourism have the potential to create more jobs, comprehensive policy-measures like scaling-up physical infrastructure, improving human capital, reducing costs, improving competitiveness, and finding means of marketing internationally must be priorities. Surely, each sub-sector has its specific problems, requiring address.

4.2 The micro-scale sector will require an entirely different method of service delivery, for which institutions and approaches would radically differ. Micro credit, as distinct from regular banking operations, is an example of this. Additionally, the sector could get boost from training in 'entrepreneurship' (see Chapter 6).

5. It is imperative to address agricultural productivity, as not only a prerequisite and accompaniment to industrialisation, but also to raise farm family incomes. Approaches proposed here are: to ensure tenurial security, minimise excessive splitting of land, provide better seeds and biochemical fertilisers, promote farming systems approaches, promote marketing and ensuring stable prices (contract farming and farmers' associations to bargain for prices, are two examples), irrigation, and credit, etc. The hinterland provinces and female farmers should be especially targeted. Finally, large commercial plantations should be developed only in areas where their adverse effect is the least on human habitat or people's livelihoods.

6. A number of proposals have been suggested to take forward the operation of the Enterprise Law of 2005 for private sector growth, like creating special funds for SME development, or having private sector forums for dialogue with the government on strategic investments, but these proposals need to be actively pursued.

7. Establishing demand-led SEZs, means for mobilising savings for investment, and setting up a training-cum-research institute of mining and geology are important proposals to consider.

ANNEX 3.1:

SOME CRITICAL VARIABLES IN UNDERTAKING LABOUR ANALYSIS

Usually, workers are aged 10 years and older. Legally, however, all countries mandate that people can only work from the age of 15 years (or 18), depending on the kind of work involved. The upper age limit could be 60 or 64 years (for paid work with the government), and none at all for self- employed persons; again this is country-specific. Not all persons, however, participate in market-oriented work; many preferring to be homemakers, others become students, and others are out of the workforce for reasons relating to physical or mental challenges, or cultural/religious practices. The Lao statistical system compiles statistics on workers from the age of 10 years or above. Workers in the age group 10-14 years are classified as child workers, while those aged 15 years and above are classified as adult workers.

'Work' refers to the activity that a person carries out in the market sphere: work to add value, which is then exchanged for a wage/earning (or some other form of compensation in cash or kind).

The work-participation ratio (sometimes referred to as the labour-participation ratio) is the ratio of economically active persons (i.e. those working plus those looking for work) and the population in the requisite age group.

Are the 'employed' those who work for 40 hours or more in a week? Such questions are relevant in industrialised countries where a large proportion of workers are salary- or wageworkers. In Laos, most people are self-employed or unpaid family workers. Even in urban areas, large numbers are self-employed. In rural areas, agricultural seasons dictate people's work timings. People also redefine their survival strategies from one season to another: e.g., if there were a drought, their dependence would shift dramatically from rice cultivation to gathering forest produce. Statistical authorities, therefore, define a person to be a worker or otherwise, according to what his/her 'main activity' was in the last 12 months prior to the date of interview.

The main activity of a person could be 'working', 'unemployed', 'student', 'household-duties', or 'too young, too old or too sick to work': out of these, the first two are economically active, while the latter three are economically inactive. It is possible to introduce innovations in these broad classifications to represent a real life situation: for example, statistical authorities in some countries separately classify persons engaged in two or more activities at the same time.

ANNEX 3.1: SOME CRITICAL VARIABLES IN UNDERTAKING LABOUR ANALYSIS

Table A3.1: Sectoral distribution of the workforce, 2005-2006

	Sectors	Percent workers
1	Family-farm based agriculture	78.5
2	Commercial plantations or other agriculture	0.75
3	Mining and related activities	0.28
4	Manufacturing	3.85
	Food product	*0.97*
	Beverages, tobacco and leather	*0.22*
	Textile and garments	*1.04*
	Wood, furniture, etc.	*0.77*
	Printing, media, etc.	*0.10*
	Chemicals, etc.	*0.11*
	Metals and non-metal in minerals	*0.43*
	Electronics and related machinery	*0.05*
	Motor and other transport	*0.07*
	Repairing and other manufacturing	*0.09*
5	Electricity, water, etc.	0.24
6	Construction	0.45
7	Wholesale and retail trade	4.92
8	Economic services (incl. transport, communication and finance)	1.74
9	Education	1.74
10	Health	0.39
11	Entertainment, arts, etc.	1.01
12	Government service	6.13
	Total	**100.00**

Sources: *EC-06 and Population Census of 2005 (GOL (2007c) and GOL (2006a)).*

ANNEX 3.2:

MATCHING NUMBERS: POPULATION CENSUS AND ECONOMIC CENSUS

The population census authorities have not yet tabulated data on a sectoral classification of workers for 2005, beyond whether they are engaged in agricultural or non-agricultural activities. However, the Economic Census of 2006 (EC-06, GOL (2007c)) has collected data on all *non-farm enterprises* in Laos on a 4-digit industrial classification. The count includes self-employed workers, wageworkers workers and unpaid family workers. EC-06 has collected data on economic enterprises and *non-profit/NGO* type enterprises, but not on government employees engaged in ministries, police, military, etc. The total number of workers engaged in non-farm *economic* enterprises (NFEE) according to it was 345,724. In the *non-profit/NGO* sector, the total workers were 76,979. The sum of workers engaged in non-farm enterprises—economic plus *non-profit/NGO*—was 422,703. The Population Census of 2005 puts the count of government employees at 168,388, not including those working in state enterprises. The numbers of government employees and those engaged in all types of non-family farm and non-farm sector enterprises add up to a figure of 591,091 workers. Of these, about 42.6 percent were female. In contrast, the figure put forth by the Population Census of 2005 for non-farm workers was 588,862. Of these, about 43.6 percent were female. The difference between the two is less than one percent. The closeness of these numbers suggests that it is possible to juxtapose the two datasets and still maintain comparability.

CHAPTER 4:

IMPROVING EMPLOYMENT AND LIVELIHOODS OF WOMEN AND MEN IN RURAL AREAS

CHAPTER 4:

IMPROVING EMPLOYMENT AND LIVELIHOODS OF WOMEN AND MEN IN RURAL AREAS

Man's economy is submerged in his social relationships. He does not act to safeguard his individual interest in the possession of material goods; he acts as to safeguard his social assets. He values material goods only as far as the serve this end ... every single step … is geared to a number of social interests ... these interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case, the economic system will be run on non-economic motives.

Extracts from 'Peasant Farm Organisation',
Alexander Chayanev, Russian Economist, 1889-1937

OVERVIEW

The analysis in this chapter is based on a field survey of 20 villages.

'Long-term casual wageworkers' have emerged as a new work category in rural areas. From experience in other parts of Asia, these workers ultimately become economically the weakest section of society. The incidence of casual wage work in rural Laos is the highest in relocated villages and amongst the Sino-Tibetan and Mon-Khmer ethno-linguistic groups. Job-selection is gender-specific: compared to male workers, there are many more female workers engaged in the capacity of unpaid family workers, which is low in the hierarchy of jobs.

Rural workers take up a number of occupations almost continuously year round. During lean periods, they self-provision or withdraw from active work (women withdraw more than men do) – a sign of disguised unemployment. Workers also frequently switch jobs—on average, 1.7-1.9 jobs a week—again, an indication of them not being stable in one job. Crop agriculture does not provide even half the income in rural households. Off-farm and non-farm activities (along with wage work) are increasingly becoming important. Rural unemployment is high: 12-15 percent of total workdays are involuntarily not worked. Poorer workers, youth, farmers, workers belonging to ethnic groups, and those in relocated and regrouped villages face a higher incidence of unemployment. Increased demand for cash with the advent of commercialisation, shortage of arable land, population pressure, and shortcomings in village relocation and regrouping schemes appear responsible. Land and forest are becoming increasingly scarce. There is also landlessness: about 15 percent of rural households own no land. Landless farmers are among the poorest.

The per capita income in the sample villages is less than half the national per capita income. Households belonging to ethnic groups other than the Lao-Tai and those living in regrouped, resettled and transition villages are poorer compared to the rest. The reasons are familiar: scarcity of land, diminishing access to forests, high economic-dependency ratio, imperfect product markets, and low levels of human-capital. ('Human-capital poverty' is 36 percent – it is 93 percent among the Sino-Tibetan groups in the sampled villages.)

The quality and quantity of employment is of paramount importance. Access to land, human capital, fresh water and employment in rural areas all need urgent attention.

PURPOSE

Most Lao people live in rural areas. Villages present a mosaic of agrarian livelihood patterns, land use, farming systems, lifestyles, human and social values, languages and cultures. Rural people now face a transition, partly driven by internal forces (population growth) and partly driven by outside influences (market and media exposure). There are also vast regional variations in this transition. In some areas people quickly adapt and benefit from the transition. However, in others they may face disempowerment, especially communities living in the deep interior. Chapters 2 and 3 present evidence that the aggregate economic growth experience in Laos has not uniformly benefited rural peoples. *All people* nevertheless have the right to livelihoods and dignity. In time, they should be a part of, and be decisive actors in, the larger socio-economic transformation that Laos is undergoing. Currently, data on rural (and agrarian) livelihoods and natural resources leave numerous gaps. A field study in 20 select villages was conducted to understand the employment and livelihood styles, endowments, and enablement patterns of people in rural areas[57].

THIS CHAPTER EXAMINES:

1. What are the work patterns and employment in rural areas?
2. Is there unemployment, and if yes, how extensive is it?
3. Where do people earn income and how is it distributed? What is the state of food security and access to common property resources? and
4. What is the nature of the distribution of agricultural land? What is the extent of inequality, landlessness, and human capital?

EMPLOYMENT AND UNEMPLOYMENT

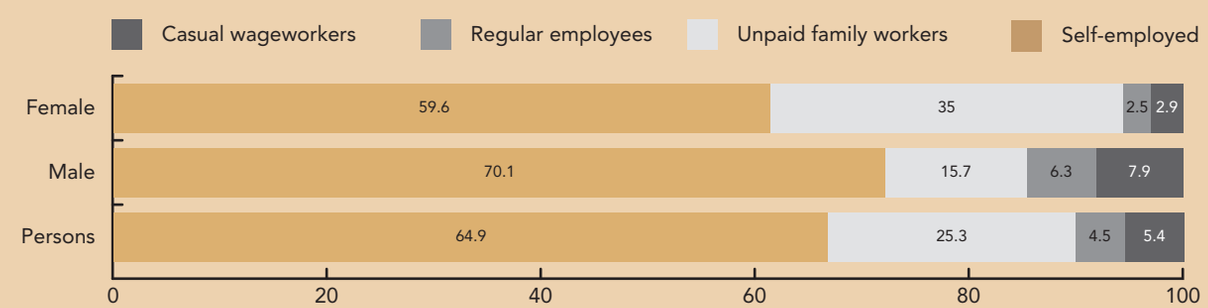
Workers: What do they do?

The general characteristics of people in this sample, such as work participation ratio, women's participation in the workforce, child labour, age distribution of workers and peoples are similar to those seen from the population census data. A certain amount of generalisation of the findings from this sample, therefore, should be permissible.

Usual status work

Usual status work identifies a person by the activity s/he is engaged in for most of the time over a long period, say six months. About 64.9 percent of workers

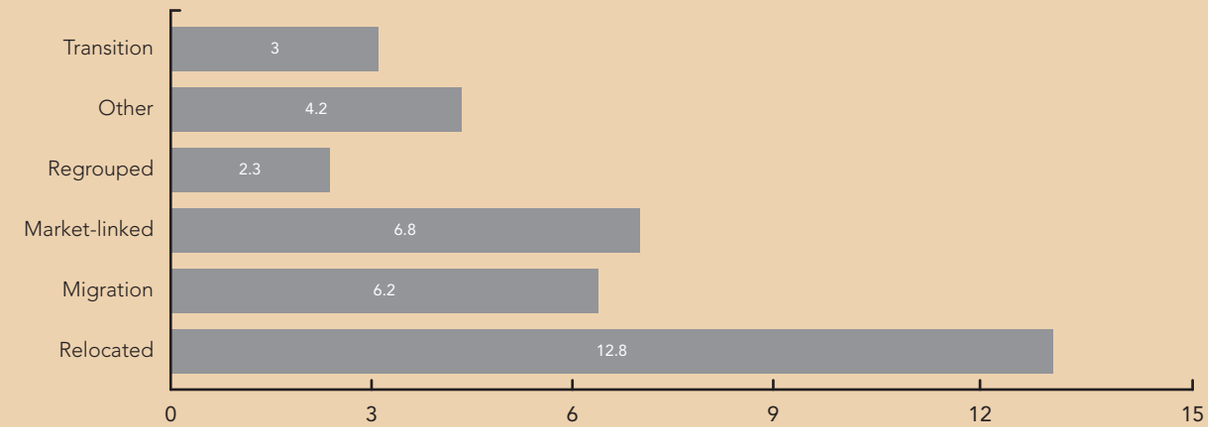
Figure 4.1: Distribution by percentage of workers by usual status for each gender



Source: *NHDR Rural Survey 2007-2008, DOS.*

57 See Annex 4.1 for sample details and definitions. The sample consists of 10,791 persons grouped into 2,043 households living in 20 villages. Of these, 5,358 are male and 5,433 female. The total workers are 5,430: 2,735 male and 2,695 female.

Figure 4.2: Percentage of casual workers by usual status in villages grouped by typologies



Source: NHDR Rural Survey 2007-2008, DOS.

are *usually* engaged as self-employed and 25.3 percent as unpaid family workers in the sample villages (Figure 4.1). Between them, these two work categories include over 90 percent of workers. Male workers are engaged in relatively larger proportions in the capacity of self-employed (SE) while female workers, relatively more as unpaid family workers (UFW). This is a reflection of the lower status of female workers in the workplace. It is also a sign of them being less empowered in the workplace compared to male workers.

A principal observation in Figure 4.1 is the emergence of *'casual wageworker'* as a new usual status category in rural Laos (5.4 percent of the workforce: male 7.9 percent; female 2.9 percent). Neither the population census nor any other survey has so far found workers engaged in casual wage work over a relatively long period[58]. This is an important finding because casual wageworkers have no job security and little prestige in an agrarian setting.

Experiences from other parts of Asia suggest that casual labourers eventually become economically the most vulnerable entity in a rural society. This is because these workers have little or no agricultural land, no skills other than in subsistence farming, no certainty of work every few days, and an uncertain wage rate. With an increase in the ranks of these workers, there is a downward pressure on wages. Uncertain work and low wages impoverish them[59].

The extent of wage labour varies across village-types (Figure 4.2)[60]. Possible explanations:

1. In relocated villages, agricultural lands given to the new settlers are found to be either inadequate (in quality and/or size), or farmers have no means of managing the new lands. In some cases, there is no forest (or not enough of it) in the vicinity, which further deprives the settlers of useful non-timber forest products ('NTFP'). Facing loss of income from more than one source, workers have taken up casual wage work.

2. There is a high incidence of casual wageworkers in migration villages and market-linked villages. Most of these villages, located in the Mekong plains where agriculture is fairly developed, have had a high population density. The increasing worker-to-land ratio has resulted in individual agricultural land plots splitting. Farmers inheriting smaller and smaller land plots increasingly take up casual labour. These villages are also target locations for landless in-migrants from the interior and uplands, which further increases population pressure.

58 There are a few independent research studies based on small samples, which find wage labour is an emerging means of livelihoods. See Bouahom, Douangsavanh and Rigg (2004).

59 Visaria (1981); Singh (1988); Srinivasan and Bardhan (1988).

60 Village typologies are the village groupings shown in Annex 4.1 to this chapter.

The emergence of casual wageworkers is also partly a reflection of the inability of the development process to strengthen the human capital base, peoples' capacities, and land tenure policies. Otherwise, workers would have had other job options. This trend needs to be controlled before it becomes endemic.

About 4.5 percent of workers are regular employees. They hold relatively secure jobs, and many of them are government employees or workers in non-farm enterprises. There are twice as many male regular employees compared to female, a reflection of male bias in prestigious jobs. Next, of the total number of Lao-Tai workers, 5.9 percent are regular employees. This number is 2.1 percent among the Mon-Khmer, 0.6 percent among Sino-Tibetan and 1.0 percent among Hmong-Iu Mien. Low levels of education, limited geographic mobility, and many of them not conversant in Lao language, are said to be the reasons for their lower representation in this job category. In terms of public policy, it is imperative to target geographic areas and peoples less represented in regular employment.

Current-status work

Current-status work refers to the 'work done' (rather than workers) by the activities a person engages in, in the last week (see Annex 4.1 for a definition).

Box 4.1: Two instances of the emergence of casual labour

Case 1, Saravane province: A plantation company was given large land areas on concession to grow rubber trees for three years, near Ban Vangkanan and Ban Songhongnoi (both in Laongam district). The land included agricultural plots belonging to farmers. Many workers who lost part or all of their lands have begun to take up casual wage labour as their principal activity for subsistence. They work for the company; clearing the land, preparing it, and planting rubber saplings. At present, they are permitted to grow paddy in rows between the rubber saplings, but this might stop by the next year because the rubber plants would become bigger, blocking sunlight underneath. Without clear sunlight, paddy will not grow.

Before the company was established, farmers grew rice, bananas and other crops. Now they have (involuntarily) taken up wage labour; there has been a change in their lives, and for many, it is for the worse. They have had to learn new skills, adapt to a new work discipline and earn a living (along with learning). Next, many children have also taken up wage work, as at times work contracts are given out for completing a task and not for working for a number of days. If all household members get together to complete the task, it can be completed more quickly; hence children join in. The wage rate is not high, in some cases, at no more than 5,000 Kip per person per day. Some workers reported that they are not clear as to how the wage rate is fixed.

Case 2, Luangnamtha province: Ban Sivilay (Long district) is a re-grouped village, where the Akha ethnic sub-group (within the Sino-Tibetan ethno-linguistic group) and the Lue sub-group (within the Lao-Tai) have been grouped together. While there is no physical relocation of peoples' houses — different peoples and groups still live where they did earlier — administratively the two villages are one entity now, with social infrastructures like the school centrally located in the section of the village where the Lue community lives. The Akha live on the upper ridges, near the forest, which had and has minimum, if any, infrastructure.

The Akha have traditionally subsisted on shifting cultivation, a practice that is increasingly discouraged. On the other hand, the Lue community are established sedentary farmers, owning flat lands. Being located near the main road also permits them to access the market. They are more educated than the Akha, they speak Lao language and many look forward to taking up non-agricultural earning options.

The Akha farmers have begun to take up wage work on farms belonging to the Lue community in order to earn additional income to supplement their dwindling income from shifting cultivation and forests.Increasing population has accelerated this trend.

Source: *NHDR Rural Survey 2007-2008, DOS*

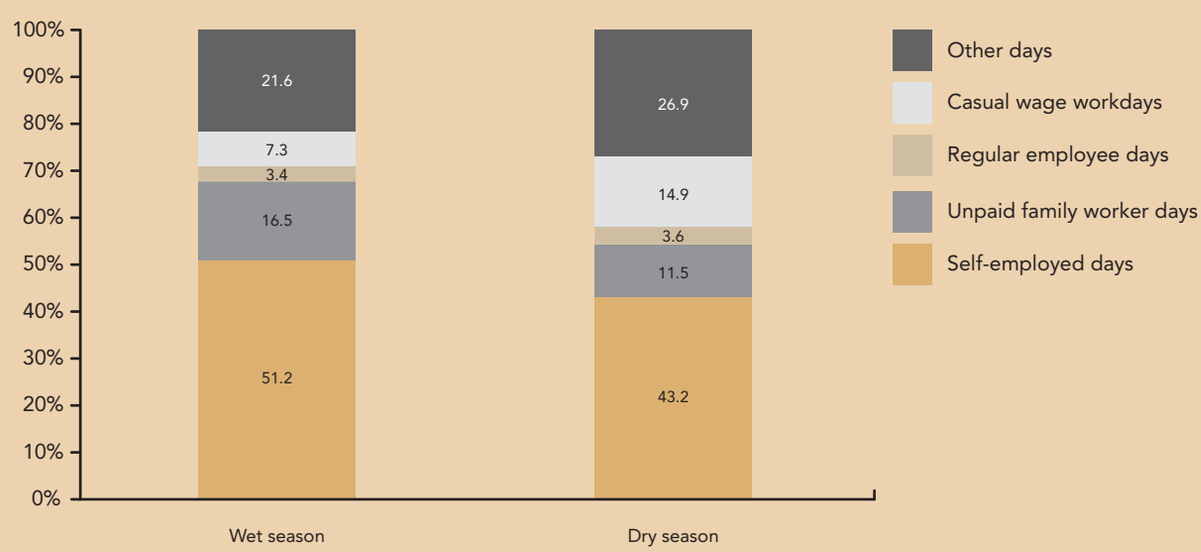
Differentiation between a 'worker' and 'work done' is important in an agrarian society where work (or lack of it) and leisure are not clearly separated[61]. Figure 4.3 presents the percentage distribution of *person-days* of workers by their current activity *in a reference week*, in the two seasons (wet season, Sept-Oct. 2007 and dry season, Jan-Feb 2008). The resulting figure suggests that workers undertake a variety of activities year round according to the cycle of crop operations in a largely single-crop agricultural practice. Three observations are worth noting:

1. Usual status employment data show 64 percent of workers are *usually* engaged in self-employment and about 25 percent in unpaid family work. In contrast, the current-status data suggest that in the wet paddy season, about 51 percent of total workdays are listed as self-employed and 16 percent in unpaid family work. In the lean season, these figures reduce further. Thus, workers liberally take up a number of activities other than their usual status activity from time to time, many in the non-farm and off-farm sectors. This also suggests that a careful identification of the promising off-farm and non-farm activities and promoting them can help raise overall incomes of the rural people.

2. The proportions of days worked in casual wage work in the two seasons are seven percent and 15 percent, respectively. The existence and seasonal increase in casual work reinforce the fact that casual wage work is a reality in rural Laos.

3. The incidence of days *not worked* in the reference weeks (i.e., unemployed or not available for work) is about 20 percent in the wet season and 26 percent in the dry season. On any day, a number of workers could be on leave to attend domestic duties, women workers especially. In some cases, they just do not find work and stay unemployed, voluntarily or involuntarily. However, a six percentage-point (30 percent) increase in this category in the dry season suggests that some workers seasonally withdraw from the workforce in the face of no work being available in the so-called 'productive sphere', i.e. there is underemployment (alternatively referred to as disguised unemployment). Field observations confirm this (Boxes 4.6, 4.7 and

Figure 4.3: Distribution by percentage of workdays by current-status for each season



Source: NHDR Rural Survey 2007-2008, DOS.

61 There is no separate definition of work, *vis a vis* leisure in a classical agrarian system: all activities are a continuum of each other. With the advent of modernisation and commercialisation, the continuum is weakening, but has not broken down altogether. Hence, the usual-status does not give the full picture of work. The current-status thus has to be separately recorded. See Polanyi (1943); and various issues of the *Journal of Peasant Studies* for theories of peasant economy.

4.8)[62]. It makes sense that workers would withdraw from the workforce in the face of no productive work being available. They engage in what they feel could keep them busy: repairing houses fulltime when this could be done on a part-time basis, going to the farms when not really necessary, etc. In one of the field interviews in a village in Saravane, some young people complained of sheer boredom.

Current-status work among workers belonging to different ethno-linguistic groups

People belonging to different ethno-linguistic backgrounds live and work in different agro-ecological environments, and practice different methods of cultivation. It is therefore expected that there would be a difference in their work time-allocation. Table 4.1 shows these differences in time allocation.

Common feature: some workers from all the ethno-linguistic groups withdraw from active work during the dry season. Put simply, all suffer from some degrees of underemployment.

Contrasts:

1. Other than the Hmong-Iu Mien, workers from the rest of the ethno-linguistic groups take up wage labour in significant proportions in the dry season (a 100 plus percentage increase).
2. Hmong-Iu Mien workers do not take up wage labour in any significant way. One possible reason is that they live on the upper ridges of mountainous areas where options for wage work are few, if any (at least in this sample).
3. The Sino-Tibetan group has the largest proportion of workers engaged as casual wageworkers in the dry season. These communities have moved away from shifting cultivation, but they are yet to find their moorings in the plains. As they have the option to work for a wage in their neighbourhood, they do so (Box 4.2, Case 2). In most cases, they are also among the poorest in Laos; hence, they have no choice but to take up unskilled wage work.

Current-status work in village typologies

Table 4.2 presents the current-status workdays grouped together by the six village-typology groups. In all the village typologies, workers put in a visible number of wage workdays. In addition, the proportion of wage workdays worked in the lean season is often considerably higher than that in the wet season. All groups of villages are undergoing some transformation, though some more smoothly and others more suddenly.

Common features: these are the same as stated earlier, i.e., the emergence of wage labour, a large seasonal increase in wage labour, and underemployment.

Table 4.1: Distribution by percentage of workdays by current-status and seasons, of workers grouped by ethno-linguistic groups, for each season

	Lao-Tai		Mon-Khmer		Sino-Tibetan		Hmong-Iu Mien	
	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season
SE days	52.5	45.2	50.1	43.6	54.3	38.4	61.7	49.5
UFW days	16.8	11.6	18.4	14.7	16.0	6.4	10.7	7.4
RE days	4.9	5.0	1.6	1.7	0.5	0.6	0.9	1.4
WE days	7.3	13.4	5.9	12.3	12.2	32.8	3.3	2.2
OTH days	18.8	24.9	24.0	27.6	16.8	21.8	23.4	39.5

SE = self-employed; **UFW** = unpaid family workers; **RE** = regular employees; **WE** = casual wageworkers;
OTH days = days worked in the domestic domain and outside the active labour market (incl. unemployed days).
Source: *NHDR Rural Survey 2007-2008, DOS.*

62 Since time can be exchanged for cash, time assumes centrality in cash-strapped households. This phenomenon is not unique to Laos: there have been similar examples from other parts of Asia. See Bardhan (1978); Chan and Acharya (2002); Dasgupta (1978).

Table 4.2: Distribution by percentage of workdays by current-status, for each season and village typology

	Transition		Other		Regrouped		Market-linked		Migration		Relocated	
	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season	Wet season	Dry season
SE days	60.7	34.8	48.3	38.9	51.3	47.1	58.6	52.4	62.1	46.4	45.4	48.7
UFW days	17.7	7.8	25.7	9.5	18.7	18.1	6.0	10.0	7.9	5.8	9.7	12.4
RE days	0.6	0.8	3.7	4.5	0.8	0.7	4.9	4.6	9.7	8.9	2.5	2.7
WE days	5.6	35.9	4.3	13.4	6.7	10.0	8.4	16.9	5.4	12.5	17.3	12.9
OTH days	15.4	20.8	18	33.4	22.4	24.0	22.1	16.0	14.9	26.3	25.4	23.2

SE = self-employed; **UFW =** unpaid family workers; **RE =** regular employees; **WE =** casual wageworkers;
OTH days = days worked in the domestic domain and outside the active labour market (incl. unemployed days).
Source: *NHDR Rural Survey 2007-2008, DOS.*

Box 4.2: Managing relocated populations

Transitions and relocations have to be delicately managed to prevent rural people (particularly those from ethnic groups other than Lao-Tai) from facing unanticipated and potentially undesirable alterations in their lives. The immediate requirement is to ensure enough food security for them. In the long term, other than strengthening human capital and creating conditions for rapid decentralised development, direct employment creation in large numbers is a powerful policy tool, and is discussed later in this chapter. Finally, management of transitions and relocations requires timely and high quality data. This aspect requires strengthening as well.

Relocation often disempowers rural people and in most cases, they lose self-confidence. This is because they are moved into an unfamiliar working and living environment, perhaps are separated from family and at times, their language and culture are disrupted. Most anthropologists suggest that there is a need to go beyond the physical aspects while relocating people, into the socio-psychological aspects as well

Contrasts:

1. The transition villages (in the north of Laos) contain various ethnic groups in large numbers. They are experiencing several changes: rubber plantations replacing shifting cultivation, deforestation, stopping the cultivation of opium, and of course the transition from subsistence farming to market based living. In principle, any transition disturbs the existing labour time allocation pattern. In these villages, there are wide seasonal fluctuations in time allocation: both dry season casual wage labour and underemployment are becoming increasingly prevalent.

2. The market-linked, migration and other villages are rapidly modernising. Hence, they are experiencing excessive land splitting because of population pressure, thereby altering the existing labour time allocation pattern. Dry season wage casual labour is becoming visible.

3. The regrouped and resettled villages, which are also inhabited by varied ethnic populations in large proportions, present a mixed picture. There is some significant social stratification (see Box 4.3). In some cases, plots given out to the new settlers are presently unfit for cultivation: some have trees standing, while in others land is yet not levelled. Wage labour is not available at the new village locations. In general, the transformation experienced by those in resettled villages is very sudden and in some cases, quite traumatic.

Box 4.3: Wage work in a regrouped village

Ban Nongmai in Kham district, Xiengkhuang, is a regrouped village where villagers belonging to two ethnic groups, namely Khmou (Mon-Khmer group) and Hmong (Hmong-Iu Mien group) have been brought together. While they live together in harmony and there is an outward show of solidarity in the village, there are large differences in the financial status of the two groups. The Hmong in the village are clearly better off. Apart from agricultural activities, they raise small animals such as pigs and poultry. Evidently, their main vocations are in self-employment for much of the year. They have savings from previous years as well.

The Khmou, on the other hand, are struggling to make ends meet. Most of them are 'rice-deficient' and borrow money on very high interest rates to buy rice. They are in debt each year until the next wet season, when they grow maize and sell their produce to pay off debts. They borrow again in the dry season. In the dry season, their main source of income is wage labour. Not very familiar with settled agriculture (they previously practiced shifting cultivation), they are not able to get much return from the land. Unlike the Hmong, they have no domestic animals or savings. The Khmou people work for a wage in a nearby town.

Both groups were brought from different locales in the mountainous areas to lower altitudes during the relocation process. They miss the forest, as there is little in the vicinity here. The Hmong, however, do not feel as deprived as the Khmou do.

Source: *NHDR Rural Survey 2007-2008, DOS*

Table 4.3: Extent of job switching by workers in a week, by current-status, for each season

Number of jobs in a week	Wet season (% workers)	Dry season (% workers)
Four	1.9	1.3
Three	14.8	11.1
Two	51.0	41.6
One	32.3	46.1
Average	**1.86**	**1.67**

Source: *NHDR Rural Survey 2007-2008, DOS.*

Frequent job switching suggests low stability in jobs

In agrarian arrangements, workers often switch jobs over relatively short periods. Farmers, for example, when not working on their farms, work on others' farms on a reciprocal basis. Those farmers, whose farm plots are too small to keep them busy for long, take up wage labour to earn extra cash. They also fish, log or forage when there is little work in the rice fields. It makes sense, however, to infer that if workers switch jobs *too many times in a week*, they face some uncertainty and economic vulnerability in their work pattern.

Table 4.3 suggests that most workers hold two jobs in the wet paddy season and one job in the dry season. Workers in the lower income-groups switch more jobs compared to those in higher income ones in the wet season, though there are seasonal differences (Figure 4.4). In general, employment uncertainty is widely prevalent.

BRIEF CONCLUSIONS:

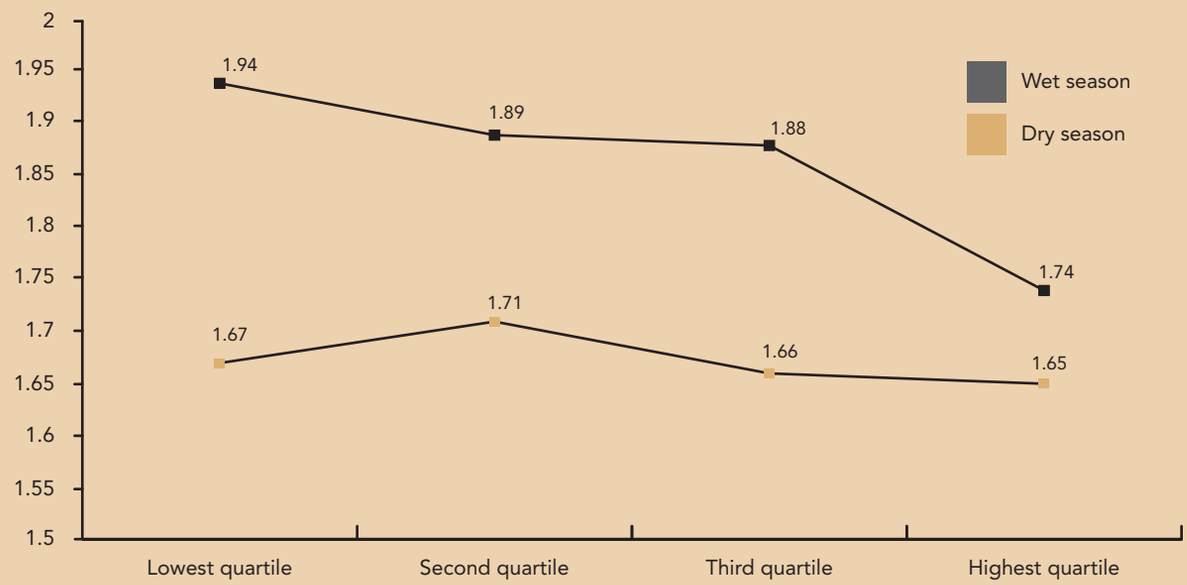
1. *The emergence of casual unskilled labour as a primary means of livelihood is an early sign of rural stress. Solutions to this could be found in the form of strengthening self-employment in agriculture, occupational diversification and employment assurance programmes. At least for the first and second options, skill strengthening is important. The discussion of agricultural modernisation absorbing workers more productively is in Chapter 3.*

2. *The seasonal withdrawal of workers from the workforce (in the dry season) points towards the existence of disguised unemployment. Once again, the options listed in (1) above could provide solutions to this problem.*

3. *There is visible short-term job switching. Short-term job switching is higher among the lower income groups compared to others, implying that frequent job changing over short periods in an indication of economic vulnerability. The options listed in (1) above could provide solutions to this problem.*

4. *Workers are engaged in a number of off-farm and non-farm activities at different times in a year and in different capacities. It should be possible to strengthen a few of these activities (i.e. the off-farm and non-farm work) to broaden the occupational base and increase and stabilise people's incomes.*

Figure 4.4: A plot of average number of jobs held in a week (current-status) per worker, by income quartile, each season



Source: *NHDR Rural Survey 2007-2008, DOS.*

Unemployment in Lao villages

What is unemployment?

Unemployment is a state of being involuntarily without work. It is debilitating, and creates a deep scar on people's and their families' mental health and dignity. It is also the surest cause of poverty among non-affluent populations. If people stay unemployed for long, they deskill and lose employability. It could also affect their self-confidence. The unemployment rate is measured as the ratio of persons involuntarily not having economically meaningful and market-oriented work during a defined time frame [a week, fortnight, six months, etc.], and the total number of persons who volunteer to be in the workforce. Most countries follow variations of this definition to suit their local labour conditions.

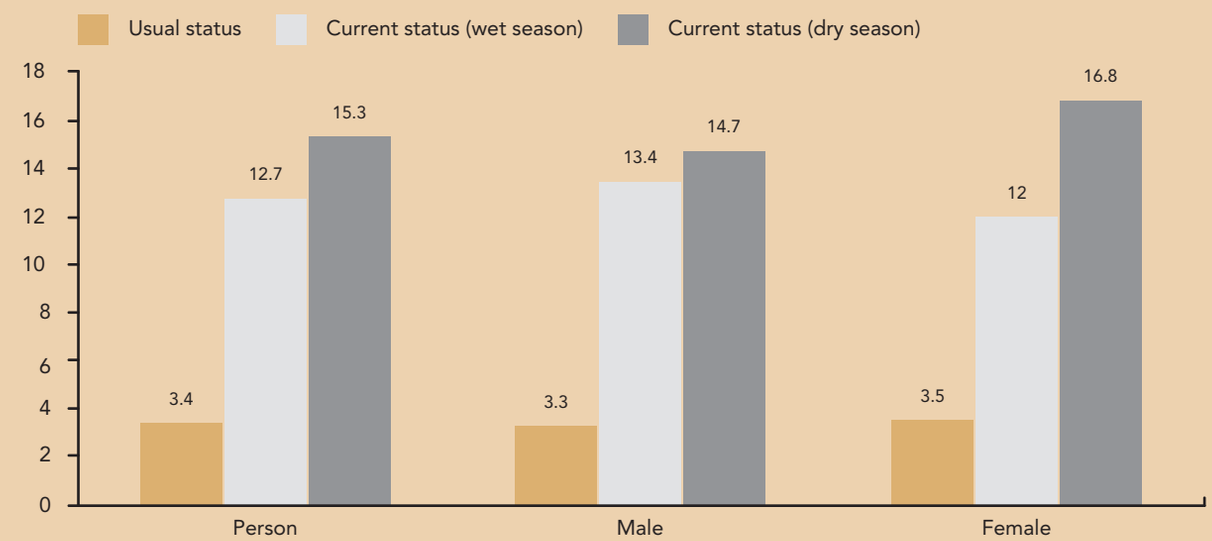
In low-income agrarian economies, long-term open unemployment is low but there can still be real unemployment. It assumes a different form, *namely, there are stretches of involuntary idle time intermittently placed in a continuum of economic work*, domestic work and leisure. This section attempts to measure this particular aspect of unemployment.

Usual and current-status unemployment – patterns

Measured by the usual status, the unemployment rate is 3.4 percent among persons who declared themselves as workers: 3.3 percent among male workers and 3.5 among female workers (Figure 4.5). In absolute proportions, these rates are small, though they are higher than other datasets like the population census or LECS suggest. They are also higher than the long-term employment rate in other economies at similar development levels in Asia (e.g. in rural Cambodia, parts of Indonesia and parts of South Asia). However, there is little, if any, gender difference.

The unemployment rate, measured by the current-status (i.e., involuntary idle time placed in a continuum of work and non-work) is significantly higher at 12.7 percent and 15.7 percent respectively in the two survey-seasons. Compared to the usual-status unemployment, this is about four times higher. The female unemployment rate is lower than male in the wet season but higher in the lean season. On aggregate, the female unemployment rate is marginally higher than that of male, suggesting that the supply and/or demand patterns of male and female workers are not the same.

Figure 4.5: Percentage of workers unemployed to total workers, and percentage of unemployed days to total workdays (worked and available), for each season



Source: NHDR Rural Survey 2007-2008, DOS.

Box 4.4: Why is there little long-term unemployment in low-income developing countries?

First, People generally live on modest means, and the 'luxury' of being without work for long is not available to them. To quote Gustav F Papanek, 'people are too poor to be openly unemployed for any length of time'.

Second, There are 'social spaces' for people to 'disguise' their unemployment in family- or clan-owned or controlled enterprises (typically farms, pasturelands, shops, etc.). This might reduce the overall labour productivity but it keeps workers engaged.

Third, The labour market is underdeveloped.Most workers work on their farms or enterprises in the capacity of self-employed or unpaid family workers. When there is no work, they simply withdraw from the active economic sphere to the domestic and/or self-provisioning spheres.

Sources: Papanek (1980); Acharya and Papanek (1995); Papanek (2005).

When unemployment rates are so high, the situation requires immediate redressing. In some countries, the right to work has been enshrined in the law.

The poor are unemployed in larger proportions

Lower-income workers have a greater incidence of unemployment or frequent involuntary breaks in their work compared to others, and naturally so, because they have limited access to productive resources (Figure 4.6)[63]. This relationship is stronger in the wet season compared to the dry season, suggesting that in the dry season even some of the 'not-so-low income' workers could face uncertain employment. It is of the utmost importance, therefore, to create more employment among the poor to fight poverty and raise HD.

Youth unemployment is higher

The incidence of unemployment is higher among younger persons compared to older persons (Figure 4.7). Young workers, new to the labour market, find initial entry into the workforce difficult. Traditionally, these workers acquired agricultural land by carving out new plots from the forest. With this option diminishing, a higher incidence of unemployment is

63 Data (not presented here) suggest that workers having low skills also face higher incidence unemployment.

obvious. They also have different expectations now: with greater exposure to television and other media (plus travel), they are not inclined to work in rice fields. This issue has been widely documented, particularly in the Mekong plains. Once again, there appears no alternative to expanding employment opportunities in both farm (through more intensive agriculture) and non-farm sectors to address youth unemployment

Crop farmers face greater unemployment

Unpaid family workers and the self-employed face a higher incidence of current unemployment compared to others, and so do crop-farmers compared to their counterparts outside the crop sector (Table 4.4). They face a higher incidence of unemployment because land is becoming scarcer and agriculture is of low intensity (and only one season in a year). Their higher unemployment rate also stems from the shift in favour of farm mechanisation, thereby reducing the use of labour on land. Reduced forest access or the drying up of water bodies worsens matters, as these sources previously provided both extra income and an insurance against crop failure. In areas where modern farming methods have been introduced, the use of labour is relatively high, but it is not as high as it once was, for instance in the early days of intensive rice cultivation in East Asia[64]. Farmers face a larger incidence of unemployment because they lack the preparedness to take up non-farm jobs. They do not possess the skills, or enjoy suitable external conditions to take up off-farm and non-farm jobs. Therefore, they are stuck on their land despite a deteriorating land to labour ratio.

In the dry season, workers in almost all status categories and industries face a higher incidence of unemployment, though the degree varies: there is a lower incidence of unemployment among regular employees, miners and non-agricultural workers, all of whom are non-farm workers.

Incidence of unemployment differs by village typologies and ethnic groups

There is incidence of unemployment prevalent in every village typology, albeit that the extent might differ by village typologies, ethno-linguistic groups and seasons (Table 4.5). Put simply, all of Laos faces slack in work available, which worsens in the dry season. The situation requires immediate intervention.

Box 4.5: Two definitions of unemployment

1. Usual-status unemployment: According to this definition, a person is deemed unemployed if s/he is involuntarily jobless for *much of the time* over a relatively long period, say six months or more. The unemployment rate is the ratio (percent) of unemployed persons to the total workforce (employed plus unemployed).

2. Current-status unemployment: This definition identifies the extent of involuntary idle time in a worker's weekly work-schedule. It counts the total number of 'half-days' in which a worker has involuntarily not worked in that reference week. The (current-status) unemployment rate is calculated as a ratio (percent) of the sum of unemployed workdays to total workdays (worked, temporarily out of the workforce, and available for work) in a week.

Caution: The current-status unemployment rate cannot be used for identifying unemployed persons, since it aggregates the idle time of different people who are highly likely to be otherwise engaged for a greater part of their time. It should also not be compared with unemployment rates measured through the conventional methods, *i.e.*, the ratio of the stock of unemployed persons to the total workers.

Sources: *Acharya (1983), Visania (1981)*

Table 4.4: Percentage of current unemployment by usual work status and industry for each season

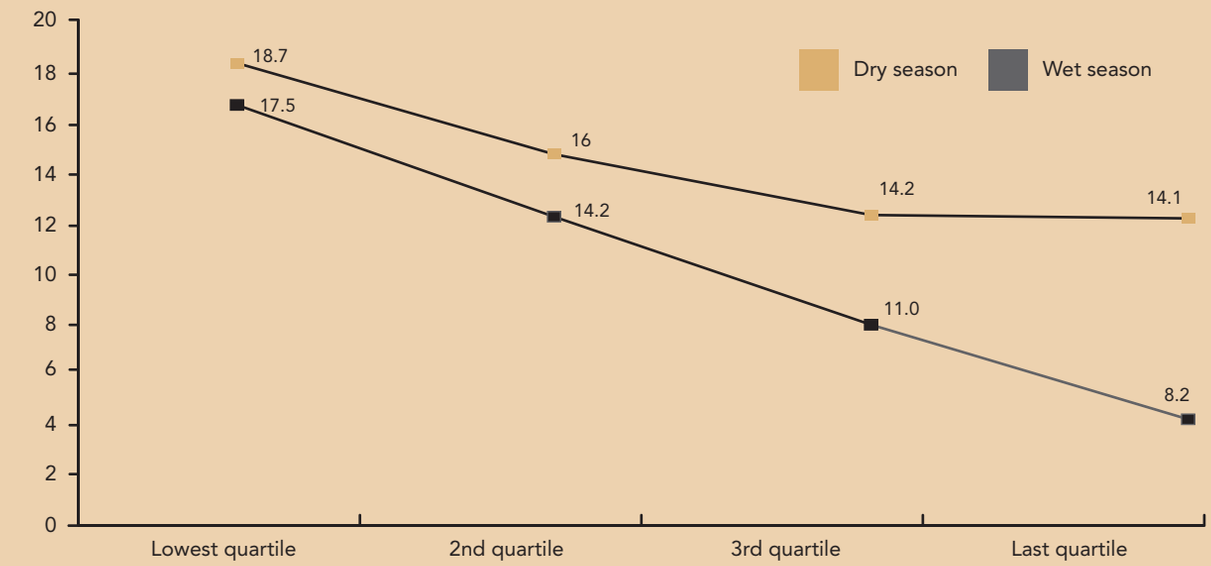
Category	Wet season	Dry season
1 Self-employed	11.4	14.2
2 Unpaid family workers	11.7	17.1
3 Regular employee	0.5	5.9
4 Casual wage worker	6.9	14.7

Category	Wet season	Dry season
1 Crop agriculture	13.1	16.7
2 Other agriculture	7.0	11.9
3 Mining	0.5	4.8
4 Non-agriculture	3.7	8.5

Source: *NHDR Rural Survey 2007-2008, DOS.*

64 Ishikawa (1967, 1981) estimated that in the 1930s to 1950s, intensive rice cultivation in Japan, Korea and Taiwan deployed up to 300 workdays per hectare. Jaysuriya and Chand (1986), however, found that by the 1970s and 1980s, this level of labour was no longer needed.

Figure 4.6: A plot of percentages of currently unemployed workdays to total workdays, by income quartiles, for each season



Source: *NHDR Rural Survey 2007-2008, DOS.*

Box 4.6: Seasonal joblessness

Gist of a focus group discussion with women aged 30-40 years:

'During the rainy season, we have jobs ... all of us are engaged in growing paddy … even those who often migrate out, come back in this season to contribute to growing rice. However, after the wet season paddy is harvested, there is nothing for us to do. We have no irrigation facilities to sustain dry season crops. Young people have the alternative to out-migrate but we women, who have children and homes to look after, have few, if any, opportunities. We certainly want work but near our homes/village. Presently, we stay in the village, pretending to be busy … try to raise chickens, but last year's bird flu has severely affected bird sales ... we really have no work'.

Middle-aged women's group, Ban Don Kong Khao, Khong Sedone district, Saravane,
Source: *NHDR Rural Survey 2007-2008, DOS*

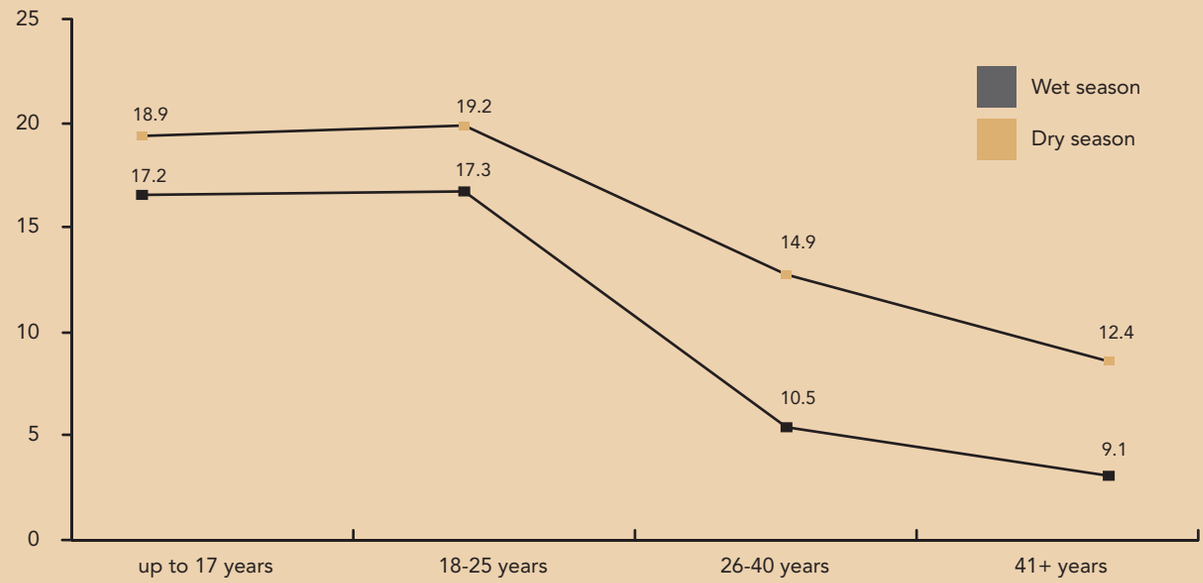
In some areas of Laos, there is a shortage of available labour, especially on (rubber) plantations. Among the reasons for unemployment and a shortage of workers to co-exist is that unemployment often occurs in periods when both rice crops and plantations do not deploy workers (i.e., dry or 'off'-seasons). In addition, work on plantations may require workers to travel some distances, for which they might not be ready or able at the present wage rate. The problem of seasonal labour shortages might become acute in the future, when rubber trees are ready to be tapped.

Are workers under-worked or misemployed?

It is possible to find workers trained in one skill and (involuntarily) practising another, particularly in transitional economies[65]. Such workers could also be unsatisfied with the amount of work available or type of activity that they are presently undertaking. They are 'misallocated', rather than unemployed in the generic sense. The importance of this question stems from the fact that, if these workers were to work in a different capacity, then both their satisfaction levels and productivity would increase.

65 See Raj Krishna (1976) for the concept of 'misemployed'. See Morris and Bruun (2005) and the 2007 NHDR of Mongolia, for current instances of misemployment in Mongolia, a transitional economy.

Figure 4.7: A plot of percentages of currently unemployed workdays to total workdays, by age groups, for each season



Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.5: Percentages of current unemployment by village typologies, ethno-linguistic groups and seasons

	Village Type							
	Transition	Other	Regrouped	Market-linked	Migration	Relocated	Lao-Tai group	Other ethnic groups
Wet season	7.9	10.6	12.9	10.2	11.8	22	11.8	15.6
Dry season	15.9	18.7	9.6	9.4	19.6	19.5	14.3	16.0

Source: *NHDR Rural Survey 2007-2008, DOS*

This survey posed a direct question to workers: do you want additional work or different work from your present engagement? The results show that a staggering 56 percent of the workers said, yes they want one or both. More male workers then female, more younger-age workers than older, and more in lower-income group workers than higher, wanted more or different work from what they are presently engaged in. It did not matter to the respondents that some were fully engaged in terms of time, implying that these workers are underemployed or misemployed, or both. Some might have been expressing sheer frustration resulting from an additional need for cash, which their present jobs are not able to provide.

Alternative criteria for measuring unemployment

In most low-income agrarian countries, unemployment is low compared to poverty, irrespective of the method used for measuring it. This is because there are many workers who earn low amounts despite working fulltime, i.e., the working poor. Sometimes they work in establishments that are low yielding while at other times, the labour market is distorted. Misemployment, implying workers are engaged in activities where their skills or capacities are grossly underused (and in turn, many are paid lower than what their entitlement is), is also real. Very often, there is overlap between the

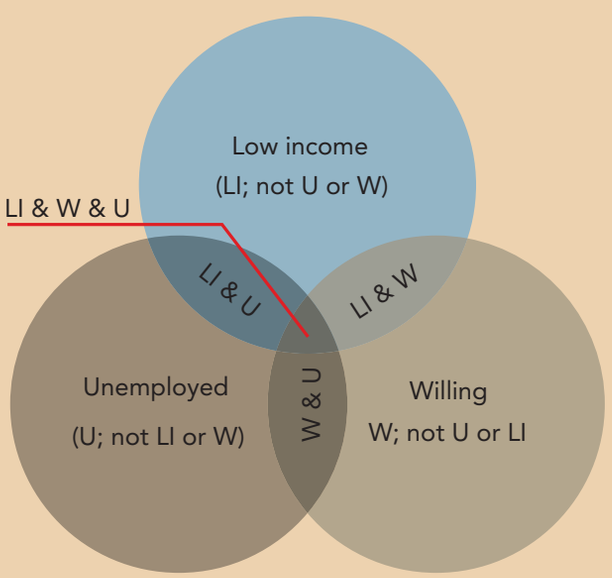
Box 4.7: Unemployment among small landholders

I own only 0.5-hectares of land. It is not irrigated, so I am able to grow only one crop. I have a large family: my wife and five children. Two of my elder daughters have begun to work, but the others are still going to school or younger. My wife is not in good health; therefore, we need extra cash to meet her medical expenses.

In the dry season, I fish or take to wage labour. In the wet season, I grow paddy. There are times in the wet season when I have no work on the land. My daughters and I finish weeding and other work in the rice field, and then we just wait for the paddy to ripen. During this time, I try to look for work for a wage. Sometimes I get it, loading trucks or working on construction sites. There are times when I do not get any work. I think of migrating out, but it is not feasible: my family is here, and my wife in not in a position to run the house. I also need to look after my paddy land. Therefore, there are stretches when I face unemployment even in the wet season.

A small landholder family, Ban Teenkeo, Xieng Ngeun district, Luang Prabang,
Source: *NHDR Rural Survey 2007-2008, DOS*

Figure 4.8: Measuring unemployment by alternative criteria



poor, unemployed, misemployed, etc. Development literature has grappled with these multi-faceted problems with a view to capture each of them in a composite framework. Figure 4.8 presents such an attempt. It shows these in a schema of the overlapping three criteria of unemployment:

Unemployment by time criterion: if the norm were X hours per week, then anyone working less than X hours would be counted here. Let this be U in Figure 4.8.

Low-income employment: if a worker earns less than a critical minimum pre-set amount, s/he could be counted here. Let this be LI in Figure 4.8.

Misemployment: if a worker expresses willingness to work differently or more (i.e., misemployed), s/he could be counted here. Let this be W in Figure 4.8.

Workers in sets 'LI but not U or W', 'W but not LI or U' and 'U but not LI or W' in the diagram suffer from *one* form of employment-related problem (one handicap) each – i.e. they are not affected by *two* of the three problems. Workers in 'LI and U', 'LI and W' and 'U and W', each suffer from two of the three problems (two handicaps). Finally, workers in the set 'LI and U and W' suffer from all of them (three handicaps); they are unemployed, poor and express willingness to work more. Complicated as the classification is, it allows for targeting the neediest groups. 'LI and U and W' is the neediest group here.

To measure these concepts empirically is never easy. Nevertheless, this has been attempted, to the extent that the data permit. Set LI contains workers in the lowest income quartile (25 percent), set W contains workers expressing willingness to work more or differently (56 percent) and set U contains workers who have faced unemployment at some time in a reference week in the wet season (24 percent). Table 4.6 shows the percentage of workers in each of seven categories of Figure 4.8.

Up to 71 percent of workers are unemployed, earn a low income, or are dissatisfied with their work (and express willingness to work more or differently). The most vulnerable workers are in Set (LI, W&U), forming 5.2 percent of total workers (Row 1, Table 4.7). Next are workers in sets (LI&U), (LI&W) and (W&U) (Rows 2, 3 and 4). These three add together to 22 percent of total workers. The relatively less vulnerable workers are in sets (LI, Not U or W), (W, not LI or U) and (U, not LI or W) (Rows 5, 6 and 7), forming 44 percent of total workers. The whole exercise brings home the fact that

Box 4.8: Unemployment and free time: A viewpoint from the field

In the past, our people lived by the land, forest and natural resources. It is not that the standard of living was high; it was, in fact, quite modest when seen from present day levels. Despite doing multiple jobs, people had plenty of leisure time. They were not willing to exchange their leisure time for work … those were the values of that time. What has changed now?

One, modernisation has brought in values that make our people desire many more products made outside the village. We did not consume these things before but now we do, though we do not produce them. Therefore, we have to generate additional incomes, which we did not have to generate earlier. This cuts into our leisure time.

Two, privatisation and the destruction of commons and forests have reduced some sources of our income. Yes, our income from farming has risen greatly, but for this to happen we require more products that we do not produce locally, for example, fertilisers. Thus, in addition to the demand for cash to buy consumer goods and compensate for the forest produce lost, there is demand for cash to buy agricultural inputs such as diesel for tractors, fertilisers and transport equipment. This is particularly so, as we have fewer draught animals now, when tractors have taken their place.

Three, family expenses on health have gone up. Longevity and the need to save sick people are the reasons. This again is a reflection of the permeation of modern values. While the government provides our village with a medical tool-kit, it is no substitute for a doctor; hence, we spend money on health.

Four, with the commons gone or reduced, there are fewer domestic animals. At times, we have to buy meat, which is an important source of protein. For this again, we need cash.

We had a lot of free time earlier, which we cannot afford to count as 'free' anymore. *We need the cash*. Therefore, when you ask us whether we are unemployed, perhaps in another (earlier) era we would have reported that 'no, but we have a lot of leisure time'. Today, however, we count our 'leisure time' as 'involuntary idleness', i.e. unemployment. *'Idle time' today is unemployment.*

We are not against modernisation, or trying to say that the past was better compared to the present. *All we are saying is that times have changed, but we have been slow to adapt and slower to be prepared for it.*

Gist of a group discussion with village elders and talk with village chief, Ban Thali, Nan district, Luang Prabang,
Source: *NHDR Rural Survey 2007-2008, DOS*

unemployment, like poverty, is multi-faceted. It is therefore possible to grade the unemployed by the extent of their socioeconomic vulnerability, which would help channel scarce resources towards the most needy.

Unemployment in low-income agrarian economies requires grappling with many issues at once: agricultural modernisation; promoting labour intensive non-farm and off-farm sectors; and direct intervention in the labour market. While the first two have been discussed earlier, on direct intervention:

1. For the poor in the short-term, many countries have initiated employment guarantees and/or assurance programmes for the seasonally or even perennially unemployed. Box 4.9 provides an outline of such programmes. Laos could initiate such a programme on a pilot basis to test which format suits it best. Since these programmes serve the dual purpose of job-creation and rural asset formation, the possibility of using surplus labour on the government's Public Investment Programmes of the government (if it exists in the area and meets the requirements), could be selectively examined.

2. Targeting poorer households in addition to priority areas could help in raising their capabilities, employability and incomes.

Box 4.9: Employment assurance scheme for the seasonally unemployed

Public employment programmes are initiated to serve a dual purpose: to help alleviate seasonal un/underemployment (and thence, poverty), and create productive assets and services in the rural economy. Workers do not lose dignity despite this programme being a social assistance. On the contrary, they are empowered since they *earn* a wage. Some salient features of similar programmes in other countries are as follows:

1. Local governments initiate public works programmes for local asset creation: culverts, local roads, water tanks, irrigation, canals and tree planting, to name a few. There is a blueprint of economically and socially meaningful projects prepared for each geographic region. Work on projects is provided on demand to workers seeking jobs at relatively short intervals.
2. (Local) workers looking for jobs are deployed on these projects as much as possible.
3. As much as possible, labour-intensive projects requiring relatively low or no skills are undertaken, which is also a way to ensure self-targeting, other than through keeping wages at the minimum prescribed level.
4. The village (or a cluster of villages) has an office where potentially available workers could register their names on a permanent basis. Registration does *not* imply that the workers have to work—they work only when they wish to—but the registration helps determine the quantity of local rural labour surplus, and hence plan a blueprint of projects for an area.
5. As and when workers want work, they go to these offices and ask for work.
6. Work on a new site begins if a critical minimum number of workers—enough to satisfy the requirements of a new project—want work simultaneously. In the event that sufficient numbers are not available, workers are diverted to sites where work is going on within say, 2-3 km.
7. Work is discontinued if workers withdraw, to be re-initiated when workers again demand work. In specific cases, projects once started have to be completed, or the work already done is lost. In such cases, additional workers could be hired to complete them.
8. A piece-rate (with a fallback) wage schedule is prepared, i.e. wages are paid according to the quantum of work completed. In the event that workers are not able to complete sufficient work to earn a minimum, they are at least paid that much.

The whole proposal thus has 'job-creation' as its central feature, though it has built-in components of local infra-structure creation. An added component, implemented in some countries, is of the capacity building of workers through learning on the job. For example, if workers engage in building schools, some extra effort is made to impart knowledge of masonry. In some parts in the world, private-sector participation and co-financing have been practised. For example, if work were undertaken to construct a warehouse, which the private sector would use for storing their wares, part of the contribution would come from them. There are many models of such programmes.

There is a human dimension in the design of the work programmes as well. For example, for workers with small children, arrangements are made for childcare: one of the workers, preferably an older one, is asked to look after the children.

Four preconditions for success:

1. The programme must have flexibility at the local level to match effectively the demand for work with supply.
2. The programme should self-target the poor, i.e., it attracts only those really needy and willing to work. For this, the work should largely be manual and wages in the range of 10,000-15,000 Kip per day.
3. A strong monitoring and evaluation system is essential.
4. Some on the job capacity building should preferably form a part of the package.

Sources: *Moreno-Dodson (2005); Devereux S and C Solomon (2005); ILO-Bappenas (2005); Acharya (1990); Ling and Zhongyi (1995); Acharya, Iyer and Basak (2005).*

BRIEF CONCLUSIONS:

1. *There is open unemployment (12-15 percent) when measured in terms of involuntary idle time that workers experience intermittently, within a continuum of work and leisure. The incidence of unemployment is greater among the poor, small farmers, younger persons, unpaid-family-workers, relocated villagers, female workers, and ethnic groups living in the interior. This profile provides clear pointers on whom to target for alleviating unemployment.*

2. *Unemployment in the broader context (involuntary surplus time, low productivity/earnings, willingness to work more, etc.), is multi-faceted. It is possible to identify different vulnerabilities of populations facing unemployment/underemployment and formulate policies for household or individual-level targeting.*

3. *There is a case for initiating employment assurance programmes for workers to tide over seasonal and intermittent joblessness. The primary target should be determined by demand and need (see Box 4.9 for a description of an employment programme). A lasting solution to the unemployment problem, however, lies in vitalising the rural economy through raising the capacities and capabilities of the people.*

INCOMES, LAND AND HUMAN ENDOWMENTS

Incomes

Income levels and regional variation[66]

The average annual per capita income in the 20 sample villages was 2,776,861 Kip, which at prevailing exchange rate of 9,300 Kip for a US dollar (December 2007), yields an income of about USD 299 per person per year. The per capita income of Laos in 2007 was about USD 800; this implies that incomes in these villages are less than half the national average.

Table 4.6: Estimates of unemployment by alternative criteria

Items	Descriptions	Percent of total workers
1 LI, W and U***	Low income, willing to work more and faced unemployment	5.2%
2 LI & U**	Low income and faced unemployment	2.5%
3 LI & W**	Low income and willing to work more	9.2%
4 W & U**	Willing to work more and faced unemployment	10.3%
5 LI, not U or W*	Low income but not faced unemployment nor expressed willingness to work more	7.5%
6 W, not LI or U*	Willing to work more but not low income nor faced unemployment	31%
7 U, not LI or W*	Unemployed but not low income nor expressed willingness to work more	5.5%
	Total	71.2%

Note: *single star refers to one handicap, two stars to two handicaps and thee stars to three handicaps; References sources: Sen (1975); Raj Krishna (1976); Acharya (1983).*

Source: *Calculated from NHDR Rural Survey 2007-2008, DOS.*

66 This survey attempts to measure income and not consumption, which is the common practice for gauging standards of living. There are difficulties in estimating income in agrarian households because incomes come from numerous sources and come about at different times in a year. Income estimation is made more complex because people do not always en-cash incomes: they directly consume the proceeds of their labour, e.g. collecting NTFP or catching fish for self-consumption. Incomes, however, provide other useful information that consumption data do not. The following components of income are enumerated: 1. Own farm incomes are incomes obtained from 17 major crops (monetised equivalents). Off-farm and non-farm incomes are as seen in Annex 4.1. The addition of the two is the total income. Per capita income is derived by dividing the household income by the number of members in a household.

Table 4.7: Average annual household per capita incomes, by village typologies and ethnic groups

Village typology	Average Income (Kip)
1 Transition	1,904,735
2 Other	3,131,390
3 Regrouped	1,869,762
4 Market-linked	3,844,408
5 Migration	3,778,529
6 Relocated	2,201,314

Source: *NHDR Rural Survey 2007-2008, DOS.*

Ethnic group	Average Income (Kip)
1 Lao-Tai	3,280,321
2 Mon-Khmer	1,850,126
3 Sino-Tibetan	1,819,320
4 Hmong-Iu Mien	1,939,326

Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.8: Percentage share of non-farm income, in different village typologies

Village typologies	% non-farm income
Transition	26
Market-linked	42
Regrouped	30
Other	56
Migration	63
Relocated	70

Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.9: Gini coefficient values of income inequality for the village typologies

Village typologies	Gini values
Transition	0.4157
Other	0.4290
Regrouped	0.4226
Market-linked	0.4635
Migration	0.4083
Relocated	0.5605
The whole sample	**0.4691**

Source: *NHDR Rural Survey 2007-2008, DOS.*

While these villages do not represent all rural areas, the figure nevertheless reveals the gap between rural, farm-based incomes and the country's average.

Seen in relation to village-typology, average per capita household incomes are the highest in the market-linked villages and migration villages (Table 4.7). Most villages from both these groups are located in the Mekong plains (e.g. Champasack) or the fertile areas of Xiengkhuang, enabling farmers and others to earn more. Villages in the group 'other' rank next. The regrouped and relocated villages (mostly located in the hinterland, hill slopes or mountains) have much lower incomes for obvious reasons: the land is not too fertile, it is less intensely used, and agriculture yields low income. The regional variation is mirrored in the incomes of different ethno-linguistic groups: the Lao-Tai, on average, earn 40 percent more income than others do.

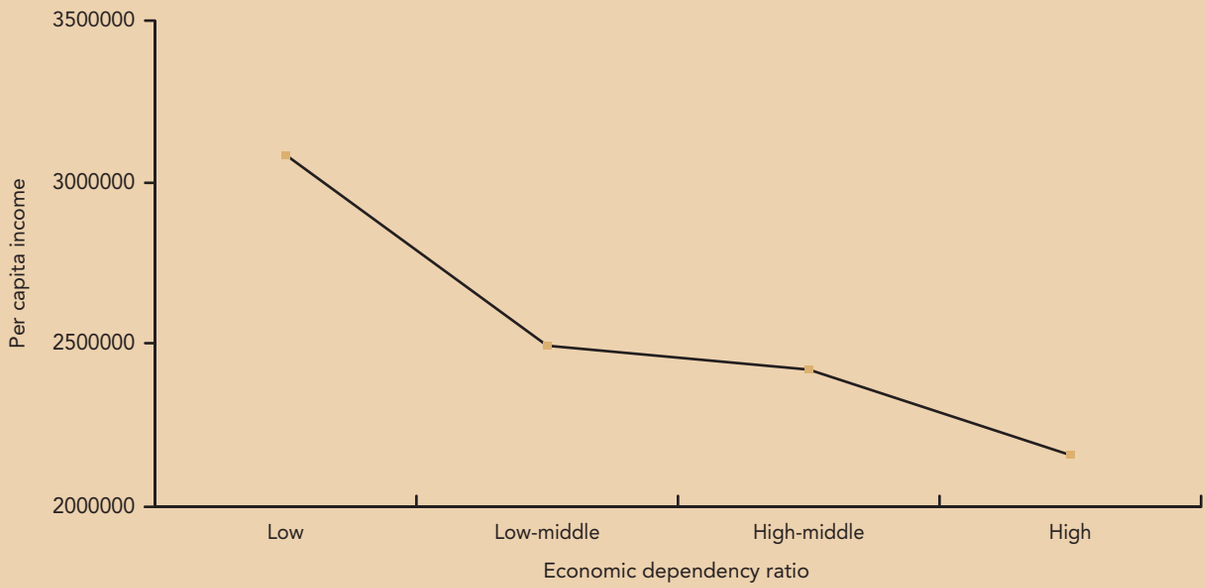
Per capita income and population pyramid

A high population growth rate might not be a drag on incomes per se, but the shape of the population pyramid matters. If there are many children and too few adults, the dependence of children on a small number of earners results in low per capita earnings. The negative relationship between the economic dependency ratio and per capita income suggests that (productive) work is pivotal to alleviating poverty (Figure 4.9). It points to the fact that families must not be too large and there should be birth spacing between the offspring. Seen from a human development prism, a smaller number of children can receive better healthcare, education and other facilities, all conducive for people exercising greater choices regarding their livelihood pattern. In addition, the family's agricultural land does not have to be excessively split in the event that the offspring wish to work the land.

Sources of income

The share of each source of income, presented in Figure 4.10, suggests that agriculture—including crops and non-crops but excluding livestock—is still the largest contributor. Its share, however, is much less than half. In fact, contrary to expectations, the income share of the off-farm and non-farm activities is in excess of 30 percent. Incomes derived from outside the family farm widely vary across the village typologies between 26-70 percent (Table 4.8). This also suggests that since people work on a number of activities round the year, a careful identification and promotion of some of the promising ones could help

Figure 4.9: A plot of per capita income by economic dependency ratios



Source: *NHDR Rural Survey 2007-2008, DOS.*

diversify occupations and raise people's incomes from non-farm and off-farm activities[67].

Does it matter whether a household gets income from more than one source? Figure 4.11 shows that it does, and so does multiple cropping (which is akin to multiple income source). In addition to augmenting incomes, multiple income sources are an insurance against any one or more source failing. This is particularly true in a one-crop subsistence economy: crop damage by floods or droughts is compensated for by forest and/or fish produce.

Income distribution

Income distribution matters for HD. At the present level of per capita income in these villages, which is half the national average, if the distribution were skewed some households would subsist on unacceptably low incomes. In addition, higher income inequality increases the social distance between higher-income people and lower-income ones: the latter are disempowered. In a village society, this matters more than in a city. The value of the Gini coefficient of inequality is 0.4691 (last row, Table 4.9). This is high in absolute value.

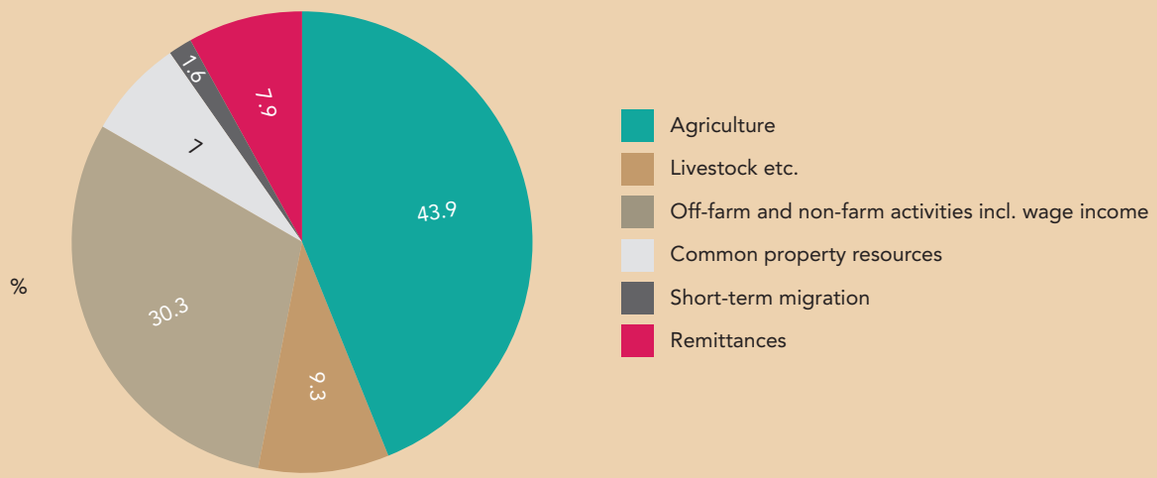
Income distribution varies widely across village typologies. In five of them, the Gini values are less than the aggregate figure of 0.47, while in the sixth it is larger. The fact that income inequality is the largest in the resettled cluster of villages, points towards the fact that resettlement is less than satisfactory, and that there is a need to pay a lot more attention towards livelihoods in resettled villages.

Food security

In rural Laos, rice and forest produce assume a special importance in ensuring food security. Rice, along with some combinations of wild meat, vegetables, fruit and fish, form a staple diet for rural households, though the exact combination varies across the country. Part of this food is collected from the forest. The forest provides other non-food items as well: building materials, fibre, resin, etc.

67 One such study carried out on a small sample in the Lao context is Keomixay *et al* (2003). It identifies key activities that have the potential to grow and create more jobs.

Figure 4.10: Percentage share of different sources of total household income



Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.10: Percentage of households reporting the extent of rice adequacy, in each village typology

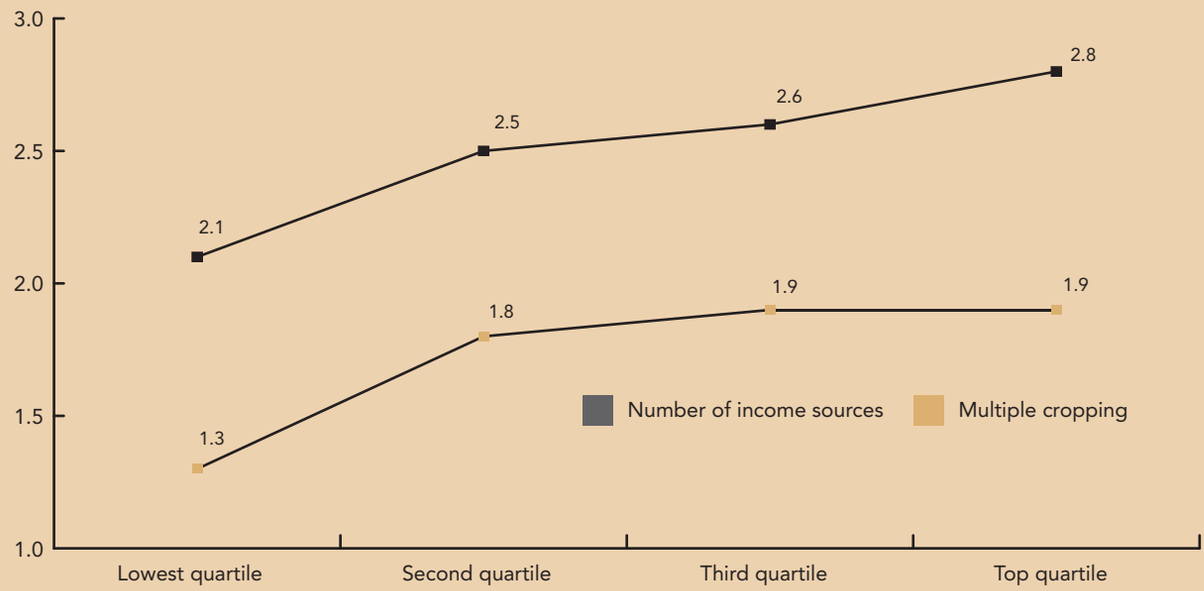
Village typology	More than sufficient; marketable surplus	Just adequate for the year	Adequate for 8-10 months; buy occasionally	Insufficient; regularly buy or do without
Transition	22	34.6	38.2	5.2
Other	39.9	27.6	21.4	11.1
Regrouped	23.4	25.6	37.9	13.2
Market-linked	12.6	33.6	33	20.9
Migration	35.2	21.5	16.9	26.4
Relocated	8.4	29.3	51.4	10.9
Total sample	26.6	27.6	31.3	14.4

Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.10 shows that a little over half of the total households feel that there is adequate rice in their households. To an extent, the regrouped, relocated and transition villages, being poorer, are also more rice insecure. However, this relationship need not hold in all circumstances and all locations. There is, therefore, a need to track poverty and rice security separately.

Figure 4.12 shows the availability of forest produce for 10 main products. An overwhelmingly large proportion of the households find that forest products have reduced compared to e.g., five years ago. The pattern is similar irrespective of how the data are disaggregated. At least two points call for attention:

Figure 4.11: A plot of income sources by per capita household income, and multiple cropping index by per capita household income



Source: *NHDR Rural Survey 2007-2008, DOS.*

1. People substitute self-collected forest products with those from the market, but this costs money, implying they require productive jobs. Being idle or jobless, therefore, is a real problem.

2. The reduction in forest products implies that another source of income is diminished. Since multiple income sources are an insurance against one or more income sources failing, this reduction is a setback to income (and food) security.

BRIEF CONCLUSIONS:

1. *Rural incomes are much lower than urban, which points to the urgent need to promote rural development to tide over poverty and raise HD.*
   a. *First, land yield rates must rise (Chapter 3 discusses this).*
   b. *A careful identification of existing off-farm and non-farm activities and their promotion through credit, market access and technology (training) could go a long way in raising rural incomes from outside the farms.*

2. *Drastic reduction in NTFP (and fish, due to less water in perennial rivers and lakes) is a reason for food-security to become precarious. Food-security, therefore, needs separate tracking from nominal poverty indicators (see Chapter 2). One means to do this is through making appropriate entries on related variables in the Village Book.*

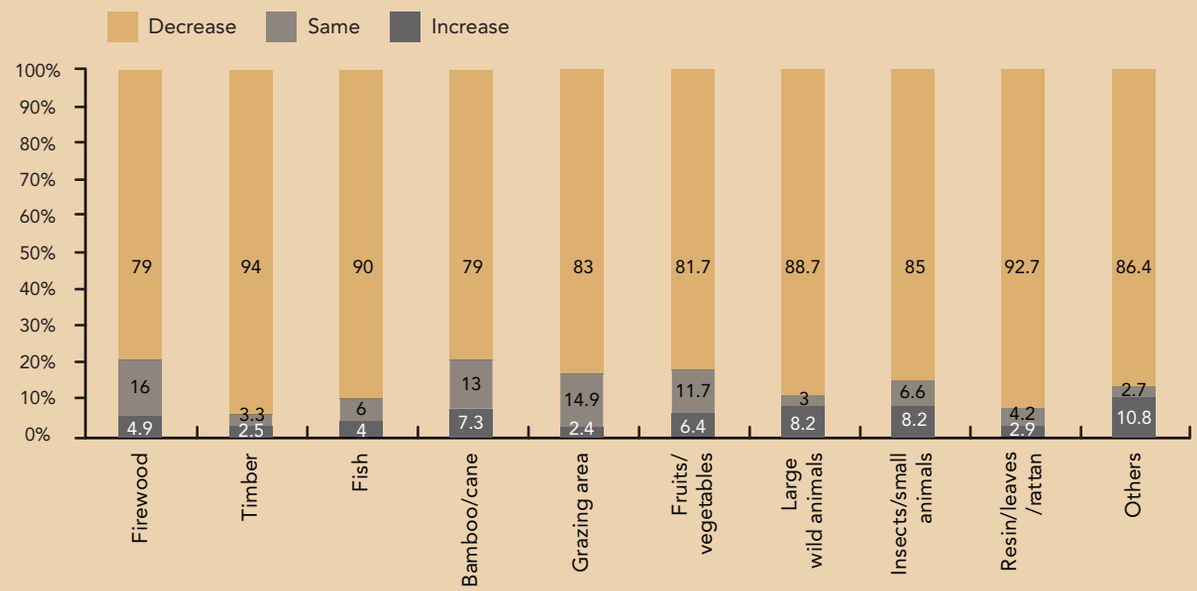
3. *The incomes of ethno-linguistic groups other than the Lao-Tai are near half the per capita incomes of the Lao-Tai. Since they live in the interior, on mountain slopes and in forests, a lack of options for them is the reason. Regions experiencing transition, regrouping, relocation, etc. (which also have large concentrations of certain ethnic sub-groups), similarly call for attention. As stated earlier, the need for larger investments in social and physical infrastructure in the interior is emphasised here as well.*

Agricultural land, and human endowments

Land owned and cultivated

Agricultural land is the most important source of livelihoods in rural Laos, as seen in Figure 4.13: households owning higher amounts of land per capita are concentrated towards the higher per capita income-brackets,

Figure 4.12: Distribution by percentage of households by their response to availability of different NTFP items now, compared to about five years ago



Source: *NHDR Rural Survey 2007-2008, DOS.*

and vice versa[68]. The availability of agricultural land in the sample villages is about 0.8 ha per worker. Table 4.11 shows that there is inequality in land distribution, in aggregate as well as within village-typologies.

The Gini coefficient of land inequality of *owned agricultural land,* on aggregate, is 0.54, while the Gini coefficient of land inequality for *cultivated land* is smaller at 0.49. In addition, some 15 percent of the rural households do not possess agricultural land. About half the landless households are *landless* farmers: they rent land, sharecrop land, fish, undertake logging, undertake wage labour on the lands of others for part of the time, etc. Their per capita income is less than half the aggregate, underscoring the importance of land ownership yet again.

The average size of a *plot* is less than a hectare. On average, there are about two *land plots* per *ownership* holding. Excessive land fragmentation is usually detrimental to effective land use and investment in land. Reducing sizes of land plots, land fragmentation and emerging landlessness conjunct with the data seen earlier, that casual labour is rising and unemployment is high. Landlessness, thus, could pose major problems of livelihoods in the future, if the affected people do not get alternative and sustainable livelihoods.

Human endowments

Human endowment really is much more than education, skills or health. It includes various innate capacities and strengths of individuals. Want of adequate data, however, restricts the analysis here to education alone. The notion of 'human-capital stock' emerges from the fact that there is a standing practice of calculating rates of return on education similar to rates of return on physical investment[69]. The logic: as workers move from 'brawn-oriented' work towards 'skill-oriented' work, their productivity and therefore their income rises; hence, education matters. This section attempts to estimate the stock of education or human capital per household and find its relationship with incomes (Box 4.10 for the method).

The average per capita stock of human-capital stock per household (members of age 10 years or above) is 3.7 years in the sample and the Gini coefficient of

68 Land ownership here refers to control of land by the farmers and not possession of formal papers.

69 Psachropolous (1994); Thomas, Wang and Fan (2005); Moore *et al* (2007).

human capital inequality across households is 0.45. These are not enviable numbers as they suggest that an average rural citizen is less educated than the primary level.

How many years of education are just adequate? More realistically, how many years is the minimum desirable level of human-capital stock in a household? The answer is attempted in Point (2) of Box 4.10: the per capita household human-capital stock (for persons aged 10 years and above) must be 2.06 years in rural Laos, short of which a household is below the 'human-capital poverty line'. This sample has 36.5 percent of persons below the human-capital poverty line (Table 4.12). Human-capital poverty ranges from as high as almost 92 percent in the northern transition villages to as low as about 10 percent in the market-linked villages. It is greater than 90 percent among the Sino-Tibetan group, high amongst the Mon-Khmer and Hmong-Iu Mien, and modest among the Lao-Tai.

Human-capital stock and incomes are strongly correlated (Figure 4.14). Even in a rural and agrarian setting, human capital thus helps people earn more. Yet again, this makes a case for investing more in strengthening human capital.

While the educational shortcomings in Laos are well known, these data bring out the magnitude of the problem and quantifies the gaps between different ethno-linguistic groups and locales. It further reinforces the need to target development programmes at the *household and individual levels* in addition to village level, to ensure that people's livelihoods are strengthened.

BRIEF CONCLUSIONS:

1. *Emerging land inequality and landlessness adversely affect people's livelihoods. The dynamics of land markets and land use, therefore, require a comprehensive examination.*

Box 4.10: Human-capital stock and human-capital poverty: Definitions

Ideally, the numbers of years of education of each member of a household, weighted by the rates of return for each level of education, if added together should effectively represent the stock of human capital. However, no such weights are available, and they are difficult to calculate from existing data. Hence, the human capital stock of a household is taken to be simply the *sum* of the number of years of education attained by each member.

1. Education stock is the number of years of education attained by members of a household aged 10 and above (general + technical). Per capita human capital stock is the total human capital stock divided by the population aged 10 and above in a household.

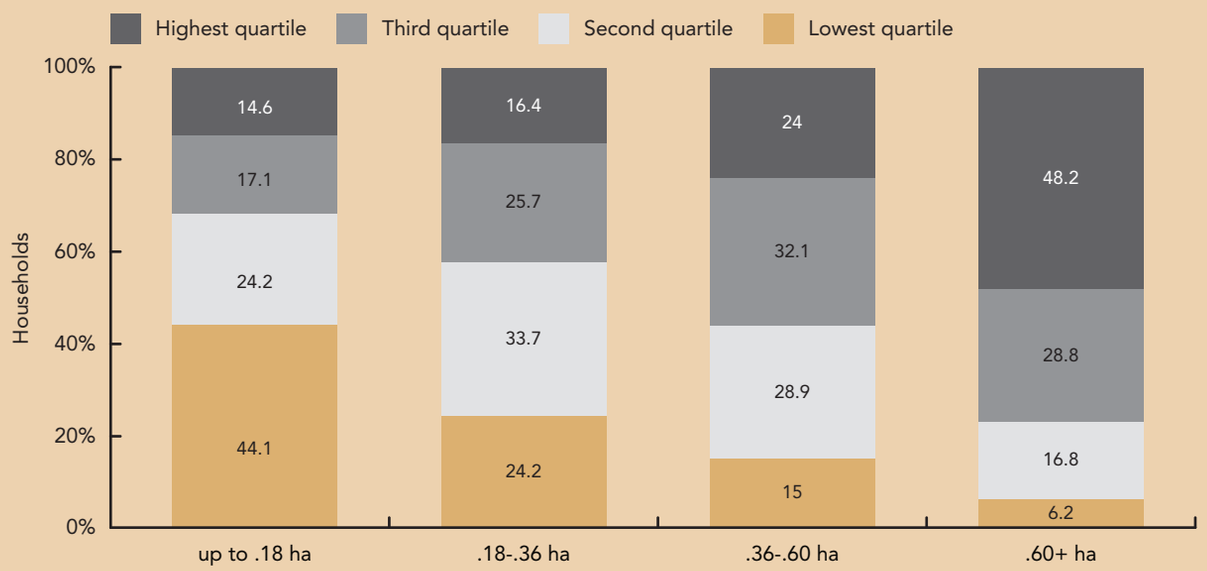
2. The human capital poverty line is the stock falling below a threshold (2.06 years of education stock per household). The human capital poverty line is derived based on the following explanation:

Minimum requirements: *Persons of age (a) 10-17=4 yrs education; (b) 18-25=5 yrs; (c) 26-40=2 yrs; (d) 41+=0 yrs, weighted by populations in the respective age groups.*

The logic of these numbers is as follows: Government policies and MDGs strive to make all persons complete primary education (i.e. five years). In age group (a) above, some might not have completed five years, as some still would still be studying. In addition, some children begin late, or a few might not be physically or mentally fit, and so on; hence four years is considered adequate. In age group (b), all should have completed five years. Some would have gone beyond five years; hence, issues of mental or physical challenge should cancel out with those who went beyond five years. In age group (c), most would have been of schooling age either in the late 1970s or earlier. Because of the transitions in Laos in that period, even two years education in rural areas is believed to be sufficient. Finally, in age group (d), all would have been of school-going age in the pre-1975 period. Zero years of education are assigned to this age group, as little is known of rural education in that era.

Source: *NHDR Rural Survey 2007-2008, DOS*

Figure 4.13: Distribution of percentage of households by income quartiles, for each size-class of land cultivated



Source: *NHDR Rural Survey 2007-2008, DOS.*

Table 4.11: Distribution by percentage of households by agricultural land size and fragmentation, for each village typology

	Percentage distribution of households								Average size/ household (ha)	
	Landless		Up to 1 ha		1.10 to 2.50 ha		2.51 and more			
	Own	Cultivate	Own	Cultivate	Own	Cultivate	Own	Cultivate	Own	Cultivate
Transition	2.6	2.6	16.8	18.8	42.4	40.8	38.2	37.7	3.0	3
Other	14.8	9.8	15.1	16.9	28.6	38.7	41.5	34.6	2.7	2.3
Regrouped	10.2	3.4	20.9	32.4	32.7	33.3	36.3	30.8	2.4	2.2
Market-linked	5.5	6.0	39.0	41.8	40.1	40.7	15.4	11.5	1.6	1.4
Migration	28.1	23.5	36.4	33.2	24.1	31.5	11.5	11.7	1.2	1.2
Relocated	23.2	23.2	56.3	45.3	19.3	19.6	1.3	11.9	0.7	1.1
Total Sample	15.4	11.8	28.5	29.8	29.6	33.8	26.5	24.7	2.0	1.9

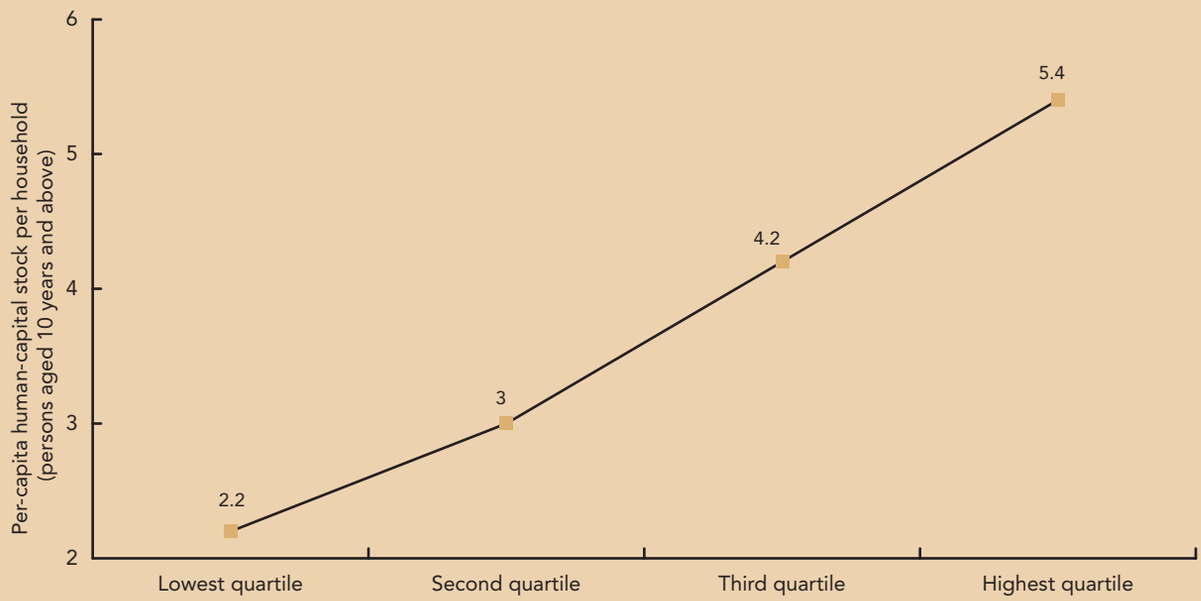
Gini (inequality) coefficient of land owned	0.54
Gini (inequality) coefficient of land cultivated	0.49

Number of fragments (land plots) per land ownership, by village typologies

Transition	Other	Regrouped	Market-linked	Migration	Relocated	Total Sample
2.5	1.9	2.2	2.4	1.6	1.4	2.0

Source: *NHDR Rural Survey 2007-2008, DOS.*

Figure 4.14: A plot of per capita human-capital stock per household, by income quartiles



Source: *NHDR Rural Survey 2007-2008, DOS.*

2. *People living in villages must not lose access to land and productive resources. In this regard, land use via family farms is more enabling than via large plantations under the control of companies.*

3. *As well as being a human right, education is critical to raising people's employability and quality of their livelihoods. The fact of the stock of human capital being low and human-capital inequality high, calls for scaling up education in rural areas. There is need to flag the critically low human-capital endowment among the Sino-Tibetan groups especially.*

Changes in village people's livelihoods: Some observations from the field

Stories of the people being studied are a powerful way of putting across messages with a human touch, which statistics cannot do effectively. This section presents a summary of discussions on seven key issues, as heard in village meetings.

Issues in village regrouping

The government has undertaken to regroup scattered settlements, particularly in the uplands in order to create viable settlements of sizes that could be provided with infrastructure like education, health and road connectivity. The programme has satisfied people in the regrouped villages to the extent that they are happy with the infrastructure. However, they complain about limited livelihood (and food security) in the new locales. Some issues:

First, agricultural lands distributed to households in the regrouped villages in many cases are not large enough to support the families on them, nor are they equitably distributed. In addition, a few plots are located far from the villages, some lack water resources, and much of the land is not fertile. Most importantly, farmers who have come in from the uplands are not familiar with farming flat lands. Their overall incomes, therefore, might take a while to reach previous levels.

Second, people from different cultural backgrounds (ethnic groups) are brought together. In principle, bringing together culturally heterogeneous groups is desirable. However, in practice, there is little cooperation or even communication seen between the groups. In the event of contested claim over land, assets or commons, there is no common ground between the groups. This is because the language, customs, community methods of conflict resolution, etc. all differ across groups. In at least one case, higher authorities had ordered the

Box 4.11: Explaining variations in income

The analysis in the text above suggests that the following could affect incomes:

1. *Number of income sources:* The number of income sources, a variation of occupational diversification, matters in determining the size of income in an agrarian setting.

2. *Economic dependency ratio:* Per capita incomes are lower when there are fewer earners in a household, and vice versa.

3. *Human capital stock:* There is a strong relationship between human-capital and incomes; educated workers earn more.

4. *Access to agricultural land:* The landless and small landholders have smaller incomes, and vice versa.

5. *Unemployment:* Lack of work is an important reason for earning low or no income.

6. *Higher productivity:* Incomes are high if land is more intensively and effectively put to use (it yields higher productivity and income), and vice versa.

7. *Geographic isolation:* Those dwelling in the hinterland, working on less fertile lands and little market access, earn less.

A multiple regression model has been estimated to assess the variations in per capita income due to the above variables in a multivariate framework. The equation is a reasonably good fit, where all the coefficients are statistically significant. The univariate relationships observed earlier are confirmed in a multivariate framework (Annex 4.2).

Table 4.12: Human-capital poverty in each village typology and ethnic group

Regions	Percentage of human-capital poor households
Transition	91.6
Other	17.8
Relocated	46.0
Market-linked	9.9
Migration	13.2
Relocated	65.3
Total sample	36.5

Ethnic group	Percentage of human-capital poor households
Lao-Tai	23.1
Mon-Khmer	46.9
Sino-Tibetan	93.2
Hmong-Iu Mien	40.9

Source: *NHDR Rural Survey 2007-2008, DOS.*

existing villagers to part with some of their agricultural lands to the new settlers. However, once the authorities left, the villagers did not part with their lands. The new arrivals know no way to ask for redress; they remain landless. Landlessness has affected people's incomes; hence also their health, children's education and above all, their self-esteem in the village.

Third, regrouping raises the density of population in the new settlements. This leads to depletion on a per capita basis in the forest, NTFP, wildlife, etc. to supplement daily food. Apart from issues of population density, methods of exploiting the commons also vary across different ethnic groups, resulting in disputes between them. In the select villages visited, there were cases of the new settlers having lost out in the disputes. The better-off households (mostly, earlier settled) are not much affected because they were/are not dependent so much on the forest; the poorer ones are (mostly, the new settlers).

Fourth, cash being important to survive in lowland villages, the settlers offer to work for a wage on the farms of the initial residents, creating a class difference between the two groups.

Finally, the new settlers are not used to the ways of life in the plains and they quickly fall into debt traps as their dependence is more on the market and less on the 'bounties of nature'. There is also the temptation of 'city goods'.

Issues in resettled villages

In areas where large projects (like large plantations, mines or water reservoirs for hydroelectricity generation) have been undertaken, people who lived there before have been resettled elsewhere. Resettlement has its own cost and effect on people, bordering on trauma. Again, as with the case of re-grouped villages, the resettled people are satisfied with the infrastructure in the resettlement sites. However, livelihoods remain a concern. Some issues:

In a village in Khammuane province, the settlers have received compensation packages in the form of agricultural land, money and/or rice (for one year). In many cases, however, this package has not been sufficient to restore their earlier standards of living. Some farmers have been lucky enough to get fertile land plots while others have not. Not even grass grows on a few of these plots, resulting in their food-security being threatened. In a few cases, people are yet to be allocated land! Actually, lands have been, or are being, prepared by felling the forest. However, most land in the felled forest is not fertile. Next, deforesting is ecologically damaging; rural communities know this. Next, the settlers tend to spend their cash on conspicuous consumption items (TV, music/video players, motorbikes, etc.), as they have never before handled this quantity of cash. When the money is spent, farmers whose lands are infertile are rendered jobless and assetless. Not only is their livelihood affected, the future of their children also becomes uncertain.

Few jobs have been offered to workers in the relocated villages at the Nakai dam site (Khammuane) because they lack the skills for work therein (the employability factor). They are offered basic jobs like guarding, cleaning, etc. but in limited numbers, there being no greater demand for this kind of employee. Several villagers are willing to work in any capacity; they stated that some work is better than no work. It provides them incomes as well as maintains their sanity.

Water

In a few places, industrial projects have seriously contaminated waters by discharging effluent in rivers and lakes. One example is a mining company in Luangnamtha. The contaminated water kills aquatic life and harms people's health. Since villages in the vicinity have no other water source, their only source being affected threatens the village's very existence. The residents have either to shift the village elsewhere, or live with high levels of morbidity and perhaps, mortality.

Many villages in Xiengkhuang, Luang Prabang and Khammuane provinces report that rivers and lakes do not have as much water as they had in the past, even a decade ago due to changes in weather and other conditions. This has adversely affected agriculture and livestock. The food cycle too is changing because of deforestation: some natural vegetation does not grow anymore.

Land concessions

Large land areas have been given out on concession, mainly in southern Laos, to grow rubber. This has been irrespective of what the earlier land use was; whether people were cultivating small plots within it, living on it, or using parts of it for grazing. Some issues:

There is a conflict of interest regarding land between the villagers and an industrial plantation company in Saravane, as the compensation money given by the company is deemed inadequate and inequitably distributed. More specifically, a land compensation amount of 500,000 Kip per hectare is considered low. ome farmers have not

Box 4.12: Too little to live on

I got 30 kg of rice from the project per month for one year. I also got a house, 0.6 hectares of land, some agricultural implements, money for my family, and 800,000 Kip for building a temporary hut. The land, however, yielded only 30 kilos of paddy in 0.6 hectares this year, and the company has now discontinued rice distribution. Life in this new village is otherwise good: it has water, electricity and access to a road, but I plan to search for agricultural land elsewhere as this one is not fertile. After all, I have to plan for food for my family and me. In my old village, life might not have been comfortable as there was no infrastructure, but I could grow rice, and accessed natural resources; food was never a problem.

Ms. Phosy, a resettled villager Ban Phone Sa On, Nakai District, Khammuane, March 2008
Source: *NHDR Rural Survey 2007-2008, DOS*

Box 4.13: Cases of water contamination

Case 1

Ms. Dakham resides in Ban Luang Prakham, in Luangnamtha with her family in a wood-bamboo house. Her family depends on the additional income she generates through collecting and selling seaweed to a trader from Myanmar and in the local market. Until recently, Ms. Dakham only had to walk down to the river nearby and was able to collect enough seaweed within an hour. This would buy her additional food and other family needs.

Three years ago, a copper mining company began operations near the village. As they dump the (untreated) effluent in the river, fish soon became scarcer and the people who drank the river water developed stomachache. Ms. Dakham (as others) is not able to collect seaweed from that area any more, because the seaweed is also poisoned. She now drives on her small motorbike 20 km upstream, to collect seaweed. She complains of the extra expenses on petrol and the additional time it takes to earn the same amount of money.

Case 2

Ban Phonga At in Vilabouri district, Savannakhet, is one of the six villages that fall within the core exploration region of Lane Xang Minerals Limited. This corporation, which is the largest copper and gold mining and processing company in Laos, claims that after the metal ore is processed, the effluent is treated before it is discharged in a lake/river nearby; and therefore the water is not contaminated. Villagers, who earlier consumed water from the lake, are now afraid to drink the water from it; they say that it might be contaminated. Since these communities have been mining gold from waterbeds on a small scale since time immemorial, they know what metal poisoning is. They now use the lake/river water for washing and other purposes but for drinking, they buy water at 3,000 Kip for a 20 litre can from a nearby town. Given the fact that until less than five years ago these farmers lived by swidden cultivation, buying bottled water is a huge transformation in their lives, and of course, a financial drain.

Source: *NHDR Rural Survey 2007-2008, DOS*

received any compensation. Next, the compensation for standing crops and trees is calculated at a lower price than that prevalent in the market, farmers claim. They have taken up the matter with the district authorities, but to no avail. They have also requested the district authorities to allocate new agricultural lands for them, but again, so far nothing has happened. On the optimistic side, they believe that in the long term, the company will benefit them: e.g., the company promises to return one hectare of rubber-planted land to each household whose land it has acquired. However, this promise is verbal; there is no formal agreement.

Before, the farmers produced enough paddy and other crops to have a marketable surplus. Now, they are permitted to grow paddy only in narrow rows between the rubber tree saplings. This certainly is not sufficient for their livelihood. Inter-cropping paddy in between rubber plant rows is also not easy, because paddy saplings are damaged by the chemical ingredients that the company uses to boost rubber tree growth. Paddy productivity per hectare in any case is low, because of the inter-cropping. Once the rubber trees grow bigger, growing paddy in between will not be possible, because of tree shade. Livestock—an important source of protein intake in this part of Laos—is also declining due to grazing land being planted with rubber trees. Farmers have begun to sell their animals. Many feel that their households are heading towards huge indebtedness.

This land concession company has also damaged the ecology. Mono cropping is harmful to the environment. The self-sustaining natural forest is converted into a rubber plantation, which has to be nurtured by chemicals and other inputs. Large doses of chemical pesticides and fertilisers used for boosting the rubber tree growth contaminate the earth. Plastic bags used for packing rubber saplings lie around in abundance. Domestic animals fall sick or die when they eat plastic.

The company provides some, though not enough, jobs to the local people. In about 2006, salaried workers earned 400,000-600,000 Kip per month, while

Farmers can help themselves to increase their incomes

daily wage labourers, 20,000-25,000 Kip per day. In 2008, jobs are scarce and the wages have fallen. The company maintains that they do not have any more jobs to offer. There is also competition between local and foreign workers for these jobs. At times, the company hires expatriate Vietnamese workers, resulting in reduced local employment.

Commercial plantations

Commercial plantation patterns vary across Laos according to the geography and climate. In northern Laos, farmers are encouraged to discontinue shifting (swidden) cultivation and to take up commercial plantation (single variety trees/crops). They are urged to plant rubber and teak on the slopes of the mountains. There are few, if any, agricultural concession companies here, at least in the areas visited. However, elsewhere, such as in Phongsaly, it is believed that there are many. The key issue is that farmers do not have incomes at present, as money from the plantations will begin to flow in several years. Further, if Chinese traders decline to buy the rubber in 6-7 years' time, the farmers would not know where to sell the product and at what price. It is a big question as to whether small farmers should invest in long gestation crops, particularly when commodity prices undergo severe fluctuations. On the positive side, farmers in parts of Luangnamtha have begun to grow sugarcane for export to China, which provides incomes after only one year.

In general, commercial crops require investment in equipment and fertilizers, which the farmers are not always able to provide. While commercial crops and plantations in some areas have begun to generate incomes, local food security is not ensured, particularly in remote areas where the transportation links are poor. Residents in these areas might have the cash but no rice to buy.

Markets

In many areas, farmers living far away from the district centres have no information about markets. Some have no means to search for buyers for want of transport or market contact. Absence of telephones and poor roads worsen matters. In the north (Luangnamtha and Luang Prabang), most agricultural products are sold to traders, who come to the villages with small trucks to buy the produce. Commercial crops grown in the central provinces are cabbage and corn, for both internal and external markets, at least in the villages surveyed in Xiengkhuang. Here as well, traders link the produce to the market. With a guaranteed market, farmers maximise their production. Having traders come to the village

Box 4.14: Land compensation not being paid

The rubber plantation company took away six hectares of my agricultural land. I got nothing in compensation for my land, except 500,000 Kip for the standing crops and trees. Now, I am only permitted to grow rice and groundnut in rows between the rubber plants. I always have conflict with the company workers over their use of pesticides to eliminate grass from the area. I have six persons in my family, including four small children: I am no longer able to meet their expenses. I have four cows, which I cannot look after anymore. I am going to sell them. Six months ago, I borrowed 600,000 Kip from the company, to be spent for installing electricity into my house. I have no money to repay the debt. I now work for the company for a wage.

Ms Tung, 24 years old, Ban Vankhannan, Laongam District, Saravane.
Source: *NHDR Rural Survey 2007-2008, DOS*

overcomes the farmers' transport problems, but there are disadvantages as well. The traders have complete control over the price they pay for goods. Some cases:

One, in the remote north, traders play a critical role in accessing food grown in remote villages, but for this service they charge very high prices and reap huge profits.

Two, in the south (Champasack), the paddy price ranged between 1,000-1,200 Kip per kg in the last 2-3 years. Now (early 2008), the paddy price has risen to 2,000 Kip per kg. However, the traders do not always pass on the benefit to the producers. The difference between the price that traders pay to farmers and what they get from where they market their wares could be in the range of 70 to 100 percent.

Three, apart from prices, villagers also reported problems in the weighing system. In a village in Luangnamtha, Chinese traders insist on taking the sugarcane stock across the border to China to weigh it. The farmers have no control over their produce once it leaves the borders. Whether, or to what extent, the farmers are cheated is not known, but they are uncomfortable with the process. The weighing scale is a problem in Champasack too, where farmers sell paddy and vegetables. Farmers have no scales, and have to depend upon the traders' machines. If the scales are manipulated, the farmers have no way of knowing it, but they articulate their discomfort, nevertheless.

Four, in Saravane, apart from authorising the farmers to grow paddy and groundnut in rows between the rubber trees, the concession company has also encouraged the farmers to grow cassava on lands that the farmers still own. The company provides the seeds under the condition that the produce must be sold back to it. At the outset, the company promised to purchase cassava at 200 Kip per kg, but after the produce was harvested, it offered a price of 190 Kip per kg. The reason given was that the cassava contained less starch than it should have. The testing is done in laboratories in Vietnam and again, the farmers have no control over the process.

Privatisation of commons

In the last 1-2 years, prices of all agricultural commodities have risen (the groundnut price has risen from 5,000 Kip to 8,000 Kip per kg). Farmers are expanding their cropped area even at the expense of sowing on common lands. With the grazing area reduced, the livestock economy suffers. Those farmers who have little or no land face the most difficulty in feeding their livestock. There are times when they go several kilometres into the mountains to find grazing pastures. In Xiengkhuang province, even the forest area is being brought under the plough.

BRIEF CONCLUSIONS:

Rural society and economy are undergoing rapid transformation from an agrarian order towards a market-based system. Existing policies and institutions, however, are yet not fully equipped to ensure a smooth transformation. More specifically, the resettlement and regrouping programmes leave gaps in livelihoods, markets are less than perfect, deteriorating ecology is adversely affecting livelihoods, and this list goes on.

KEY RECOMMENDATIONS

1. The quality and quantity of employment of rural people must improve, and be equitable and sustainable. For this, a number of approaches require simultaneous implementation.
   a. Key recommendations for promoting agriculture for raising rural people's incomes have been made in Chapter 3 and therefore not repeated here. The only point reiterated here is that large plantations should be promoted only in areas where there is little adverse impact of these plantations (if any), on human livelihoods.

b. For off-farm and non-farm activities:
(i). A careful identification of the work that people do other than farming, and selective scaling up of this work through training, access to credit and collective action for marketing (through forming producers' associations) are useful approaches.
(ii). For marketing products from the off-farm and non-farm sector, quality matters. For this, both private sector partnership and government assistance would be essential.
(iii). Long-term policies for promoting off-farm and non-farm sector development require detailed research. India recently established a national commission to find strategies for informal sector development. A similar approach might help here in Laos.

2. There is evidence of both seasonal unemployment and underemployment. Employment assurance schemes, particularly for the poor and seasonally unemployed, are a powerful policy tool to combat underemployment and seasonal unemployment, and hence poverty. The landless and unpaid family workers are strong candidates to gain from such schemes. Box 4.9 provides experiences of other countries. Since rural asset building is an integral component of such programmes, the possibility of deploying surplus labour on Public Investment Programmes could be selectively examined.

3. The emergence of casual unskilled labour is an early sign of impending deprivation and inequality in a rural economy. Since the reasons for this vary from one area to another, carrying out detailed studies on the causes of the emergence of casual workers could help identify policy options to slow this trend.

4. Laos has been able to successfully regroup and relocate villages. However, there are some gaps in this process, particularly in creating livelihood options and sharing the commons between different members of the regrouped village. Before moving households physically, therefore, it is essential that the authorities develop a master plan and land-use pattern of the new areas where people would live and work. This would include assessing the availability of land for tilling and commons, and ensuring that communities use them effectively.

5. Food security needs separate tracking, distinct from poverty, at more decentralised levels. One possible method is to make suitable entries in the Village Book, of key variables that define food security.

Box 4.15: Who sows, who reaps: Marketing commercial crops

In Nogmai village, Xiengkhuang, maize-buying companies spread rumours in early 2008 that the maize price will drop. In response, many villagers rushed to sell their produce at 1,700 Kip per kg. However, some farmers did not believe the rumours and waited; they sold their maize at 1,800 Kip per kg. A similar case occurred in Thalie village in Luang Prabang, where a company which contract-farmed and bought 'Job's Tear' (a local fruit), did not keep their promise with farmers: it paid them only 400 Kip per kg instead of the promised 1,000 Kip per kg, on the pretext that the market price in the cities had crashed.

Another price-related issue was observed in some villages of Xiengkhuang. According to the villagers, the district authority wanted the farmers to sell maize to Lao traders, who offered approximately 950 Kip per kg. However, Vietnamese traders offered a better price of around 1,200 Kip per kg. Having to follow orders, the farmers sold most stock to the Lao traders, but sold some to the Vietnamese traders on the sly.

6. Since land inequality and landlessness are rapidly rising, the dynamics of land markets require a detailed, research-based assessment for formulating policies that minimise its adverse effects on people's livelihoods.

7. Human capital empowers people and raises their employability. The fact of the stock of human capital being low and human-capital inequality high, calls for scaling up education in rural areas. There is a need to flag the critically low human-capital endowment among some ethnic sub-groups (see Chapters 2 and 6 for more detail).

8. Water contamination by industry must be stopped as a priority. It should be a legal requirement of all industries to process their waste materials before disposal, and the implementation of the law must be strict. Empowering village communities, and giving them responsibility to monitor any contamination, could lead to better compliance. At the same time, the Water and Environment Agency of the government, along with other related ministries and provincial authorities, should closely monitor the waste disposal practices of companies that generate contaminants in large volumes.

ANNEX 4.1:
DEFINITIONS AND DATA COLLECTION

Usual-status activity is that work which a person is engaged in over a relatively long period of time, say six months or more. It does not imply that s/he works for all days in that activity; on the contrary, at some time s/he might take up another job or not work at all. It implies that the identified activity under usual-status is the 'most common occupation' of the person.

Current-status activities are those sets of activities which a worker undertakes during a reference week. It is measured in workdays (1/2 days, to be exact); one workday equals one full day worked by one worker. If a person works as a casual wageworker for say, XX days, it would be referred to as XX wage workdays.

Table A4.1:Module to account for time allocation

S.No.	Status	Industry	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1										
2										
3										
4										
		Sum	1 day	1 day	1 day	1 day	1 day	1 day	1 day	1 day

Source: *Household questionnaire; see also GOI (2003).*

Table A4.2: Sample details

Province	District	Number of villages	Village typology
1 Luangnamtha	Sing	2	II, II
	Long	2	I, IV
2 Luang Prabang	Nan	1	VI
	Xieng Ngeun	2	IV, VI
3 Xiengkhuang	Paek	2	I, III
	Kham	2	IV, VI
4 Khammuane	Nakai	2	V, V
	Hinboun	1	III
5 Saravane	Lao Ngam	2	V, V
	Kong Sedone	1	III
6 Champasack	Phone Tong	2	VI, V1
	Ba Jieng Chalearnsouk	1	IV
Six provinces	12 Districts		

ANNEX 4.1: DEFINITIONS AND DATA COLLECTION

Legend Table A4.2: Sample details

I. Market-integrated activities (two villages – one north, one centre)
II. Transiting to extensively growing plantation crops (two villages – both north)
III. High out-migration (three villages – two in Centre, one in South)
IV. Regrouped villages (four – two north, one centre, one south)
V. Relocated villages (four – two centre, two south)
VI. Others with no specific characterisation, referred to as other (five – two north, one centre, two south)

The main data were collected during Sept-Dec 2007, followed by Jan-Feb 2008 on select variables (50 percent sample) measuring the current-status.

Status categories

Self-employed (SE) is a worker engaged in one's own enterprise; it could be a farm, a commercial enterprise or s/he could be single, own-account worker (e.g. a plumber, tailor, etc.).
Unpaid family worker (UFW) is a worker engaged in one's family enterprise, but is not the principal decision maker or owner. S/he might work full-time or for part of the time, but has no formal control over the proceeds of the work. The status of an unpaid family worker in the workforce is generally lower compared to that of self-employed.
Regular employee (RE) is a worker engaged on a regular basis and receives a monthly or weekly salary, as the case maybe. His/her status and economic security is generally high.
Casual wageworker or simply *wage employee* (WE) is a worker who works on short-term contracts, which could be as brief as even half a day. S/he has to look for a different (or same) employer every few days or weeks and renegotiate the work contract (including wages).
People often carry out economically meaningful work within one's house or take up income-augmenting work, which is done *along with* domestic duties (like cooking, cleaning, babysitting, etc). This particularly holds true for female workers.
OTH: This refers to work in the domestic domain, outside the active labour market plus the unemployed. This has been referred to here, only for the current-status and not usual status.

Sample characteristics

The average age of the population is 24 years: male 23.6 and female 24.4. For populations 10 years of age or older, the mean age is 32.8 years: male 30.1 and female 31.0. In terms of ethno-linguistic groups, 6,665 persons (1,322 households) belong to the Lao-Tai group, 2,163 persons (377 households) to the Mon-Khmer group, 1,212 persons (234 households) to the Sino-Tibetan group, and 751 persons (110 households) to the Hmong-Iu Mien group. The average household size is 5.28: 5.05 among the Lao-Tai, 5.74 among Mon-Khmer, 5.18 among Sino-Tibetan, and 6.83 among Hmong-Iu Mien.

Income components: farm incomes, incomes from livestock, fish, food processing, wage income, income equivalents from collecting NTFP, incomes from earning outside the village (migration) and remittances.

ANNEX 4.2:
EXPLAINING VARIATIONS IN INCOME

A multivariate regression exercise was carried out to assess the extent of their simultaneous influence on per capita income. The following variables represent the five stated influencing factors.

1. Percent income from non-farm sources [for (1)]
2. Multiple-cropping index [for (6)]
3. Per capita cultivated area [for (4)]
4. Unemployment rate (current-status) per household [for (5)]
5. Economic dependency ratio (numbers of non-workers as a ratio of workers) [for (2)]
6. Per person educational stock (age 10 years+) [for (3)]
7. Ethnic dummy (Lao-Tai = 1; else = 0) [for (7)]

The results, given in the table below, show all the coefficients to be statistically significant and bearing the expected signs. The magnitudes of the coefficients are not to be interpreted; only the signs are, since the equation is estimated primarily to test a hypothesis

Regression results of explaining variations in income

	Variable name	Coefficient	't' value (for statistical significance)
1	Percent income from non-farm sources	0.01	10.2*
2	Multiple cropping index	0.1	5.7*
3	Per capita cultivated area	0.7	16.6*
4	Unemployment rate (current-status) per household	-0.03	7.6*
5	Economic dependency ratio	-0.4	4.7*
6	Per person education stock	0.1	15.3*
7	Ethnic dummy (Lao-Tai = 1; else = 0)	0.3	7.4*
8	Constant	13.4	-

R2 = 0.35; F = 152.5; n = 2,039; * = statistical significance at 0.01 level of confidence; estimated, based on data from NHDR Rural Survey 2007-2008, DOS.

CHAPTER 5:

PROMOTING DECENT WORK AMONG URBAN LOW INCOME WORKERS AND MIGRANTS

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PROMOTING DECENT WORK AMONG URBAN LOW INCOME WORKERS AND MIGRANTS

The world [is] ... going through times of turbulence … yet, these are the moments of opportunity. Securing decent work for women and men is the most widespread need shared by people, families and communities in every society … Decent work is a global demand today.

Juan Somavia, Director-General, ILO

OVERVIEW

This chapter bases its findings on a survey of 796 workers in four cities and qualitative inquiries in 6 villages from where a large proportion of workers out-migrate.

Workers in the urban 'lower circuit' sector (who constitute most of the 22 percent of non-farm workers in Laos), and international migrants from Laos (estimated at about eight percent of the workforce), form an important component of the workforce overall. International migrants' earnings alone are about seven percent of the GDP. However, the law provides minimal protection for most workers in both these categories. Workers regularly work 55-70 hours a week without break to earn modest sums (about 20,000 Kip/day, when they work – there are few paid holidays). Many face exploitation, some are trafficked and others face breaches of contracts (in particular, the international migrants). All undergo phases of unemployment, periods when their livelihoods are threatened, as they primarily survive on only one source of income – the current job.

The functioning of labour markets in both the sectors is informal, be it entry into the job market, mobility, or the remittances of earnings. These are most often pivoted on kinship, friendships and relationships. Informal institutions serve their purpose, but they are fraught with unpredictably and dangers. In urban areas, in some industries like garment manufacture, the law is better implemented, though its reach is not adequate to protect workers completely. Next, the Thai law only notionally protects international migrants to Thailand. Workers in both these groups hail from relatively poorer families and possess relatively few skills; as a result, they do not 'grow' very much in the labour markets. There is some mobility: urban wageworkers rise to become self-employed and international migrants gain skills, which they use on their return. However, the overall mobility is small.

The rules and regulations in Laos relating to out-migration for work appear to be more stringent compared to those in Thailand. More than half the Lao migrants in Thailand are registered with the authorities, while in Laos less than 5 percent are registered. Next, there are few institutions for the reintegration of migrant workers in Laos, and they are limited to helping trafficking victims alone. Finally, there are few formal banking institutions to channel the money remitted back into Laos.

The analysis in this Chapter suggests the need to establish a labour market information system. Next, there are major challenges in improving the skills of workers and supporting institutions for the governance of workers, international travel for work and money transfers. It also makes a case for better re-integration of returnee migrants in order for Laos to benefit from their skills and remittances.

PURPOSE

It is not sufficient for workers to move away from family farmlands to enjoy a better livelihood. While in principle, a movement of workers out of a low productivity agricultural sector is desirable, work outside it could be arduous for most. It was seen in Chapter 3 that HD levels do not always increase with occupational shifts towards non-farm activities. Urban poverty having risen in recent years implies that some rural poor have moved to urban areas, but stay poor. International migrant workers from Laos to other countries contribute significantly to the economies of both, but they do not always get a fair deal in their work or lives. Cases of trafficking, forced labour and the worst forms of child labour are not unheard of[70].

Urban non-farm workers are quite heterogeneous, consisting of a few privileged personnel and a large array of self- and wageworkers in the micro-scale sector. The latter, loosely referred to as the 'urban informal sector', are less privileged and are seldom protected by the law. However, many workers are also not protected by law in the so-called formal sectors (large hotels, construction companies or retail outlets). These latter groups could be termed as 'lower-circuit workers': those who are relatively low-skilled; inadequately protected by the law; not organised; hold uncertain jobs; to an extent are self-employed or unpaid family workers in micro-scale production or trade sectors; and finally, earn low and uncertain incomes[71]. Similarly, international migrant workers from Laos to Thailand constitute self- and wageworkers (though the self-employed are very few), short- and long-term migrants, skilled and unskilled workers, etc. Almost all could be termed as lower circuit workers for reasons that large numbers are informal migrants (put less discretely, illegal), unknown to and unprotected by the law. Even legal migrants work in the lower circuits. People in the lower circuit everywhere are less empowered and less free[72].

What impediments do workers face, on the job or otherwise, and what could be done within the domain of public policy to improve the quality of their work and life?

THIS CHAPTER EXAMINES:

1. Employment, work standards, security and earnings of workers in the lower-circuit in urban areas, with the explicit motive of improving their earnings and employability, and

2. The numbers of Lao workers in Thailand and their work, and suggest approaches to make migration simpler, safer, transparent and more enabling, and remittances easier.

Approaches

1. To assess the status of urban workers, a survey of 796 workers (about half self-employed and half wageworkers) belonging to the so-called 'lower circuits' was conducted in Vientiane Capital, Luang Prabang City, Kaysone Phomvihane city and Pakse (Champasack province), through March-May 2008.

2. To assess the status of international migrant workers, the methodology consists of a survey of recent literature and data, in addition to a few focus group discussions in six villages from where workers out-migrate, through March-May 2008.

Details of definitions, sample, etc. can be seen in Annex 5.1[73].

URBAN 'LOWER CIRCUIT' WORKERS

Job access, mobility and continuity

Access to jobs

There being no formal employment information systems in Laos serving this segment in the labour

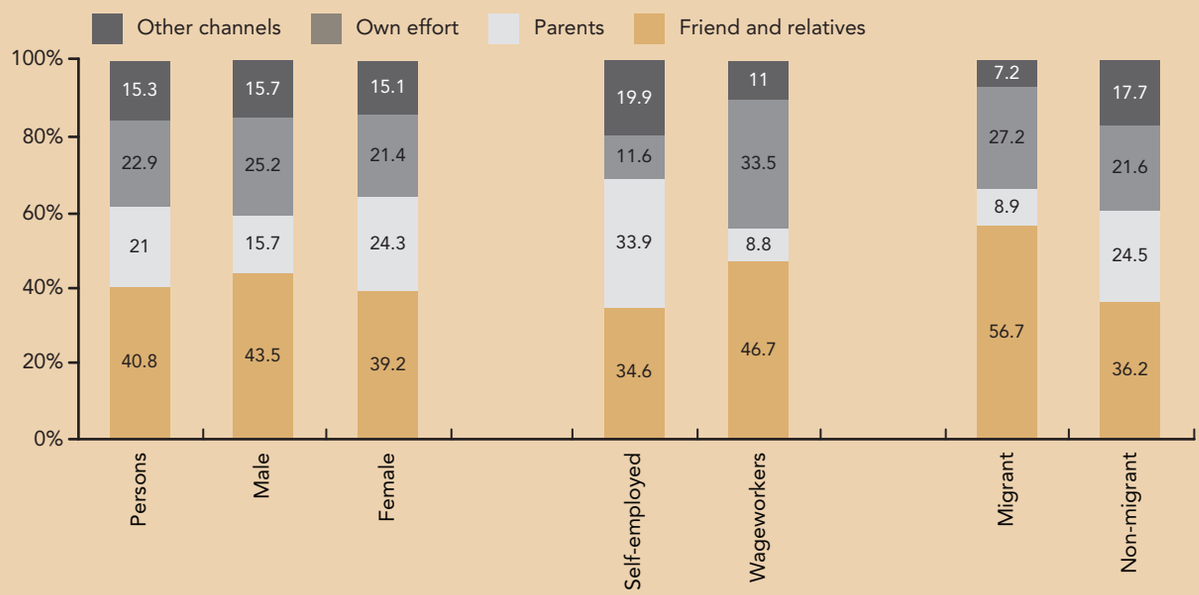
70 See Mekong Migration Network/Asian Migration Centre (2005) for an annotated bibliography on the Southeast Asian region; DAN (2002) for Laos.

71 The term 'lower-circuit' was first used in a number of studies prepared under the World Employment Programme of the ILO. This is a more acceptable terminology since the term 'informal sector' has assumed very many connotations. See Weeks (1975); Papola (1986). For global surveys of literature, see Breman (1980) (earlier period) and Gerxhani (2005) (more recent). Bangasser (2000) presents ILO's effort to scale up working conditions of the informal sector.

72 The word 'free' refers to the freedom that people enjoy in choosing their work or lifestyle. Being in the lower circuits reduces such freedoms.

73 The sample has 306 male workers (38.4 percent) and 490 female (61.6 percent), keeping in view the larger share of female workers in this segment of the market. Only about five percent of workers belong to ethno-linguistic groups other than Lao-Tai; thus, urban workers in this sample are predominantly Lao-Tai. The workers are generally young, the average age being 28 years: 28.8 for male workers and 27.5 for female. The average years of education, including technical education, is 7.7 years: 8.3 years for male workers and 8.2 for female. About 19 percent of workers possess some kind of technical education: male workers 29 percent, and female 13 percent. There is little difference between the education obtained by migrants and non-migrants. About four percent of both male and female workers never have had any formal education. The sample has 22.6 percent migrant workers: 26.5 male and 20.2 percent female. Of the total number of migrant workers, 85 percent are wageworkers and of non-migrants, 42 percent.

Figure 5.1: Distribution by percentage of workers by how they entered the labour market, by different disaggregations



Source: *MOLSW (2008).*

market, potential workers choose informal channels (of friends and relatives or through parents) to enter the labour market (Figure 5.1).

The largest single channel of accessing jobs is through 'friends and relatives', with little gender difference or whether the worker is or is not a migrant worker. The next important channel is 'help from parents'. Many more wageworkers in the sample found jobs through the 'friends and relatives' channel than the self-employed, implying that it is easier to ask a friend for help in getting a job, than to ask him/her to help set up a shop. Fewer female workers are migrants; they inherit business from parents in larger proportions, to become self-employed. How important is 'own effort' in accessing jobs, given that to an extent, this channel resembles formal institutional channels? The proportion of workers making an entry through own effort is a quarter or less (for each gender). Finally, a word about the channel 'others': most respondents who reportedly got work through this channel, stated that they got their first jobs in organisations owned by some peer or patron, or they temporarily replaced a person who went on leave, and then stayed on. Thus, this channel too is no different from the one of 'friends and relatives'. A labour market information system for this segment of workers could definitely help (Box 5.1).

Mobility in jobs

Do workers get into jobs different from their parents (intergenerational mobility)? Do they grow into the labour market after making their first entry? Do they become more empowered in the market over time, in their chosen direction?

Intergenerational mobility

Data on intergenerational mobility, i.e. the difference between the occupations of workers and their parents, suggests that while none of the workers in the sample is currently engaged in agriculture, in as many as 59 percent of cases, their parents worked in agriculture (Table 5.1)[74]. Conversely, while the current generation of workers engaged in non-farm machine operations exceed 40 percent of total workers, only 5.5 percent of their parents work(ed) with machines. In principle,

74 Inter-generational mobility in the lower circuits of urban labour markets in Asia is usually helpful in climbing out of poverty. See, Acharya and Jose (1991); Deshpande and Deshpande (1990).

Box 5.1: A Labour Market Information System

A Labour Market Information System (LMIS) *in its broadest sense* is a comprehensive database of different aspects of labour in an economy: size of population and workers; age; sex; qualifications; regional disaggregation (location); migration details, etc. LMIS also includes information on opportunities for vocational and technical training, and jobs. The database is dynamic in the sense that it is upgraded regularly. At the macro level, it is an important input into human power planning, and at an operational level, a mechanism to match the supply of labour with demand. LMIS provides information to workers and employers alike on jobs and worker availability. In addition, it offers counselling services. *In the limited sense* of serving the lower circuits of urban labour markets in a country like Laos, a LMIS can be designed to provide information related to job vacancies, worker availability, training, and some aspects of self-employment to its different constituent users (potential workers, trainees, employers, government, any other). In Laos, if it were city-based (localised), the LMIS would better serve its clients. Some details:

1. City-based LMIS centres should provide information on different training opportunities to workers having different qualifications, ambition and capacity to pay.

2. LMIS centres should maintain a dynamic database of jobs available in various manufacturing and services establishments, for the job seekers.

3. LMIS centres should provide information to employers on labour and job seeker by type (age, gender, skills, experience, etc.) available at any point in time.

4. LMIS centres should have information on labour laws, rights of workers, minimum wages, etc.

5. At a more ambitious level, LMIS could also provide basic labour market information to migrant workers.

An efficient LMIS can best be operated by the Ministry of Labour and Social Welfare ('MOLSW') and Ministry of Planning and Investment, in collaboration with the Lao Workers' Union and Lao Women's Union, and in active partnership with employers in government, quasi-state organisations and the private sector. A larger participation of the private sector would increase its stake and make the system more vibrant and efficient. In most countries, LMIS are available in print and electronic media. Laos could undertake studies to find the best means (or combinations thereof) to disseminate the information.

Table 5.1: Distribution by percentage of workers and workers' parents by their respective occupations

Occupation	% distribution of parents by their occupation	% distribution of workers by their current occupation
Government/other service	13.1	*0.6*
Sales and marketing	17.1	*37.1*
Agriculture and related worker	59.3	*0.0*
Non-farm machine worker	5.5	*43.8*
Mason, tailor, shoemaker, barber, carpenter	5.0	*18.3*
Unskilled worker	0.0	*0.3*

Note: *in the case of parents not living, their last occupation is reported.*
Source: *MOLSW (2008).*

this movement is progressive. About 13 percent of parents work(ed) in government or other services, but this proportion is down to 0.6 percent among the current workers. This might not be progress, as government and other similar services are considered 'prestigious'.Finally, there is a large increase in jobs in sales and marketing, from about 17 percent (parents) to 37.1 (these workers). This sector is expanding the most, but not all jobs created within it have upward mobility. In short, the only visible progress is the movement out of agriculture.

Mobility from first to current job

Not many have experienced a great deal of job-mobility: only 17 percent have changed jobs once (male: 22 percent; female: 14 percent) and less than two percent, twice[75]. *Among those who changed jobs, there is a notable mobility from wage-employment to self-employment* (Table 5.2), which in the workers' own reckoning is desirable. All are now engaged in non-agricultural activities, compared to 11.9 percent being in agriculture in their first job. Workers have moved towards both industry and services, more towards services (Table 5.2). This statistic is in conjunction with the finding in Chapter 3, that services rather than manufacturing absorb workers in larger numbers. Finally, there is an increase in the proportion of workers in machine handling. Again, the only progressive movement is the one away from agriculture.

Four main reasons for changing jobs:

1. Seeking a higher income (i.e. previous income low and/or irregular),
2. Earlier job unsatisfactory,
3. Earlier job 'insecure'; they could be laid-off anytime, or
4. Shutdown and redundancy at the place of work.

Persons changing jobs because of (1) or (2) above (i.e., pull factors) add up to about 49 percent (Figure 5.2). In the same vein, persons in categories (3) and (4) (i.e., 44 percent) could be classified as 'pushed-out' of their jobs, i.e. they were compelled to leave. Thus, while pull factors are relatively more important, push factors are also important. Put simply, markets are not always benign since some grow while others retract.

Income mobility tells it all: if people are able to increase their incomes through changing jobs, mobility is favourable to them; otherwise, the job-change is because of lack of choice. Among those who changed jobs, almost 15 percent suffered a *fall in income* when measured in nominal Kip terms, while another 21 percent experienced no change (Figure 5.3). Since prices rose almost 50 percent between 2003 and 2007, it would be safe to assume that those who changed jobs with no nominal income gains *actually experienced a fall* in income. Thus, 36 percent of workers lost incomes. If it is assumed that those who gained up to 50 percent in their nominal income almost retained their earlier income, then another 20 percent just retained their income. Therefore, those workers who changed jobs and experienced more than a 50 percent rise in their nominal income were the *actual gainers*, i.e. 44 percent

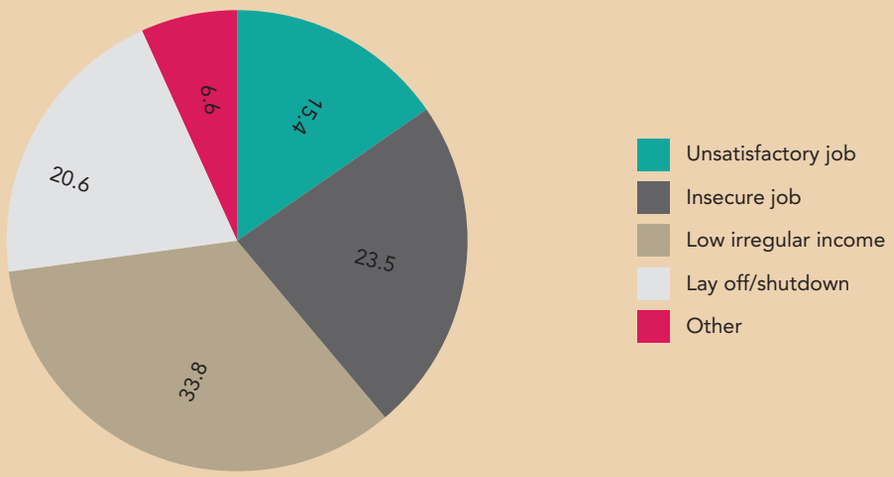
Table 5.2: Distribution by percentage of workers by present and previous jobs and status, industry and occupation

Status	Previous job	Present job
Self-employed	31.1	59.3
Wageworkers	68.9	40.7
Total	100	100
Industry	**Previous job**	**Present job**
Agriculture and allied work	11.9	0.0
Industry	51.1	55.6
Services	37.0	44.4
Total	100	100
Occupation	**Previous job**	**Present job**
Government/other service	1.5	0.7
Sales/marketing	20.7	27.4
Agriculture/related worker	10.4	0.0
Non-farm machine worker	36.3	42.2
Mason, tailor, shoemaker, barber, carpenter	30.4	29.6
Unskilled worker	0.7	0.0
Total	100	100

Source: *MOLSW (2008).*

75 Since few changed jobs twice in the sample, the analysis here relates to current jobs and previous jobs only. Among the reasons for a lower mobility is the young age of workers.

Figure 5.2: Distribution by percentage of workers by reasons for changing jobs



Source: *MOLSW (2008).*

of the total. Finally, the average increase in income after the job-shift of those educated at levels 'more than primary' was twice that of those who had studied 'no more than primary' levels. Conversely, among the better educated only 28 percent lost income while changing jobs, compared to 49 percent among the less (or not) educated ones. *Education and skills thus are powerful tools for reaping gains from job mobility.*

On balance, does job mobility help people improve their position in the labour market? The answer is mixed.

Positive: People have moved out of agriculture; they work more as self-employed compared to previously; more than 50 percent have moved in response to 'pull factors'; and 44 percent gained in incomes; these indicators suggest that occupational mobility is beneficial.

Downside: Some have not been able to replicate their parents' status; many have been 'pushed out' of their (first) jobs; and a significant proportion has lost on incomes; all indicators of unhelpful mobility.

It appears as if the lower circuits of urban labour markets in Laos have not experienced the impact of the economic boom in terms of workers experiencing an upward job-mobility, as in other countries experiencing 6-7 percent continuous growth in GDP over the last 15-20 years.

Unemployment and employment uncertainty

In the absence of any form of social security other than help from friends and relatives—and this does not come without a price—workers have no means to survive in a city other than by the income derived from their current job. This is particularly so when up to 95 percent of the workers have only one source of income, their present job. Job continuity and certainty of work, therefore, are pivotal to ensuring secure livelihoods.

Unemployment and job uncertainty being the most accurate indicators to assess job insecurity, this sub-section poses three questions:

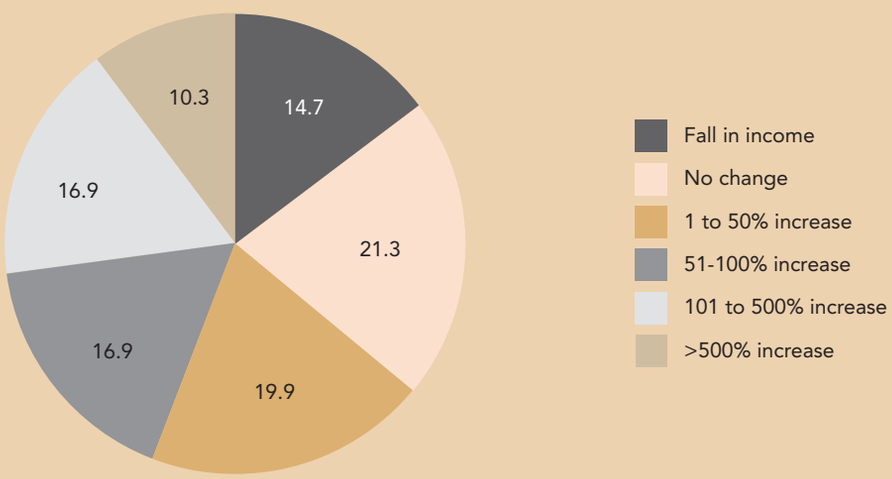
1. Have workers faced an involuntary break in work in the last year?

2. Do workers feel secure in their present jobs?

3. Do workers feel that they are underemployed?

About 13 percent of workers experienced joblessness or involuntary breaks in work in the last one year (eight percent in the last three months) (Table 5.3). A deeper probing further suggested that when wageworkers went on leave to visit their families (both sexes), in many cases employers deployed substitutes. If the substitutes were found to be more efficient, employers retained them to replace those who went on leave,

Figure 5.3: Distribution by percentage of workers by extent of change in income between previous job and current job



Source: *MOLSW (2008).*

who therefore lost their jobs. In fact, this is also the reason for more wageworkers facing such breaks (Box 5.2). The self-employed faced job loss due to businesses shutting down. Reasons for shutdown most quoted were lack of working capital, high costs, small turnover/sales, and illness. A reason for female workers facing more breaks than male is pregnancy. However, if a natural biological activity prevents job-continuity, this is incompatible with decent work.

Answers to the question of whether workers felt 'secure' in their jobs (i.e., did they fear losing their job and was this fear substantiated by reasons or proof), suggest that as many as *64 percent* of them felt some degree of insecurity. More female workers, self-employed workers, lowly educated, service-sector workers, younger workers, and finally, non-migrant workers face this problem (Figure 5.4). Some of the patterns are logical; others require detailed inquiries.

In relation to the question of whether persons felt that they were underemployed and needed more or extra work, the answers can be seen in Figure 5.5. About a quarter want extra or supplementary work, pointing out the extent of workers' dissatisfaction and/or the quest for upward mobility.

The fact remains that working persons face repeated breaks, stints of unemployment and uncertainty in their work. This is a feature similar to that in rural areas.

BRIEF CONCLUSIONS:

1. *There are few if any, institutional mechanisms for labour market information for the 'lower circuit' workers in urban areas, and the need to establish these is very important.*

2. *Occupational mobility in the lower circuits is small. In addition, not all who have switched jobs have gained. In fact, significant numbers have lost;*

Table 5.3: Percentage of workers who have experienced involuntary joblessness, any time in the last one year

Persons	12.7
Male	11.1
Female	13.7
Self-employed	11.1
Wageworkers	14.2
Educated up to 5 yrs	10.6
Educated > 5 years	13.8

Source: *MOLSW (2008).*

Box 5.2: Job-breaks faced by a restaurant worker in Pakse

I am a teenage girl. I have been working in this city for the last two years. I now work in a restaurant. In the rainy season, I usually go back to my village to help my parents with rice farming. They need my help, as they are short of person-power for managing their fields during this season. Until last year, I worked in a food-selling shop. When I had to go back to my village to help my parents, I was required to quit my job, as there was no provision of leave in that shop. When I came back, I had to look for a new job and found the present one, after a gap of some weeks during which I was jobless.

Repeated changes in jobs could cause income loss. In addition, it not always possible to get jobs in occupations where one has the experience or strength. I also face anxious waiting periods between jobs. All this makes it near impossible to 'grow' in to the labour market.

Box 5.3: The need to support the self-employed

A word about self-employment in this sample: this sector is mainly in retail trade, though some enterprises take up other activities as well. Each of these enterprises is far too small to be equated with SMEs. Persons in the lower circuit prefer self-employment to wage work. These micro enterprises could be made more stable than they presently are via some minimal assistance. The starting point is their legal recognition as businesses, even in cases where the vendors have no permanent addresses. In many countries, they are provided licenses for a token fee. Legal recognition also permits them to organise themselves formally, which has its own advantages in terms of articulating their problems to the authorities. Their organisation could also help them in their business; e.g., there are several indivisible facilities like deep-freezers (or transport), which micro entrepreneurs cannot afford individually, but nevertheless need. If these services were provided on a share-basis, most users would be willing to pay, as they help reduce wastages and costs. A food seller, for instance, might have unsold stock at the end of the day, which s/he presently cannot store for want of a freezer. A common facility, which could be used by many such vendors, can help preserve food and be individually profitable. There are also other approaches practised elsewhere, like micro credit facilities, improving skills, and some measure of social security, e.g. micro insurance.

Organisation of communities requires some training – see Chapter 6.
See: *ILO (2000); ILO 2001*

many have been 'pushed out' and several others have lost on incomes. Many workers, thus, do not 'grow' in the labour market.

3. *Both supply (of quality workers), and demand (for workers) seem to be weak, pointing towards the need to explore options for improving the skills of workers and a renewal and deepening of (a shallow) urban economy.*

4. *At times, workers face unemployment, work uncertainty in jobs, and underemployment. These result in them suffering income losses and anxiety. This problem can be addressed only through on-job capacity building, as well as efforts to make micro enterprises more stable.*

Working conditions

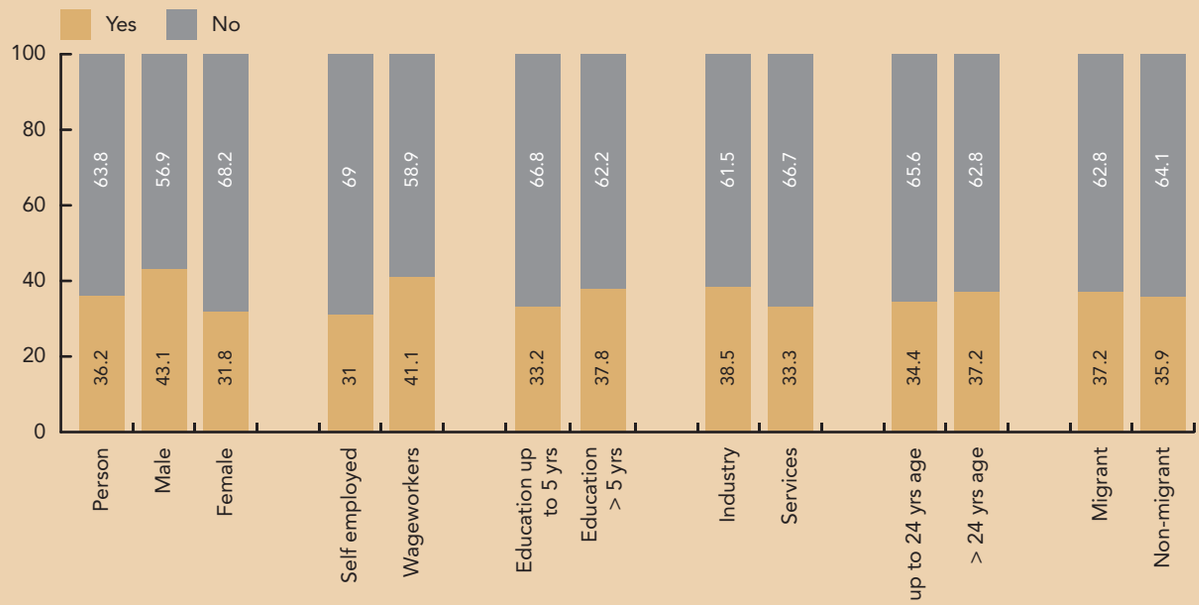
Can the work environment where the urban lower circuit workers work be termed decent? The different questions regarding this issue pertain to conditions of work, working hours and days and occupational safety.

Work contracts

Decent work conditions require workers to have work contracts, stating their duties, rights and entitlements[76].

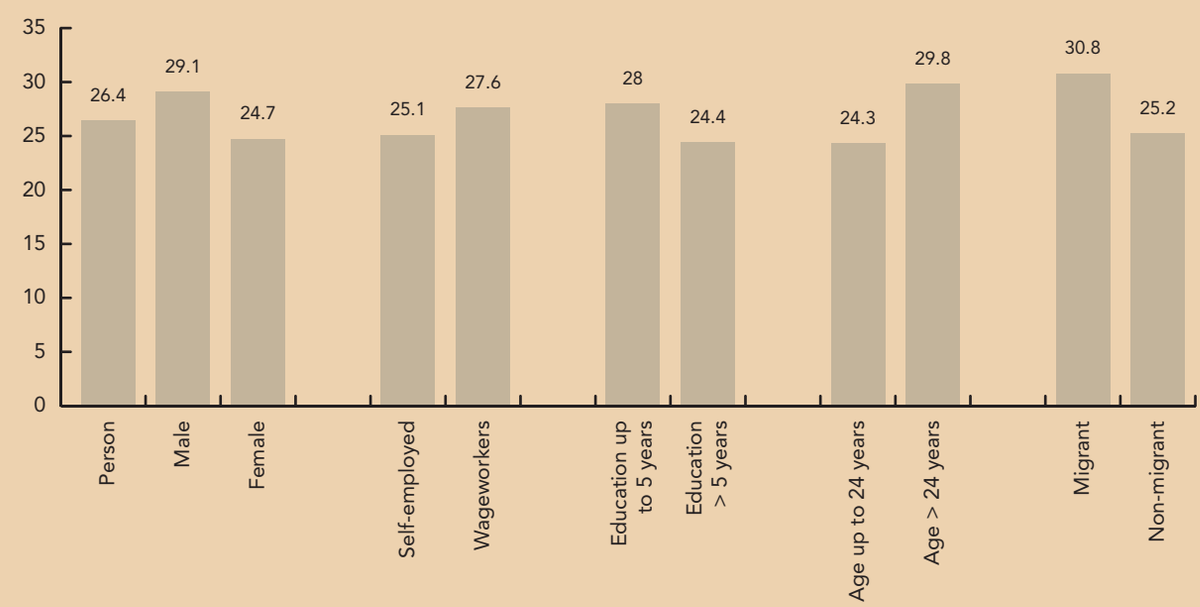
76 Reference is to Articles 3 and 23 of the Lao Labour Law, No. 06/NA, 27 December 2006.

Figure 5.4: Distribution by percentage of workers by whether they feel secure in their present jobs, by different disaggregations



Source: *MOLSW (2008).*

Figure 5.5: Percentage of workers who felt underemployed, by different disaggregations



Source: *MOLSW (2008).*

Since contracts apply to wageworkers alone, this sub-section discusses only them. The majority of workers in any of the groupings do not have work contracts (Table 5.4, Box 5.4). Even in garment factories where the law is more rigorously enforced, only about a third of the workers have contracts. In general, the incidence of the possession of contracts is higher among educated workers, older workers, and female workers.

Workers are hired without contracts even in the so-called formal-sectors, such as garment manufacturing. This means that employers retain the option of hiring and firing workers at will to cut costs and other liabilities, even though such practices are detrimental to workers' interests and are in contravention of the law.

Working hours and leave

Recording working days or hours for the self-employed could be tricky, as workers open their outlets when they are able to sell their products the most. Also, being self-employed, these workers can take breaks from work if they get tired or have other matters to attend to. These data, therefore, were not collected. However, qualitative interviews suggest that the self-employed are obliged to work longer to earn the extra incomes necessary for their survival (Box 5.5).

The average working hours of *wageworkers* in a week—for both male and female—well exceed 55 in every sub-sector, higher than the prescribed limit of 48 hours a week set by the government[77]. More than half of workers are engaged seven days a week, and over 80 percent get off-days only on official holidays. Female workers elect to work overtime to earn extra cash and therefore work a little *longer* than male workers do. However, overtime payments are rare outside the garment industry[78]. Various studies suggest that working for long hours affects the health of workers. Exhaustion, lack of sleep and the vulnerability of the human body to falling ill are typical. An overworked body tires faster, reducing longevity (see also, Box 5.6)[79].

More than 80 percent of workers rely on their owners' discretion for granting leave. Anecdotal evidence suggests that such discretion could be both advantageous and detrimental to workers' interests. Benign employers could grant longer leave on compassionate grounds. Conversely, many employers view this as an opportunity to lay-off workers, if they find efficient

Table 5.4: Percentage of wageworkers by whether they possess employment contracts

	By sub-sectors				By gender	
	Textile and garment	Other manufacturing	Hotel and restaurant	Other service	Male	Female
Possess	33.8	29	6.1	7.7	13.5	16.5
Do not possess	66.2	71	93.9	92.3	86.5	83.5

	By education		By age group		By migration	
	Primary level and below	Above primary	24 years and less	>24 years	Migrants	Non-migrants
Possess	9.7	18.4	12.8	17.8	16.3	14.5
Do not possess	90.3	81.6	87.2	82.2	83.7	85.5

Source: *MOLSW (2008).*

77 See the amended Lao Labour Law of 2006. Likewise, ILO also recommends work for no more than 48 hours a week, though it takes into account the nuances of different job-types; e.g., there are special clauses for mining workers, maritime workers, etc

78 This is despite the Lao Labour Law requiring overtime payment for any work beyond 48 hours per week. In addition, the overtime hours are not to exceed three hours a day, and not for all days in a month.

79 For recent data on the impact of over-work on health in America, see Johnson and Lipscomb (2006). ILO has a list of conventions ratified on working hours and days: Conventions 1, 30, 31, 47, 49, 51, 57 and 61.

Safety in the workplace can ensure decent work

and more suitable substitutes. Put simply, arbitrariness reigns rather than the law.

Safety at work

Industrial accidents resulting in injury, disability and death are not unheard of in Laos. About a third of all workers in the sample complain of sickness due to overwork: 32 percent female and 37 percent male (Table 5.5). The fact that many more self-employed complain of overwork compared to wageworkers suggests that many of them push themselves in working harder for extra cash and falling sick. Is the demand for extra cash so acute that they overlook health considerations?

The work environment also matters: in the case of insufficient safety measures at work, accidents occur, hurting or even killing workers. The quality of environment at the workplace is assessed here in terms of breathing air, water (there should be adequate, potable water and toilet facilities) and space (it should be adequate, clean and dry). Sickness arising from bad environments is not as high as due to working hours, but about a fifth of workers still complained of it: both sexes, and self-employed and wageworkers, alike. Only about half of the workers handling machines, chemicals and electrical equipment are protected with safety gear, etc. It follows that there is an urgent need for expanding safety precautions in all the sub-sectors.

Awareness about general facilities related to work

How much do workers know about general conditions at work and in the broader community, and about their rights? The responses suggest that they know little about any of the questions posed: about government agencies addressing labour issues (including the Ministry of Labour), about mass organisations like Lao Trade Union or Lao Women's Union, training centres, or NGOs that help poorer workers. Health facilities were the only issue that more than half the workers were familiar with (Figure 5.6, Box 5.7). The numbers speak for themselves.

Data thus far suggest that health is an issue among workers in the urban lower circuits, and mechanisms to meet expenses on health should be introduced. One approach is micro insurance for health, a familiar practice in some developing countries ((e.g. Jamii Bora

Box 5.4: No growth or mobility: A worker in Kaysone Phomvihane city

I am a 32 year old male. I in-migrated into this city seven years ago. I have since been working in sawmills. Despite breaks between jobs, I have managed to be employed most of the time. I came here to look for a job because my village was struck by a natural disaster that year. In any case, the means of livelihood back in the village are few, and my family is large. So, I decided to stay on after my first stint. I live in shared accommodation provided by my employer, where I just pay for food.

When I came from my village many years ago, I asked a sawmill owner whether he could give me a job in cutting wood, and he gave me one. That is how I made my entry in the city's labour market. I never had any work contract, nor do I have one now. I have no idea as what a contract is, how I can get one, or what I could do with it. I do not know how to read or write. I only know how to cut, lift, stack and store wood.

My present monthly salary is 400,000 Kip. In the earlier days, I could earn more than just the salary, since companies were able to get plenty of wood supplies regularly and workers routinely got to work overtime. Now, companies in general get smaller stocks of wood and this company is no exception. I am lucky that I am still employed with the company, in spite of dwindling wood supplies. I am not sure how long will I be here. My main worry is the reduced income over the past 3-4 years.

Box 5.5: Is there light at the end of this tunnel? A vender's woes in Vientiane Capital

I am a 48 year old self-employed woman, currently running my own small food stall in the Khouadin market. I have four children, of whom three have completed courses at a vocational school. However, none of them has been able to get decent employment yet; they work in odd jobs on short-term assignments. Two of my sons, who are trained in accounting, are currently working as construction workers! I have to work very long hours to earn some extra cash, so that I can support my family. There are expenses for food, clothes and the studies of my youngest child. Getting jobs for the young is not easy; so older people like me have to work so much harder.

I do not know many people who can help my children to get good jobs. Also, being stuck long hours with my stall means that I do not have the time to socialise and develop social networks, which are so necessary for helping my children get good jobs. I hardly have any time to socialise with my children as well. Sometimes, my younger child helps me at the food stall, but since she goes to school, she is not always able to do so.

At the end of the day, I am too tired to do anything other than collapse into sleep

Box 5.6: Long hours and 10,000 Kip a day: A worker in Kaysone Phomvihane city

I am a 16 year-old girl, working as a caterer in a noodle soup. I began to work here just two months ago. My employer provides me with accommodation and food – in fact, I stay with my employer's family. My salary is 300,000 Kip per month, a substantial portion of which I send back home. My parents live in a village located in a remote area of Savannakhet province.

Along with other workers, I get up very early, at about 3 am to prepare for the day: go to the market to buy fresh meat and vegetables, clean up the place, prepare food, etc. The shop opens at 7 am when customers begin to stream in. I work until the shop closes, about 2 or 3 pm (12 hours non-stop). This is the time when I can get some rest. The evening shift begins thereafter. I do not know how many hours a day I work, except that I work 'very long' hours each day. The noodle soup shop is open every day, so there is no holiday for me.

Table 5.5: Percentage of workers by incidence of them falling ill due to long working hours and poor work environments

Industry	Sick due to heavy work/long hours		Sick due to bad environment	
	Wageworkers (%)	Self employed (%)	Wageworkers (%)	Self employed (%)
Textile and garment	26.2	39.3	23.1	16.1
Other manufacturing	36	39.8	21.7	14.6
Hotel and restaurant	19.8	0	10.7	0
Other service	25	41.6	15.4	21.7
Persons	27.9	40.6	17.6	18.9
Males	29.2	49.6	17.3	18.2
Females	26.8	36.5	17.9	19.2
All workers (male)	37.3		17.6	
All workers (female)	32.0		18.2	
All workers	34.0		18.2	

Source: *MOLSW (2008).*

Trust (Kenya), Self Employed Women's Association (India)), which could be examined for the Lao context. Details of such an approach can be seen in Box 5.8.

BRIEF CONCLUSIONS:

1. *Many workers, even in the so-called formal sectors (e.g. garment factories), do not have work contracts. Outside the formal sectors, almost none do. Consequently, they are vulnerable to losing jobs or facing the whims of their employers. Long working hours, on average far beyond the norm, make workers skip work intermittently. This then becomes a reason for job-loss. There is, therefore, a strong case for strengthening inspections to enforce labour laws in this segment of the market, and also set up mechanisms of meeting the health expenses of people when they fall ill (e.g., micro insurance).*

2. *Some workers fall ill owing to long working hours, poor work environment and lack of industrial safety. In turn, this becomes a threat to their health and jeopardises their employment. This is again reason for strengthening inspection.*

3. *That so few workers in this segment know about government policies, rights in the workplace, requirements for working environment and etc., is reason enough for the Ministry of Labour and Social Welfare (through its various arms) to reach out more effectively. It is also the reason for the different skill-forming authorities, to reach out on a broader front. See Chapter 6 for this.*

Incomes, income-uncertainty and other related uncertainties

Incomes

The self-employed earn profits. Among wageworkers, many earn a share of the total sales they made per day, others get hourly earnings while still others, weekly or monthly salaries, or some combination of the above. Most wageworkers are not paid on days not worked and the self-employed have to shut shop on days they do not work.

The monthly earnings data show that the male self-employed, male wageworkers, non-migrant workers, better-educated workers, older-workers and workers in the service-sector earn more than their counterparts do (Table 5.6). Evidently, most workers prefer self-employment and wish to acquire more skills[80].

These earnings must be shared with others: at least with parents and relatives back home in the villages. What is not known is in how many cases are these

80 Earnings of the self-employed have to be interpreted with care, as they could be over-estimated. This is because most respondents could not decipher between gross revenues and net incomes, or had only a vague idea about these concepts.

workers the sole earners in their families. It is, therefore, not possible to calculate per capita earnings, so necessary for gauging standards of living. Wageworkers, on average, earn incomes no more than 20,000-22,000 Kip a day, during the days they work. This, when shared with others might still keep them above the poverty line, but not much beyond than that.

Hourly-earnings are a better way of assessing the extent of earnings-differential between various groups because different workers work for different hours each day. If two workers earn the same amount but one works longer hours than the other does, the one working shorter hours earns more. Compared to monthly earnings, hourly earnings show a greater inter-group inequality in earnings (Figure 5.7). E.g., the difference between the *monthly* earnings of male and female workers is about 23 percent, while the difference in the *hourly* earnings is about 30 percent, though part of the reason for this could be the types of jobs that female and male workers undertake.

Incomes differ by gender, migration status, education, age and sectors. There is a need to examine whether labour standards are being followed the way they should be. E.g., ILO's Convention 100 requires equal wages for equal work.

Income and other uncertainties

Fluctuation in income from one month to another matters because more than 95 percent of people in the lower circuits earn incomes from only one source. As in the case of unemployment discussed earlier, fluctuations in income could ruin workers. The self- and wage-employed face such problems, and so do workers in different industry sub-sectors. In terms of sub-sectors, workers in the textile and garment industries face less certainty while those in restaurants and hotels have a higher certainty. Both these sub-sectors offer low incomes when earnings are calculated on an hourly basis. Deeper probing suggested that workers in restaurants and hotels, though paid less, feel secure, as most are relatives of their employers and they believe that their bosses (relatives) will protect them. In contrast, the textiles and garment sub-sector offers no such implicit insurance. Next, the self-employed are less certain about maintaining their income compared to the wage-employed, since their scale of business is very small and incomes are directly related to (daily) sales, which, by definition cannot be the same each day, week or month.

What are the other insecurities that workers face? The one issue that stands out is health. More than half of both self- and wage-employed stated that it is a crisis

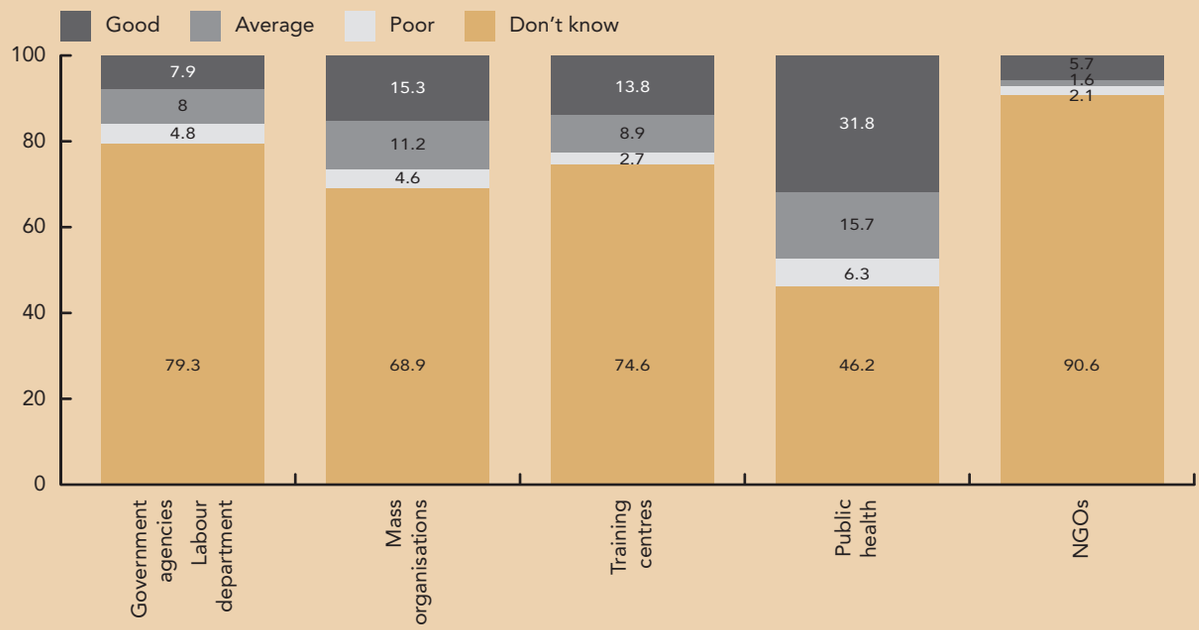
Box 5.7: Social security helps workers, but there are limitations

1. Ms. Noy, a young worker in a garment factory, moved to Vientiane three years ago. Her current average monthly salary is 800,000 Kip (including overtime payments), but it could fluctuate from one month to another depending upon the work orders that the company receives. The lowest salary she has received is 400,000 Kip in a lean month and the highest, a million Kip, when there is high demand for garments. She is happy that the company provides her with dormitory accommodation, meals and social insurance. When there is a downturn in business (which is frequent) she still has to bear the burden of income fluctuation, but in the event of illness, the insurance company pays.

   Her employers have insisted on her joining the social insurance scheme and they partly contribute to it. However, outside the large-scale manufacturing sector, there is little, if any, such security. Even in large-scale manufacturing, employers have the discretion on whether to cover (and pay for) social security contributions of all the workers employed.

2. Mr. Kavi, a 37-year old worker in a furniture factory, is a member of a health insurance scheme. Unlike earlier, he does not have to pay each time when he seeks medical help. There are limitations, though. Under the present scheme, he is obliged first to go to the district hospital, and only after getting permission from there, can he see other specialists in larger cities. This is bothersome and time-consuming. He maintains that insurance companies must permit subscribers to see health providers of their choice directly, rather than first go to the district hospitals, and then go to doctors of their choice.

Figure 5.6: Distribution by percentage of responses to different questions related to facilities and rights



Source: *MOLSW (2008).*

if (or when) they fall ill: they have no money to meet the emergency and, in addition, they may lose their business or job.

Explaining variations in income

What explains variations in income? A multiple regression equation has been estimated to explain variations in the incomes of wageworkers, in the genre of the classical human capital theory. The equation is statistically a good fit, though the overall explanation is small (Annex 5.3). Moreover, the equation suggests that a unit increase in human capital improves incomes only by two percent. It reaffirms the belief that the urban lower circuit market has a rather small band within which incomes vary.

BRIEF CONCLUSIONS:

1. *On average, wageworkers earn about 20,000 Kip per day. There are significant differences between the incomes of the self-employed (who earn more) and wageworkers, though the incomes of the former are often over-estimated. Workers prefer self-employment, even though self-employed workers face greater risks of breaks in job and income. They find it more prestigious.*
2. *Workers face uncertainties surrounding health. Micro health insurance appears to be one solution to this problem.*
3. *Better skills, institutions of inspection and systems to improve productivity are necessary to raise the incomes of workers in this sector – points iterated earlier.*
4. *To strengthen self-employment, an array of approaches put forth by the ILO (among others) could help. Most approaches would be similar to those discussed for promoting off-farm and non-farm jobs, in Chapter 4. Box 5.3 presents some additional approaches.*

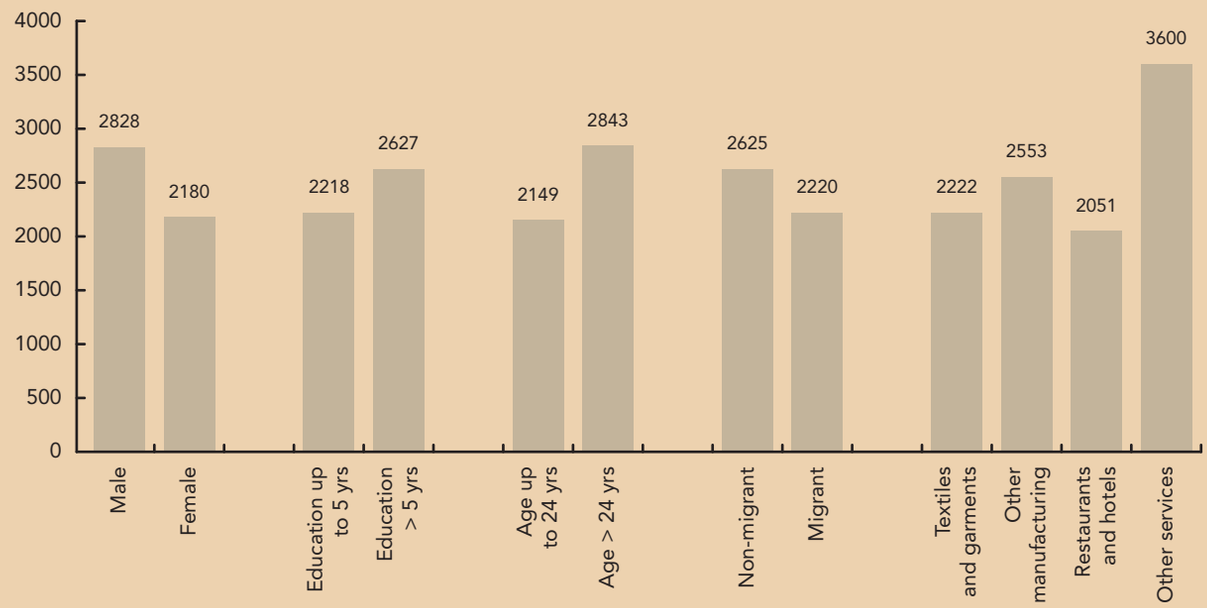
MIGRANT WORKERS

Numbers, earnings, location and channels of travel

Lao out-migrant workers to Thailand – numbers

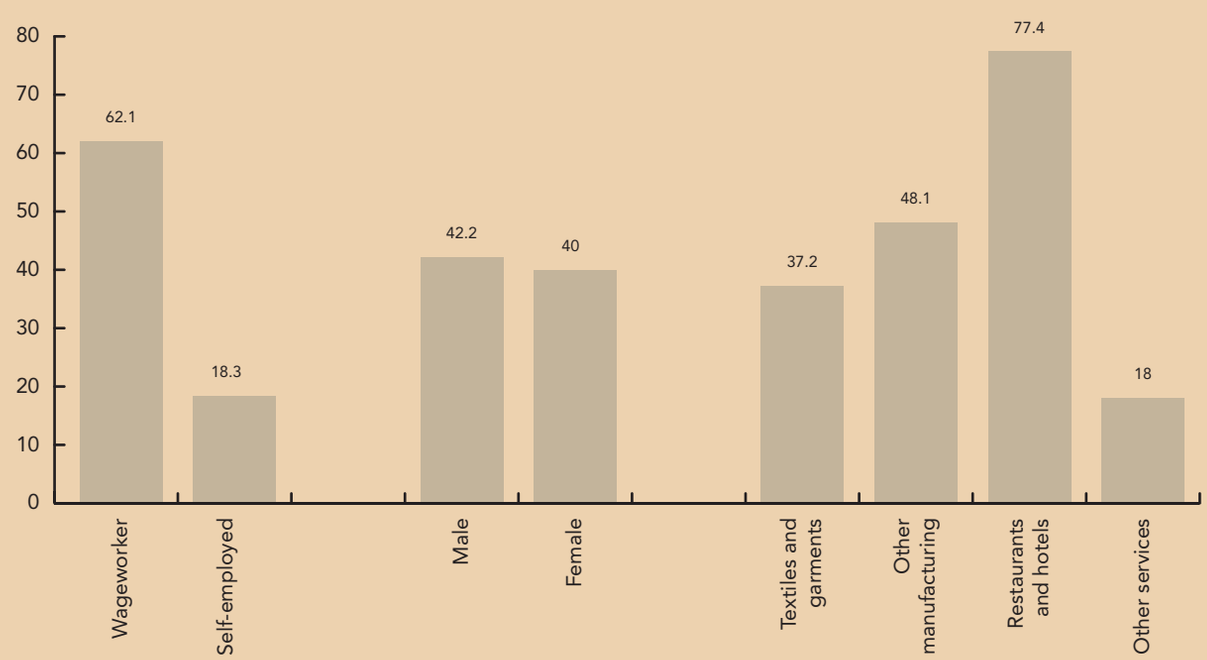
Migration is both economically and socially beneficial. It helps equate labour demand with supply, transfers and diffuses skills, helps people realise their potential

Figure 5.7: Hourly earnings of wageworkers (Kip/hour), by different disaggregations



Source: *MOLSW (2008).*

Figure 5.8: Percentage of workers who felt no fluctuation in income from month to month, by different disaggregations



Source: *MOLSW (2008).*

and earn incomes, and closes gaps between cultures and peoples. Migration promotes peace. Lao migrants have been travelling to Thailand for employment and business for decades. Much of this travel, however, has been informal in the sense that neither of the authorities on either side of the border has monitored this movement. Over time, both countries have realised the importance of this movement and want to bring it under their respective policy frameworks.

To date there is no authentic account of Lao migrants in Thailand. An estimate placed Lao migrant workers registered with Thai authorities at 181,614 in 2004[81]. In addition, there were some 80,000 unregistered Lao migrants supposedly in Thailand in that year[82]. In 2004-2005, these groups combined to equal more than 250,000 migrant workers. The ILO and the Thailand Development Research Institute ('TDRI') estimate that there are approximately 300,000 Lao workers in Thailand at any one time[83].

Based on Laos' crude birth rates and death rates obtained from the population census reports of 1995 and 2005, the population of Laos in 2005 should have been 5.89 million. The census shows, however, it was 5.62 million. The difference, it is reasoned, should be the out-migrated population: 264,327 persons. If in-migrants are accounted for, this number reduces to 242,327. Thus, it is estimated that 90 percent (or 218,094 persons) were in Thailand in 2005. This is around 8.4 per cent of the total workforce, or equivalent to about 40 percent of the total workers *outside* family farms. It is believed that this estimate is more authentic than the others are, as it bases itself on census data – the most comprehensive dataset.

Migrants, however, keep returning and new ones keep going; hence, the numbers are at best, rough estimates.

Foreign exchange earnings

It is difficult to arrive at exact estimates of monies remitted by migrant workers since most transfers are made informally. Different estimates, based on field surveys, suggest that the annual remittances made by Lao workers in Thailand were in the range US$150-190 million in the period 2004-06[84]. This amount was about 7.1 percent of GDP, 32 per cent of actual FDI and 21 percent of total exports in 2006[85]. These numbers suggest that the aggregate 'labour productivity' of migrant workers is higher than Laos' average labour productivity, since savings (remittances) are only one part of the labour productivity[86]. A very large portion of the savings amount, however, is outside the formal banking system; hence, its larger utility to the country is limited. It is exchanged in informal currency exchange markets, further fanning 'dollarisation' and 'bahtisation' in the economy.

These numbers are large, which justifies placing migrant workers more centrally within the planning framework of the country.

Table 5.6: Earnings per worker: Averages

	Gross income per month (Kip)
Self-employed (male)	1,615,000
Self-employed (female)	1,556,778
Wageworkers (male)	745,508
Wageworkers (female)	601,281
All self-employed	1,574,982
All wageworkers	666,518
Migrant workers	690,472
Non-migrant workers	1,230,258
Workers up to 24 years age	812,967
Workers > 24 years age	1,288,680
Workers with education up to 5 years	999,671
Workers with education > 5 years	1,168,064
Manufacturing sector workers	996,901
Service sector workers	1,242,986

Source: *MOLSW (2008).*

Why people choose to out-migrate for work

Migrant workers mostly belong to the poorer sections of society; they are young (up to 25 years of age),

81 Workers leave Laos illegally, but many register with the Thai authorities. They are still unregistered in Laos; hence, technically illegal. Legal Lao out-migrants, as per Lao records, are only 8,000.

82 Estimates are based on arrests made of illegal workers (Huguet and Punpuing (2005)).

83 Source: GOL-UNDP (2006).

84 Sources: GOL-UNDP (2006); Chanthavysouk (2006); ILO (2007a)

85 Based in internal calculations made by NERI (see NERI (2008)).

86 Put simply, labour productivity = profits of employers from engaging the workers + spending of workers + savings of workers.

Box 5.8: Micro insurance

Micro insurance is insurance with low premiums and low caps. It is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Micro insurance is synonymous to community-based financing arrangements, including community health funds, mutual health organisations, rural health insurance, revolving drugs funds, and community involvement in user-fee management. Most community-financing schemes have evolved in the context of severe economic constraints, inadequate formal institutional arrangements, or lack of good governance. The common feature within all is the active involvement of the community in revenue collection, pooling, resource allocation and, frequently, service provision. Micro insurance is the use of insurance as an economic instrument at the localised (rather than national) level of society. Decisions in micro insurance are made within each unit, at the level of governments, companies, NGOs that offer support in operations, etc.

Insurance functions via the concept of risk pooling, and so does micro insurance, regardless of its small unit size and its activities. Micro insurance links multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved governance (i.e. training, data banks, research facilities, etc.). This mechanism has been conceived as an autonomous enterprise, often independent of external financial lifelines, and its main objective is to pool both risks and resources of whole groups to provide financial protection to all members against the financial consequences of mutually determined risks.

1. The transactions are low-cost, reflecting the members' willingness to pay.

2. Clients are essentially low net-worth, but not necessarily uniformly very poor.

3. Communities are involved in the important phases of the process.

4. The role of the network of micro insurance units is to enhance risk management of the members of the entire pool of micro insurance units over and above what each can do.

Sources: *Churchill (2006); Alexander et al (2002) pp 143-150; Dror (1999) pp 71-97; Wikipedia (online encyclopaedia).*

hailing from districts and provinces close to the Thai border, and most migrate to work in agriculture and other relatively low-skilled activities like domestic-work, manual labour in construction, and the entertainment industry. They travel all over Thailand where there is work. It is estimated that about 53 percent of the migrants are female[87].

Many factors act as the driving forces for out-migration. Workers are forced to seek employment elsewhere, there being fewer employment options on the Lao side of the border. Workers are also attracted by the higher wages on the Thai side of the border. The wage rate that an ordinary Lao worker commands in Thailand (about 150 Baht a day) is lower than that for a Thai worker for the same job, but Lao workers still stand to gain because wages in Laos are lower, at about 10,000-20,000 Kip a day. There are additional factors as well: jobs in Thailand offer possibilities of vertical mobility, chances of skill improvement and a distinct probability of increasing incomes in the long term, it being a more diversified and richer society with greater technological prowess. Migrants also form social networks, which then help their kith and kin getting jobs in Thailand. Finally, there is the 'me-too' factor: if some in the village successfully out-migrate, earn more money than they would locally and learn newer skills, others yearn to do the same. This is particularly so for the young, who are also impressed by the glamour of television shows on Thai TV channels. It is not surprising, therefore, that some people, when offered the same wage in Laos, still prefer to out-migrate.

87 Source: GOL-UNDP (2006)

Methods of migrating-out

Workers choose several methods to cross the border. Broadly, they could be categorised into formal and informal.

Formal methods

In Laos, workers are required to register with one of the nine state-recognised agencies; two are government-owned, while the rest are private. They have their representatives dispersed in districts from where workers usually migrate out. Most migrants who register with these agencies possess some definitive skills (as the government discourages out-migration of unskilled or low-skilled workers) and have plans to stay out for a long period. Not many choose the official routes for reasons stated in Box 5.9. In addition, not all migrants go for long periods; many go for crop-cutting, seasonal agricultural work or construction activities for relatively small periods, and formal channels do not encourage or suit them. While an MOU between Laos and Thailand recognises that migrants are not a homogenous lot, *the existing rules do little to cater to the interests of short-term migrants.*

Informal channels of migration

1. The simplest means of crossing the border is the 'border-pass', which permits Lao citizens to enter Thailand for three days at a time. The border-pass does not allow for work, but prospective workers, nevertheless, stay and take up jobs.

2. Some well-organised illegal recruitment networks operate on both sides of the border. 'Recruitment agents' on the Lao side contact those who wish to migrate to work. Their counterparts in Thailand simultaneously contact prospective employers with the candidates' details. The agents on the Lao side then smuggle the workers to Thailand and hand them over to their Thai counterparts, who in turn deliver them to their employers. The employers pay a fee to the agents for the service, to be ultimately deducted from the workers' salaries. Some recruiters insist on workers paying for transportation as well. Illegal recruitment networks have been operating in border areas for a long time, but their popularity has been decreasing in recent years, being replaced by social networks[88].

3. Social networks have become stronger, as more Lao migrant workers go to Thailand. Friends and relatives who have previously migrated are the source of information for those who wish to work in Thailand. In some cases, they also act as agents for their employers or even agents in their own right. Phone services facilitate communication between different parties.

The main problem with informal migration is that there is no regulation: workers could be cheated, child workers recruited, young female workers trafficked, there could be forced labour, etc. In short, there is a high human cost (Box 5.10). *Question:* Is it possible to legalise some or all the existing informal channels? Such recognition would help to bring the operations of these agencies within the law, thereby permitting the regulation of their work.

BRIEF CONCLUSIONS:

1. *Out-migrants from Laos form about eight percent of the total Lao workforce and their remitted monies are estimated to be equivalent to about seven percent of the Lao GDP. These numbers alone justify having more prominent policies to facilitate their work and return.*

2. *A predominantly large proportion of Lao out-migrants are considered 'informal' (read, illegal) according to Lao rules. This, however, is not the case on the Thai side, where almost half the workers register. There is thus a disjoint between the rules and regulations in the two countries. There is a case for urgently reviewing the rules and regulations regarding out-migration of workers from Laos.*

3. *Workers and their families prefer informal channels for leaving Laos despite the hazards involved, since these are quicker, cheaper and more user-friendly. Is it possible to legalise a few of the informal routes (and agencies) to recognise the reality of people's movements, and bring these agencies under some form of regulation?*

Working conditions

Legal status and protection

Even though the Thai government enacted a *Labour Protection Act* in 1998 (for both Thai and migrant workers) to ensure standards at work, adequate protection while engaging in dangerous activities,

88 See Curran, Garip, Chung and Tangchonlatip (2003).

Box 5.9: To register or not to register

There are rules for registering migrants on both sides of the border, however there is little synchronisation between the two.

Registering workers – the Thai side

Many workers go informally to Thailand (i.e. they are not registered with Lao authorities), but they register in Thailand as 'guest workers'. There are problems with this, the main ones being the following:

a. High registration fees and a long gestation time, which discourages employers and migrant workers alike to register, especially the seasonal migrants,
b. The decision on whether to register or not falls mainly on the employers, who are not particularly keen since they see no apparent advantage to it,
c. The registration process is slow and complicated, as one might be required to go to the registration office at least five times, and
d. Registration policy and rules keep changing; as a result, both employers and migrant workers get confused about the requirements.

Problems in registration - the Lao side

Although many potential workers in Laos show interest in working in Thailand, only a small number goes through the formal process in Laos. Under the MOU signed between the two governments for facilitating the movement of workers, the Thai employers made a request for 62,094 workers between 2006 and 2007, but only 8,897 workers could be recruited. Key problems:

a. Time-consuming recruitment procedures: it takes up to three months, on average, to recruit through the formal channel, compared to less than a week via the informal one,
b. High fees, 15,000-25,000 Baht, which equals 5-6 months earnings, compared to around 2,000-3,000 Baht (US$ 60-80) in the informal channels [Huguet and Punpuing (2005), Martin (2007)],
c. Rigidity of the contracts (in terms of time, place of work, type of work, etc.), which might not suit the workers [Chanthavanich, Vungsiriphisal, and Laodumrongchai 2007; TDRI 2007],
d. Quotas on the number of workers who could be employed in each sector, and
e. Activities like work in agriculture are low on the Lao government's priority listing, while Lao migrant workers work in relatively unskilled areas (seasonal agriculture, domestic work, etc.).

Source: *NERI (2008).*

prohibition of sexual harassment, etc., the law is not effectively enforced for migrant workers[89].

In addition, even those Lao migrant workers registered with the Thai authorities are often not aware of their rights; in practice, therefore, the protection means little to them. Next, foreign workers are not permitted to form their own labour unions in Thailand though they are permitted to join existing ones. Few if any Lao workers, however, join unions, as employers prefer non-unionised workers. The Lao workers are hesitant to join unions or associations because they feel inferior to the Thai and are reluctant to associate with them in this way. Further inquiries suggested that workers in agriculture, fishing, manufacturing, etc. are required to surrender their registration papers to their employers, which in effect puts them at the mercy of their employers[90]. Those who do not have work permits are not protected against poor working and other conditions; for them, the risk of detention and deportation is far too high to be bothered about other matters (Box 5.11)[91].

89 See Huguet and Punpuing (2005).

90 Some 700 migrant workers were interviewed before this conclusion was reached (NERI 2008).

91 See also Peason *et al*, (2006).

Working conditions

Migrant workers often land up in dangerous, difficult and dirty (DDD) jobs: fishing, unregulated domestic services, construction, farm labour, etc. Many female workers get jobs in restaurants, night clubs, massage parlours, and similar activities[92]. It is not uncommon to find foreign workers getting 'residual jobs' i.e. those jobs which Thai workers would not do, or do at a much higher wage[93]. The work environments too are not very healthful, particularly in small factories where the rooms are hot and dirty, with poor lighting[94].

The legal maximum working hours are eight in a day and 48 in a week in Thailand. For extra work, overtime money is to be paid. There are cases where workers are engaged well beyond 48 hours in a week, and much of the time without any overtime payment[95]. In domestic work, where workers are mainly female, the concept of working hours is hazy at best; workers could be called out to work at any hour, round the clock. Around 40 percent of Lao migrants work for more than 10 hours a day, for 6-7 days per week, amounting to 60-70 hours/week[96]. Few manage to get even sick leave. Before workers move to Thailand, the picture painted of work there is different from the reality that awaits many of them.

Box 5.10: Risking out-migrating, and paying the price

Mr. Lin (Ban Dongyang, Champasack province) is the father of five daughters. One of his daughters, Soutan, migrated to Thailand when she was 14 years old, without telling anyone in the family. Two months later, Lin found his daughter with help from a relative who works with the defence forces, and forced her to return home. Only a week after she returned, Soutan again escaped to Thailand along with a few migrants from the village. Three months later, Soutan moved from her initial destination, and no one has heard from her in the ten years since she left. More recently, another of Lin's daughters, Khan, also migrated to Thailand without telling anyone in the family. Unlike Soutan, however, Khan kept regular contact with her family. She recently returned to Laos after spending three years in Thailand. Seeing Khan's return, yet another of Lin's daughters is now planning to go Thailand.

Travelling out to work offers opportunities but also carries risks.

Source: NERI (2008).

'Not decent' work

1. Many male child workers work on construction sites. They are vulnerable to accidents and other health risks because of the nature of their work and lack of protective gear[97].

2. An estimated 5.3 percent of the total number of Lao workers in Thailand is engaged in the sex-trade. While not all of them are victims of trafficking, many are[98].

3. Migrants in 'forced work' in Thailand are estimated at about 5.8 percent of the total Lao migrants to that country. This includes work in DDD-type work without protection and against their will.

4. In some provinces of Thailand, migrant workers have limited physical movement and very few civil rights (e.g., the provinces of Phuket, Ronong, Rayong, Surat Thani, Krabi Phang Nga and Chang Mai). They are restricted from leaving their workplace after 8 pm, using mobile phones, motorcycles and cars, or gathering in groups of more than five[99]. In the domestic sector, there are severe restrictions on their movements outside the home.

Many workers keep working under the threat of being handed over to the police and immigration authorities for working illegally. They also fear that they could be implicated in criminal acts that they have not committed. In a few cases, domestic workers

92 Sources: Chanthavanich, Vungsiriphisal, and Laodumrongchai (2007); NERI-DOS (2008); NERI (2006); Thongyou and Ayuwat (2005).

93 It was estimated that the number of Lao migrants in the domestic work sector in 2004 was around 37,500-50,000. Migrants with work permits in the domestic sector are only 1.5 percent, in agriculture 4 percent, in construction 11 percent, fishing 9 percent, and manufacturing 26 percent (Huguet and Punpuing (2005)).

94 NERI (2006); Chanthavanich, Vungsiriphisal, and Laodumrongchai (2007).

95 Thongyou and Ayuwat (2005).

96 NERI-DOS (2008).

97 NERI (2008).

98 Finding of a study of WVFT/ARCM (World Vision Foundation of Thailand/Asian Research Centre for Migration), cited in Huguet and Punpuing (2005), p67

99 See Action Network for Migrants – Thailand, November 2007; http://www.ahrchk.net/pr/mainline.php/2007mr/476/

Box 5.11: Broken promises, long working hours and dangers

Case 1: Mr. Seua (Ban Na Oi Nou, Borikhamxay province) migrated to work in Thailand to earn more income; his earnings here were low and not regular. Seua was promised a job at a factory in Bangkok at a monthly pay of 7,000 Baht by one Mr. Som, supposedly a friend of Seua's father. However, when he arrived in Thailand he was sent to Souphanboury province and assigned to work on a plantation farm. Seua was asked to work from 7 am to 2 am of the following morning, with only a few minutes for lunch break (i.e. beyond 16 hours a day!), and paid only 3,000 baht a month.

Case 2: Mr. Bai (Ban KaengKia, Champasack province) migrated out to work in Bangkok, with the promise of work in a restaurant at 5,000 Baht a month (payment to be made once every two weeks). However, two weeks passed and Bai did not receive any payment from his employer. Bai asked his employer several times but did not receive any money; instead, his employer called the police four weeks later, to arrest Bai. Fortunately, Bai escaped.

Source: *NERI (2008).*

especially face physical violence[100]. *Migrant workers are humans, like any other workers. They have families and loved ones back home. To treat migrants like 'beasts of burden' is denying them basic human rights – this is anti-HD.*

Unemployment

Several migrant workers, specifically in the construction industry, face unemployment or breaks in work between completing one job and starting another. A few also lose jobs if or when companies shut down or lay-off workers. Migrant workers are the first to be laid off in the event companies face a downturn or wish to downsize. Finally, illness is an important reason for workers to lose work. Being unemployed, workers are forced to fall back upon their meagre savings. In the words of many who have faced unemployment, this is perhaps the worst time in their stint as migrant workers (Box 5.12). There are times when they run out of money and have no safe places to stay. Out of lack of choice, they end up going to the Lao Embassy or police, to be repatriated back to Laos[101]. This exercise costs them fines, transport costs and possibly a prison term back in Laos.

Social integration and access to public services

Lao migrant workers, given their illegal and inferior status in Thai society and their lack of confidence, do not participate in community activities in Thailand. Moreover, the nature of their work also isolates them from wider society – e.g., domestic workers are stuck with their employers, fisherpersons go to sea, and so on[102]. Thai society and employers also have a discriminatory attitude toward migrant workers. According to a poll carried out in Thailand, the majority of employers and Thai workers feel that Thai workers should be paid more than migrant workers for the same job[103]. Many Thais also view migrant workers as taking away their jobs, resulting in higher local unemployment and a downward pressure on wages.

Unregistered migrants hesitate to use public services like hospitals for obvious reasons. Even some registered workers face hurdles emerging from their restricted geographic mobility. It is also difficult to get time off for medical treatment for those who work long hours a day, like domestic and agricultural workers.

BRIEF CONCLUSIONS:

Like workers in the lower circuits of urban areas, most migrant workers are not protected by the law. Even where they are, compliance with the law is limited. In effect, many workers are subject to overwork, DDD-type jobs and exploitation. They are vulnerable to being cheated as well. Any form of regulation of this area could help alleviate this situation.

Remittances

Remittances that Lao migrant workers send back home are mostly through informal transfer channels or private transfer networks. Because most are working informally, they lack the requisite knowledge

100 Chanthavanich, Vungsiriphisal, and Laodumrongchai (2007); Phetsiriseng (2003).

101 Information is from group discussion with active migrants and/or permanent returnees' representatives in Borikhamxay, Xayabury and Champasack.

102 Chanthavanich, Vungsiriphisal, and Laodumrongchai (2007).

103 UNIFEM-ILO (2006).

of formal financial transfers. There are few banking outlets in remote areas, and the costs of transferring small amounts through formal channels are high.

Transfer channels[104]

The existing means of remittances from Lao migrant workers in Thailand could be categorised into the following:

1. Formal banking services or money order,
2. Informal agents and middlepersons,
3. Remittance carried home personally, and
4. Relatives or friends bringing money back.

Formal channel: banking services in Laos

Few Lao migrant workers transfer money through formal channels, as such services are rare in rural areas. There are 14 banks in Laos, of which only nine have branches and a few service units in select provinces[105]. Therefore, only a few households in rural areas can access formal banking services. Micro-finance institutions partly fill the void: 190 micro-finance service providers operate nationwide[106]. There were 229,579 microfinance account holders in 2006 (or 6.5 percent of the population aged between 18-64 years). Geographically, the institutions reach out to 47.5 per cent of the country's villages. The sector, however, faces several problems such as low capacity, lack of coordination within itself and within the larger banking system, limited out-reach and no common standards. Little is known of their capacity to handle international transfers.

All formal channels are complicated and expensive in the eyes of the migrants and their families. The system is also not designed to transfer smaller sums of money economically.

Informal channels: agents and middlepersons

The most common method of money transfer is through informal agent(s). More than one agent could be involved, depending on the locations of the senders and recipients. Money is first credited

Box 5.12: Transferring the incidence of poverty

In Pak Tuai Village, Borikhamxay province, married couples migrate-out together to Thailand in search of work. In one such case, a couple left behind their 12-year old daughter and a four-month old son, with their parents (i.e., the children's grandparents). The couple has been out for over a year now, but to date they have not saved or sent much money home. The problem is that they have faced repeated joblessness and have incurred other expenses, including health expenses. In fact, in the first few months, the remittance amounts were so small, that they did not even cover the basic needs of the children.

The parents are old, and are themselves poor. They are facing great financial difficulty looking after the children. This is a classic case of transferring the incidence of one's own poverty to the older generation.

Source: *NERI (2008).*

Box 5.13: Someone you trust might not be trustworthy

Migrant workers on construction sites are generally paid once every two weeks. After the contract is complete, they move to another employer. In some cases, however, getting the last payment can be tricky. When the construction work is near completion, many employers avoid paying the last instalment. They threaten to inform the police, indirectly forcing the illegal migrant workers to leave the job without taking the last payment. The lucky ones escape the police, the not so lucky ones pay heavy fines and bribes, and the really unlucky ones end up in prisons, with all their belongings taken away.

The worst case reported was of a male migrant worker (from Buaban village, Xayabury province) who, during his journey back home after receiving the last payment, was robbed and killed in a scuffle with his robbers. Rumours are that his former employer was involved in the incident.

Source: *NERI (2008).*

104 ILO (2007a); Thongyou and Ayuwat (2005); NERI (2006); NERI (2008).

105 Source: Bank of Lao PDR, quoted in NERI (2008), p 32.

106 NERI, (2006), Rural and Microfinance Statistics.

Box 5.14: Strained social fabric: The price of progress

In Buaban village (Xayabury province), a group of young female returnees, who had out-migrated for work to Thailand when they were only 18 years of age (or even younger), have now come back, but with a difference. Being young, they easily absorbed the Thai culture and its mannerisms, including the accent. They now appear different: they do not speak Lao with a Lao accent. They also mix many Thai words with Lao in their conversations. During the field survey, one of the selected interviewees was apprehensive to speak to the team because she is aware that she cannot speak the Lao language with the proper accent.

Though there are not many problems with re-integration into the village communities, these returnees found that they are viewed as being different from their female peers who have never worked in Thailand. One from this group claims, '... because we have worked in Thailand and have money to buy nice clothes and cosmetics, we are now prettier with make-up, compared to other girls. They cannot get along with us as they did earlier, because they envy us ... they do not possess nice clothes and cosmetics like the ones we do ... Moreover, as we look prettier now, many young men in the village, who earlier had interest in those girls, have now begun to approach us. All this makes them not like us anymore". Because of being viewed as 'too different', most female returnees normally socialise only among themselves.

Source: *NERI (2008).*

into bank accounts of agents on the Thai side, near the border. This information is then transmitted to agents on the Lao side who inform the recipients' families. The final step is that recipient families cross the border to get cash from the agents. In some instances, agents also deliver the money to the recipients' villages, of course for a price. The transfer fee ranges between 2-10 percent, depending on the location, amount and number of intermediaries involved. Agents that pioneer this service in any particular area control the market, if their reputation is clean. A new means of transfer, though not very common yet, is where migrant workers themselves open an account with an ATM card, in Thailand. Illegal migrants, who are not registered in Thailand, could have an account, if their Thai employers help (by allowing the use of their name, for example). The workers withdraw money from bank branches in Thai border towns before crossing over to Laos. At times, the ATM cards are handed over to relatives, who then cross the border to withdraw the money.

Migrant workers prefer sending remittances through the informal system, as no systematic recordkeeping or identification is required[107]. Also, these channels deliver monies fast, at a small cost. On average, transactions through agents' accounts can be complete within a few hours or within a day. Informal operators do not follow any regulations; hence, their costs (and therefore, transfer fees) are low compared to banks.

Risks of transfers[108]

However, not all is well with informal money transfers. There are risks as well.

Sending money through agents' bank accounts: Risks exist if several intermediaries are involved. This could cause delays and raise costs. Non-standardised rates of transfer also complicate matters and create room for dishonesty to creep in. In any case, transferring smaller amounts could be expensive. The average transfer costs could be reduced by 'bundling', meaning that migrants remit more money but less frequently. This, however, seldom happens, since most migrants only have small amounts, and cannot wait too long, as they have no place to keep the money safely in Thailand. One approach, still to be tried, is that a group of migrants combine their savings and create a relatively large 'bundle', which is then transferred, and then unbundled at the Lao side.

Personally take remittances home: This channel is common with those working in adjacent provinces in Thailand, or by migrant workers returning home for holidays. This channel has the risk of money being lost en route; hence, migrants tend to bring only small amounts at a time. Many migrants have lost some or all their belongings (including money confiscated), if arrested and/or deported. Bribes are rampant: those working in border areas pay less and get away, but others are not so lucky (Box 5.13)[109].

107 Hernandez-Coss (2005), ILO (2007a), NERI (2008).

108 Information from the field survey, reported in NERI (2008); Grace (2005)

109 Information obtained from interviews with officers in the Department of Labour and Social Welfare in Champasack and Xayabury. See also Mekong Institute (2007).

Relatives or friends bringing money to migrants' families: They could be Thai or Lao nationals who travel back and forth; they could themselves be migrant workers. This channel is cost-free but its reliability depends on how much trust can be placed on the carriers.

Relatives cross the border to take money: A face-to-face transfer is cost-free, other than the transportation cost. This channel is preferred by women migrant workers as it provides them the opportunity to meet their relatives[110]. This channel is beneficial only to those migrant workers based close to the border.

Put simply, informal channels are preferred, but they can be risky in some cases.

BRIEF CONCLUSIONS:

Presently, the formal channels are not equipped to transfer smaller amounts of money at a higher frequency efficiently. In addition, these channels are closed for migrants who travel informally. Like the mode of migration, therefore, remittance of monies is made through informal channels. These channels are cheaper, quicker and more user-friendly to the local communities. There are risks, though, which workers and their families bear. Question: Is it possible to legalise a few of the informal channels, which in turn, will also bring them under some form of regulation? In short, there is a need to examine alternative, inexpensive options to remit monies back home.

Reintegration

Migrants travel out with hope, and come back with precious earnings. They are net assets to Laos[111]. In many countries, migrants' earnings bridge the gap between imports and exports significantly[112]. Consequently, several countries offer special privileges for their reintegration. Laos needs to reintegrate them back into the labour market productively.

The status of ex-migrant workers

Migrant workers, not registered with the government for working outside Laos, are treated as if they have breached the law. They are subject to fines, imprisonment and re-education in Laos[113]. This is an anomalous situation: they are considered guilty in their own country even though they have not breached any laws here, while in Thailand where they actually violated the law by entering illegally, in a large number of cases are given work permits. This requires correction, as other than the fact that they have not committed a crime here, they also earn precious foreign exchange and in several cases, bring back much-needed skills and business prowess. At another level, due to long separation from their families, some workers face marital disputes, divorce and discord in the family or community (Boxes 5.14 and 5.15). Some young female migrant workers develop personal affiliations in Thailand, and in a few cases, they also bear children through these affiliations. They are not so easily accepted back into their families and villages in Laos. In rare cases, workers become addicted to drugs and face problems in re-integration. Overall, however, the mood in most villages is upbeat: migrants are welcomed back as

Box 5.15: Temptations and beyond

In Nong Bua village (Champasack province), the first person to possess a mobile phone is a female migrant worker who migrated to work in Thailand for only one year. She returned with a lot of money, which was enough to start a small mini market. On the face of it, she presents a highly admirable picture of work in Thailand. However, according to the district authorities, it is believed that many women who migrate to work as domestic help in Thailand and earn big amounts within short periods, mostly earn this money through the sex-trade: a 'paid-affair' with their male employers, or even others. In many cases, migrant workers voluntarily agree to earn extra money through this channel, but in some cases, they are left with no choice.

To re-integrate them into the village is vital, but how to do it? There are no easy answers!

Source: *NERI (2008).*

110 Source: ILO (2007a).

111 Amjad (1990); ARENA (1992).

112 Besley and Cord (2007).

113 Most workers have to pay fines. There is no universal fining system, though; the amounts vary with location and the collector. In some villages, fines are negotiable, which opens the door to corruption. The range of the fine could be as low as 50,000 Kip to 750,000 Kip. In isolated cases, the punishment could also include community service and a restriction on movement – open prison; see Chanthavysouk (2006); NERI (2008).

Box 5.16: Cases of skills transfer

1. In Na Oi Nou village, Borikhamxay, a majority of the migrant workers are male, and mainly engaged in construction work in Thailand. In the last few years, some of them saw opportunities to apply their skills on their return to Laos. They now initiate construction work in other villages, and at the same time, teach the skills to other workers in the vicinity. Skilled returnees, over time, have formed construction teams. They undertake house or other construction projects in different villages of Nakai district, Khammuane province as well. One skilled returnee (who did not give his name) said that this initiative has given him the opportunity to earn income in addition to gaining skills. Thus, joining this project helps permanent 'capacity-building', allowing participants to earn income for the rest of his working life.

2. Mr. Thanongsack from Na Oi Nou village, Xayabury province went to Thailand when he was 15 years old and possessed no skills. He worked at a construction site; his work ranged from the easy task of painting poles (at lowly wages, in the earlier days) and progressed to masonry work, which is a relatively more skilled task (at better wages). After five years working on construction sites, he returned home. He now uses his skills to earn higher incomes here. Due to the quality of his work, his reputation has spread to other villages, and that has given him more projects in nearby villages as well as elsewhere in the province.

3. Ms. Mone (also Na Oi Nou village) went to Thailand to work on a rubber farm in 2005. She has learnt different techniques related to rubber planting, nurturing the plant and tapping rubber. After three years of working in Thailand, she has also acquired some substantive money (in the local context), in addition to acquiring the relevant skills. Mone returned to Laos in 2008, and now works at a rubber farm near her village, owned by a Japanese investor. Mone also has her own rubber nursery at home, from which she supplies small rubber plants to the Japanese planter.

Source: *NERI (2008).*

ones who contribute to the village's economic development and community's improvement, and they also voluntarily contribute towards building local schools and other infrastructure.

Existing services and gaps

Currently, projects relating to re-integration of returnee migrant workers mainly address the problems of those who are trafficking victims. The Lao Government has two small transit centres for returning victims. It collaborates with the International Organisation for Migration ('IOM') to assist in the victims' return and reintegration[114]. The Lao Women's Union runs a shelter centre to provide legal, medical and counselling services to trafficked migrants. *Agir Pour Les Femmes en Situation Precaire* (an international NGO that assists human trafficking victims, particularly women) has opened a rehabilitation centre in Vientiane in collaboration with the Ministry of Labour and Social Welfare. It provides physical and mental treatment and offers training in establishing and operating small businesses (including extending seed-funds to the target groups) to assist trafficked victims to reintegrate into Lao society, economically and emotionally[115]. An ILO-initiated project (on Trafficking in Children and Women) provides various support services in regions from where there is high incidence of human trafficking. The targeted provinces are Khammuane, Savannakhet, Champasack, Borikhamxay and Xayabury. The project provides financial support and training to the targeted communities in collaboration with the Village Development Funds ('VDF'). Financial services for re-channelling finances into the larger commercial system, providing business opportunities to the returnees, or other initiatives that different countries provide to returnees, however, are virtually absent.

114 Human trafficking, http://www.humantrafficking.org/countries/lao_pdr, retrieved on July 28, 2008.

115 http://www.Afesip.org

The use of remittances and skills[116]

In most cases, the money earned is spent on the consumption needs of receiving families, constructing houses and on education and the health of family members. Some money is also donated for public purposes, like schools and temples. In a few cases, workers buy land and agricultural production equipment. Not much information is available on how much money is invested in non-farm economic activities, but some is. In addition, there is little known about where people keep their savings (other than keeping the money 'under the pillow'). The fact that there are so few channels to deposit and mobilise small-savings, calls for concerted action. It would be helpful if quasi-institutional mechanisms were created for people to deposit their money. The village-based savings and credit societies are one such source, but their capacity will have to be enhanced and financial status institutionalised if they were to serve as a savings repository.

Many ex-migrants, who have learnt skills in their time away, invest some of their savings in businesses wherein they could apply these skills: retail shops, hairdressing saloons, machine repair shops, tailoring outfits, etc. (Boxes 5.16 and 5.17). An overall assessment, however, suggests that the impact of remittance amounts is limited to a few activities and locales. Lack of infrastructure (electricity, roads, transport, etc.) also limits investment. For the foreign currencies[117]. Some of these could be examined in detail and tried on a pilot basis. describes how a centre in the Philippines helps its returnee migrants.

It is believed, nevertheless, that consumption expenses have direct and indirect effects on the quality of life of families of migrants as well as investment[118]. E.g., better living circumstances and good nutrition contribute to better health, in turn raising labour productivity, savings and investment. Motorcycles or small tractors save time and provide cheap and rapid transport, thereby releasing workers to take up higher productivity work. Farmers adopting modern agricultural practices improve their incomes, which have their own multiplier effects. Expenditure on education and health is investing in the future.

Box 5.17: The economics of reintegration and sustainability

Ms. Phim and her husband (Ban Pak Tuai, Borikhamxay province) went to Thailand in 2003, when their second child was only four months old. They out-migrated because of difficult financial conditions at home, especially after having a new family member. After almost three years of working on construction sites, the couple decided to return to Laos to settle down in their village for good. Three years of their working in Thailand provided them enough money to construct a new house and have savings worth 250,000 Baht. After their return, they reinitiated farming, but also took to construction work during dry seasons to supplement their income. Ms Phim also used a portion of their savings to buy a small tractor and a small rice-milling machine, for their own use as well as for hiring-out. The couple's average income now is in the range two-million Kip a month. "We do not plan to return to Thailand in the future, because our income is sufficient to sustain our family. We also do not want our family members to go to Thailand and work, even through legal recruitment agencies".

Phim is now 36 years old and her husband is 37, and they have three children.

Source: *NERI (2008).*

BRIEF CONCLUSIONS:

1. *The present policy of reintegration of migrant workers into Lao society essentially addresses only the problems of trafficked workers. On their own or through NGOs, however, some workers have taken innovative steps towards their economic reintegration, which provide clues to what could be done institutionally.*

2. *Methods of gathering smaller savings and forming a large pool, in turn which could be invested, lent or made other use of for the growth of the economy, have been successful in other countries. It is an educated guess that it could be done here.*

116 ILO (2007a); NERI (2006); Chanthavysouk (2006); NERI (2008).

117 Keeping money in Kip helps in formulating an effective monetary policy. In contrast, if most transactions are carried out in foreign currencies, the government has fewer instruments to manage inflation and deflation.

118 World Bank (2006); Chanthavysouk (2006).

Box 5.18: National Reintegration Centre for Overseas Filipino Workers

The National Reintegration Centre for Overseas Filipino Workers is a 'one-stop shop' for all reintegration programmes and services of the government. This is the Department of Labour and Employment's response to the various issues regarding migration and development, particularly those concerning brain drain and the social costs of overseas employment. Each of the streams of reintegration—personal, community and economic—is addressed by a corresponding organisational unit of the Centre and managed by specialists.

For many years, Overseas Filipino workers ('OFW') worked as guest workers. Many still find it difficult to return to settle in the Philippines. Though some have managed to distinguish themselves and contribute to the country's development, not all have found meaningful opportunities to settle down. The National Reintegration Centre for OFWs works to optimise the benefits of overseas employment for the workers, their families, communities and the country. With the help of the Centre, their assets, skills and goodwill for communities are channelled to better uses. It is a one-stop shop and networking hub of reintegration services for the OFWs.

The three-fold thrust of the centre's reintegration programmes and services are: personal, community and economic.

Personal Reintegration Unit

This unit assists returning OFWs adapt to life in the Philippines, taking advantage of their experience and qualifications. They are helped with local or overseas job searches; technical assistance for self-employment or entrepreneurship; access to credit or microfinance; assessment of the need for additional technical training; counselling on business or savings mobilisation schemes; and psychosocial counselling for those with personal or family problems and challenges.

Community Reintegration Unit

This unit offers OFWs opportunities to help accelerate the progress of their communities. This is done by cooperating with other government agencies, particularly the Department of Tourism, the Philippine Retirement Authority and the Commission on Filipinos Overseas. Help is also sought from Non-Government Organisations (NGOs) to encourage OFW returnees, OFWs who are still abroad, to share or contribute their expertise, skills and funds with communities or local government units in developing Small and Medium Enterprises (SMEs) and/or high impact community projects. Partnerships with NGOs are especially encouraged to build more bridges of cooperation and services between OFWs and the communities.

Economic Reintegration Unit

This unit networks with financial institutions and other entities, to identify or develop entrepreneurial opportunities or investments portfolios that encourage higher savings and earnings for OFWs. The Reintegration Centre likewise taps existing and potential service providers to develop and offer faster, safer and price-competitive remittance schemes to motivate more OFWs to transfer funds to the Philippines, using formal channels. This unit also coordinates with financial institutions to develop investment portfolios that would help OFW savings to grow into something that migrant workers can look forward to when they return.

Put simply, the following services are offered: Job Search Assistance, Entrepreneurship and Enterprise Development, Training and Re-tooling Assistance, Psychosocial Services, Brain Gain Movement Initiatives, Community and NGO Linkages, Special Retirement Programmes, Special Remittance Packages, Investment Portfolios, and Advocacy and Information Programmes.

Source: *http://www.nrco.dole.gov.ph/*

There is, therefore, a need to establish savings avenues for monies earned by the migrants. The scope of the Village Development Fund could be expanded and its capacity built.

KEY RECOMMENDATIONS

1. There is a need to establish labour market information systems, keeping in view that there are few, if any, institutional mechanisms for labour-market information for the 'lower circuit' workers. Box 5.1 outlines a possible approach for Laos.

2. An all-round improvement in the skills of workers is essential to increase workers' employability in value adding jobs. Improving skills through adult and technical education are some useful approaches (see Chapter 6).

3.1 To strengthen small-scale self-employment, the starting point is the legal recognition of the self-employed as businesspersons, even if they are vendors with no permanent address. Such registration permits possibilities for their organisation, which has its own advantages such as forming associations for sharing common indivisible resources, or communicating their concerns to the relevant authorities. The legal recognition should come from the municipality or its equivalent. The Lao Trade Union and Lao Women's Union can be facilitating agencies in forming the associations.

3.2 That credit is required needs reiteration, despite it having been repeated at many forums. In addition, many of the recommendations in Chapter 4 regarding off-farm and non-farm jobs' would apply in urban areas as well.

4.1 Micro insurance should be examined, especially for health, as it could help both the self-employed and wageworkers meet medical expenses when they fall ill.

4.2 Wageworkers must hold work contracts. This would minimise their arbitrary loss of jobs or being subject to the whims of their employers and protect them from working long hours in unwholesome conditions. The Ministry of Labour, in partnership with the Lao Trade Union and employers, should develop a mechanism to act on this issue.

5. There is a need to launch a representative study of the urban labour markets to understand its different facets, necessary for providing clues to a more realistic policy.

6. The fact that a large proportion of migrants are considered 'illegal' according to Lao regulations, although a significant proportion of them register with authorities in Thailand, speaks of the urgency for reviewing the regulations regarding out-migration of workers from Laos.

7. Migrant workers today prefer informal travel and job access channels despite the hazards involved. Effort should be made to legalise some of these routes in order to recognise reality. This would also bring these agencies under some form of regulation.

8. Currently, money remittances are made through informal channels, they being cheaper, quicker and more user-friendly to the local communities. The government could consider regularising them selectively. Formalisation of these agencies could also be a means by which the money could finally reach the banking system.

9. Reintegration of migrant workers back into the Lao economy is of paramount importance. Facilities for business and tax-breaks are some options offered in other countries. The authorities could examine what alternatives would work here. Perhaps a 'Helpdesk' could be set up to assist in reintegrating returnee migrants, for which the lead can be taken by the Lao Women's Union and Lao Trade Union. Special attention should be given to those returnee migrants possessing skills. For ensuring all this, studies should be carried out for finding out how the migrants' return can maximise economic and social benefits to them and the local economy.

10. The role of the village-based savings and credit societies (or VDF where they exist) should be expanded to becoming agencies where people can deposit their savings. Collecting small savings and forming a larger pool of resources (further enhanced through forming federations of individual societies) have been successful in other countries. These resources are then brought into larger circulation. To begin with, a pilot experiment could be conducted in a few villages.

ANNEX 5.1:
URBAN SURVEY

Self-employed workers are those who spend the majority of their time and obtain more than half their income from self-employment.

Wage-employed workers (or simply, wageworkers) are those who spend the majority of their time and obtain more than half their income from working for a wage. They could be both regular employees (employed for a relatively longer time, say six months or more and receiving monthly salaries) and casual workers (who work on a daily, weekly or similarly short-term arrangement and receive daily wages).

A bird's eye view of the sample size can be seen in Table A5.1.

Table A5.1: Sample brief

	Self employed		Wage employed		Total	
Industry	Male	Female	Male	Female	Male	Female
Manufacturing	40	121	133	142	173	263
Services	81	145	52	82	133	227
Total	121	266	185	224	306	490

	Self employed		Wage employed		Total	
Education	Male	Female	Male	Female	Male	Female
up to 5 years	37	92	59	95	96	187
> 5 years	84	174	126	129	210	303
Total	121	266	185	224	306	490

Experience from different countries suggests that labour markets treat migrant workers differently, because they often have less work experience, little bargaining capacity and smaller institutional and family support. However, this handicap remains only for a short while, except in some locales when the migrant belongs to a specific group (or groups) and the labour market and/or society are segmented on these very lines. Migrants in this sample have been defined as those who have entered the city less than five years on the date of survey, as there is no discrimination of the type mentioned above in urban Laos, and it is believed that within five years they would learn the wherewithal of the urban labour markets and fully amalgamate with others. The sample has 22.6 percent migrant workers: 26.5 male and 20.2 percent female. Of the total migrant workers, 85 percent are wageworkers and of non-migrants, 42 percent. Migrants find it simpler to access wage work; for self-employment, seed money, working capital, land/space for initiating business, contacts in the city, etc. are prerequisites, which migrants find difficult to mobilise. Wage jobs are less desirable compared to jobs in self-employment.

ANNEX 5.2:
FIELD SURVEY OF MIGRANT WORKERS

A migrant worker is one who crosses the border into Thailand to seek work. S/he could go for very short periods (say, a fortnight or month – e.g. for crop cutting), or for about a year, or even for several years.

Data were collected in six villages of three provinces, using the Focus Group Discussion method (36 FGDs in all). In addition, profiles of experiences of individual workers were prepared. All studies were conducted in Laos; with returned migrants, those who came on leave, families of migrants, and government authorities.

The provinces where fieldwork was carried out were Borikhamxay, Xayabury and Champasack. All these provinces border Thailand. Two villages from each province were selected, one village located close to the border and the other far from it, but both having a high incidence of out-migration. In Borikhamxay, Pak Tuai Nue village was selected, as it is located close to border and Na Oi Nou village, located far away. In Xayabury, Meuang Ham village was selected as being close to the border and Bua Ban, far away. In Champasack, Dong Yang was selected as one close to border and Kaeng Kia, far away.

Target FGDs consisted of six groups in each village:

1. Group of male returnees,
2. Group of female returnees,
3. Group of youth (aged 15-22 years), never having been to Thailand (potential migrants),
4. Group of families with member(s) who have worked/working in Thailand,
5. Group of families with no member having worked/working in Thailand, and
6. Group of village authorities.

Each group consisted of 6-9 interviewees.

Interviews:
Face-to-face consultations were also held with:

1. The nine recruitment companies,
2. Department of Employment Promotion, Ministry of Labour and Social Welfare,
3. Ministry of Foreign Affairs,
4. UNIFEM, Lao PDR; UNIAP, Lao PDR,
5. ILO, Thailand,
6. National Economic and Social Development Board, Thailand,
7. The Thailand Development Research Institute ('TDRI'), and
8. Provincial and district departments of Labour and Social Welfare and departments of Police of three selected provinces.

ANNEX 5.3:
DETERMINANTS OF INCOME

The well-known method of estimating the rates of return on education is also the best formulation for determining factors that explain variations in income. The equation states that income varies with the extent of education and work experience. The dependent variable is the logarithm of 'monthly income'. In light of the discussion in the text, the independent variables in equation are the following:

1. The educational stock, which is measured by the years of education attained by a worker (including technical education).
2. The experience, for which a proxy variable 'age' is used (along with its square, to account for non-linearity).
3. As seen from the text, earnings monthly earnings differ from hourly earnings. Hence, hours-of-work per week is a determinant.
4. The market differentiates wages, at least by gender, migrant/non-migrant status, and sector (manufacturing versus services). Hence, intercept dummy variables are added to account for these.

Multiple regression estimates for *wageworkers* are given in Table A5.2 below. For the self-employed, the most important determinant is 'capital-stock'. Since data on this variable are not available, the equation is not estimated for them.

Table A5.2: Estimates of regression on earnings (wageworkers only)

Dependent variables	Coefficient values	't' values
Education stock	0.02	3.40**
Age	0.09	3.79**
Square of age	-0.01	-2.88**
Hours of work	0.01	2.82**
Dummy (non-migrant=0)	-0.08	-1.70*
Dummy (female=0)	0.12	2.86**
Dummy (service sector=0)	-0.25	-5.29**
Constant	11.39	34.27**

Dependent variable: Logarithm of monthly earnings of wageworkers; R2=0.24; F=18.03; n=409;
** = significant at 1% confidence and * = significant at 5%

The equation is a reasonably good fit with all the explanatory variables statistically significant at one or five percent confidence levels, i.e. they actually explain the variations in income. However, the small size of the coefficient values suggests that the variation in incomes is not high. This is confirmed by the value of the Gini coefficient of income inequality: it is only 0.24 among wageworkers. The small variation in income is an indicator of the market being essentially 'flat'; not having much income mobility.

CHAPTER 6:

INVESTING IN PEOPLE FOR GREATER EMPLOYABILITY AND CHOICES

CHAPTER 6:

INVESTING IN PEOPLE FOR GREATER EMPLOYABILITY AND CHOICES

The woods are lovely, dark and deep, but I have promises to keep … And miles to go before I sleep, and miles to go before I sleep

Robert Frost
American Poet (1874-1963)

OVERVIEW

This chapter puts forth proposals for strengthening human capital to improve people's employability. Some of the findings are based on fieldwork in Laos while many others are drawn from successful experiences in other countries.

Promoting primary education more effectively today would result in larger productive employment in about a decade. Innovative approaches in order to raise enrolment and retention at the primary school level—*in addition to increasing resources*—have been tried in different environments, including in low-income countries, with some significant success. These approaches have included: multi-grade teaching, cluster schooling, remedial classes, the provision of mid-day meals, mobile libraries, and private sector participation in select spheres. Laos shares several problems common in countries where these approaches have worked (*viz.* the terrain, heterogeneous population, poor infrastructure, etc.). Hence, it is an educated guess that some of them could succeed here. They could at least be tried on a pilot basis.

When seen from today's 'knowledge-economy' perspective, there is an all-round problem of low quality workers in Laos. At present, the TVE system, besides being plagued with low quality education and a shortage of equipment and staff, attempts to cater to audiences who are not really the clientele for the ensuing jobs. This needs correction. This chapter also proposes that short-term training be imparted to low-education and low-income audiences spread over the vast stretches of the country. The system should provide practical training stretched over shorter periods, allowing poorer rural youth to transit away from the agrarian sector and urban youth to find and strengthen their position in the labour market. The training should equip the trainees for both self- and wage employment.

There is a need to strengthen small and micro enterprises through knowledge and know how inputs. For this, business development services could help. Many small enterprises can afford these, though many micro enterprises might have to be assisted in the short term (a variant of the infant industry argument). Next, community development can help improve collective action, for both workers' employability and empowerment.

The need for a specialised institution for mining and geology is outlined, in view of the fact that mining is going to be an important activity in Laos for the next 2-3 decades and Laos needs to be in greater control of its resources.

In the future, government spending on education must rise, and various means used to improve education at all levels.

PURPOSE

Human development is not synonymous with human resource development ('HRD'). Human resource development is one of the important components of HD. HRD helps promote HD, as more skilled and exposed people are more empowered and they can exercise greater choices, both at work and in life. The policy framework to promote HD through employment requires multi-pronged approaches, the foremost being the improvement of HRD – education and human capital.

THIS SUGGESTS APPROACHES FOR:

1. Promoting primary education for greater employability,

2. Enhancing skills for better employability and balancing the demand and supply of workers in different segments of the labour market,

3. Providing business development services to impart knowledge inputs into small and micro enterprises, and

4. Promoting community development skills for collective action for better livelihoods.

The goal of universal primary education

People can break away from their traditional livelihoods (and lifestyle), and opt for occupations of their liking, if they have choices in the labour market. The foundation for creating off-farm and non-farm jobs, promoting scientific agriculture, and in general widening the occupational base rests in a superior knowledge base. For this, primary education is the first building block. The more general proposal of achieving universal primary education has been stated in Chapter 2: finishing incomplete schools, improving infrastructure (water, sanitation, etc.) and making schooling truly free; these are not repeated. Instead, some innovative proposals are suggested[119]. The starting point for promoting primary education is the new National Education System Reforms Strategy ('NESRS') (2006-2015); an ambitious statement, which puts forward proposals to introduce cluster schools, teach vocational education at the primary level, and increase non-formal education for adults. It lays special emphasis on ethnic groups and the locales where they live. These must be taken forward. In addition, the following are proposed for consideration.

Addressing teacher shortages

A shortage of teachers, particularly in the hinterland schools, is common in countries having thin and widely dispersed populations[120]. To overcome this problem, holding multi-grade classes is now a widely accepted approach. This involves a single teacher teaching more than one class and more than one subject, often in the same premises and at the same time. Multi-grade teachers are expected to 'multi-task' (i.e. address more than one topic and audience at the same time), for which they are provided special training[121]. This approach is not new to Laos, though not very popular. The teachers are also not adequately trained for it. To make it more popular, teachers who are required to teach multi-grade classes could be offered incentives such as extra honoraria, quick promotions etc., in addition to training. This approach has also been proposed in the NESRS.

To supplement multi-grade teaching, schools should have the option to draw upon the services of educated village youth for a number of purposes: administrative matters, translating (in the event that students are not very conversant in Lao language), correcting test papers etc. These youth need not be trained-teachers or even have finished high school. They could have finished Grade 7-8, but have the capacity to assist the teacher(s). They could work part-time, and receive a small token honorarium or another form of incentive for their services.

Multi-grade teaching is no substitute for a fully staffed faculty. It has also to be supplemented by cluster schools (schools located in a cluster of 5-6 villages sharing some common facilities, including teachers), for which transport facilities have to be arranged to make them more effective. It is a 'second-best' alternative, but an alternative worth considering nevertheless.

119 Many, though not all of these, also find reference in GOL (2008b) and the Sector Working Group Reports on Education.

120 This is seen in developed countries as well, where fertility rates are falling and there are not enough children in specific grades to employ full-time teachers. See Gayfer and Gajadharsingh (1991); and Mulryan-Kyne (2007).

121 For example, see Quist (2005); http://www.teachercreated.com/

Modern educational facilities are a prerequisite for building human capital

Increasing retention rates

In Laos, children come from varied socio-economic and cultural backgrounds. Many children from agrarian backgrounds are likely to lag behind others in analytical and numerical skills. This has been found true in other countries too, particularly among children belonging to ethnic groups and/or whose parents are not literate. Remedial education, a corrective-step, has been adopted widely to address this issue[122].

Essential components of the programme include the following:

1. The first step is the identification of students lagging behind. Teachers conduct oral achievement tests for all students enrolled in classes 1-3 as well as children not attending school to determine this. Those who do not pass the test are the target of remedial education.

2. Next is the implementation framework:
   a. Students lagging behind are coached through extra classes.
   b. 'Bridging classes' are held for children currently out of school, both school drop-outs and those never enrolled. These classes improve reading capacity and build numeral competency among children up to Grade 2-3. Remedial classes last for about 2-3 months. At their conclusion, child-ren are equipped to join or re-join schools.
   c. Joint learning through forming mixed groups of high, average and low performers helps the low performers to improve.

The implementation framework involves personnel in government schools and those in NGOs or others having expertise in remedial-teaching, working together.

Introducing school-nutrition programmes[123]

Children belonging to poorer households do not get full nutrition, as borne out by WFP and government

122 http://www.pratham.org

123 There is reference to this in MOE (2008b), p 30, but further details are not given.

studies (e.g., MICS). Providing a school mid-day meal for them prevents hunger, in addition to raising their mental alertness. The meals need not be full meals; they could consist of some rice, with seasonal fruits, vegetables, fish or pork, alternated on different days. Most countries, developing (including Cambodia, which is at a similar level of development as Laos) and developed, have food programmes for primary level students. Laos has introduced such programmes in a few areas. These could be expanded and innovations brought about to raise efficiency.

School nutrition programmes in the Lao context could best be managed by the village community (under the village-head) rather than the school, because this would permit teachers to devote their time to teaching.

Others recommendations:

1. The quality of teaching at the primary level must improve. This is particularly so in mathematics, logic and languages. For this, teacher training must be the starting point.

2. Parent-teacher associations should be strengthened in all villages. The village head or deputy head, with help from the teacher, should conduct monthly meetings. These committees should check school attendance along with other issues such as the performance of children.

3. Examinations and/or other forms of tests to assess students' performances should take place with defined regularity. These tests serve two additional purposes: judging teachers' performances and introducing remedial education, both meaningful in villages where large populations belong to ethnic groups other than the Lao-Tai.

4. In specific sub-components of the primary education programme, the possibility of partnership with the private sector and the community could be investigated; e.g., in meals programmes, recruitment of multi-lingual teachers, training in multi-grade teaching, or even completing incomplete buildings. The NESRS finds there is about 18 percent private sector involvement in school rehabilitation already – this could be expanded[124].

5. Teachers find it difficult to stay in some villages because they find housing inadequate. In such villages, they should be provided appropriate housing. A combination of labour contribution from the villagers (in the dry seasons) and some assistance from elsewhere could achieve this. This should not be too difficult, as voluntary labour is a prevailing practice is Laos.

6. Mobile libraries in some countries help to bridge the reading gap. A few exist in urban areas in Laos. They could be experimented with in villages as well. Some selective translation of basic books into the Lao language is also essential.

7. Vietnam, and to a lesser extent India, have established some schools which provide excellent quality education in mathematics, logic and languages (among other subjects). Such schools then become role models for other schools to follow. Students who complete their schooling in these institutions assume leadership positions in government, industry, research and other important fields, including becoming teachers in these schools and universities of excellence. These schools, in the earlier stages of development, are best established in partnership with foreign partners. To begin with, one in each province or broad region could suffice. Some such schools already exist. The effort has to be systematically increased.

Where do the resources come from for all these programmes? There would be sufficient resources if the allocation to the education sector were raised from the current 2.9 percent of the GDP to say 5-7 percent. This is the level of funding for the education sector in the most successful ASEAN and East Asian countries, which is widely recognised as necessary to achieve targets in universalising education. The source of funding will have to be fiscal support, assisted by income from natural resources.

BRIEF CONCLUSIONS:

Money allocations are essential, but not sufficient in raising education levels on their own. Imaginative and practical programmes are essential for achieving targets in primary education, particularly in the hinterland. Among the approaches proposed here are: the implementation of multi-grade teaching; clustering of schools; assisting children who lag behind others (to the extent that they drop out for this reason);

124 GOL (2008b), p 3.

There are many ways of learning; group learning is one of them

introducing midday meals in schools; schooling migrant parents' children; and incentives for teachers. Some of these are already on the drawing board. They are flagged here again, in view of their importance.

Technical and vocational education in Laos: A re-examination

If current enrolment levels are any guide, technical and vocational education ('TVE') in Laos is not very popular. The reason for this is historical in part: in the late 1970s, the 1980s and 1990s, students went to Eastern Bloc countries for higher education, and when they returned with degrees, they got office jobs. TVEs offer diplomas, and the youth find this unattractive, as the work that they get after completing their education is on factory shop floors. However, in a knowledge-driven economy, technology is central to economic development and human welfare. Therefore, there is a need to provide greater recognition of technology in education. In addition, the TVE system requires a number of other improvements.

An evaluation conducted by the Ministry of Education also suggests the current system is under-funded, under-equipped, lacks fully trained teachers, is expensive to students, and is concentrated in big cities. Consequently, it is not very attractive to the youth. Because of these circumstances, enrolments are falling (Box 6.1). The New Education System Reform Policy of 2008 recognises these problems. It has made proposals for improving the syllabi and doubling the number of student places by 2010, in addition to making proposals for opening TVE schools in all provinces. The document also expresses the intention of collaborating with the private sector[125].

Some key issues that should still be addressed are as follows[126]:

1. Since enrolments in the TVE system are falling, the need for this kind of education needs re-assessment. A comprehensive answer would emerge from a demand survey with employers, prospective entrants, and the alumni. Such an assessment

125 MOE (2008c).

126 Some of these issues are also stated in the Sector Working Group on Education. They are repeated here, as they are relevant and should form a part of the larger package.

Learning by doing is of paramount importance in vocational education

must ask questions about the span of courses, quality, entry point, length of the course and costs, among other factors. The demand survey should extend to identifying the skilled labour needs of the industry in the next decade or two, so that the Ministry of Education can appropriately plan for creating skilled human power in the country.

2. Since workers in many industries are low skilled, a partnership between the private sector and the TVE system could be established for select workers to be trained in regular courses or for short periods in these schools. Such an exchange would help both parties: the schools will know what the industry demand is, and workers will receive appropriate training. The TVE-industry interface with the private sector should extend to teachers spending some quality time in the industry and industry staff selectively teaching in TVE schools.

3. Box 6.1 suggests that students having completed 13-14 years of education (particularly in large cities) are unlikely to find TVE-type careers very attractive, even if the quality is improved. The location of new schools (and/or relocation of the existing ones which attract very few students), will therefore have to be carefully considered. In particular, consideration should be given to establishing schools *where students do find these courses attractive;* e.g., in provincial or district towns.

4a. It would be useful if courses were made modular, i.e., if a student enrols for a *two-year diploma* and after completion takes up a job, s/he should be able to come back after a year or so to study for another *one year* to get a *three-year diploma*. Similarly, there should be the possibility of students getting a bachelor degree after a diploma if s/he completes the extra courses that bridge the gap between diploma and degree requirements. An additional flexibility is holding night classes and weekend classes.

4b. A higher number of students should be able to enter the TVE system, say after Grade 8. Possibility to even lowering this level, say up to Grade 6, should be selectively considered.

4c. Some courses should be specific to certain regions, to better utilise the local potential.

5. On a selective basis, some advanced schools should become degree-awarding colleges.

Box 6.1: A recent assessment of the technical and vocational education system

In 2007-2008, 11 vocational schools enrolled 643 students, and 41 technical schools enrolled 15,102 students. Girls constitute about 30-35 percent of the total enrolment, opting mainly for subjects like tailoring, cooking and similar disciplines. The Ministry of Labour and Social Welfare also operates three Skill Development Centres. These are different from regular training schools, as they provide training at varied levels and for various age groups, but TVE schools are the mainstay of vocational and technical education in Laos. TVE schools offer training ranging from short-term training courses of one-month (very few), to long-term training courses of 2-3 years after Grade 8 or 11 (many more after grade 11 compared to Grade 8).

Some issues calling for attention in the TVE System:

1. The schools are concentrated in big cities; the hinterland population has no local TVE schools. In most streams, there is gross under-representation of certain ethnic groups, partly because they live in the hinterland.

2. TVE schools have high fees and this deters many potential students from joining this stream. The costs are 150,000 Kip for registration, 1,500,000 Kip upwards for training fees for a middle-level technician and more for higher levels (per semester), books plus equipment costs, and boarding and lodging at about 80,000-200,000 (monthly). The total cost to a student is more expensive here than in Thailand or Vietnam, the immediate neighbours. Those who can afford such expenses prefer university degrees rather than diplomas and therefore there is waning interest in TVE schools.

3. The admissions procedures are rigid: eligibility criterion for most courses is 11 years of schooling, and the courses run for 2-3 years. There is little place for school-dropouts or those wanting shorter (or different) exposure to the contents of the courses.

4. The quality of training is indifferent: too few practical classes; no libraries in most schools; little reading-material in Lao-language; under-equipped laboratories and workshops; obsolete machinery; under-qualified teachers, to name some of the issues.

5. The schools are under-funded, and many are required to hire out their facilities to raise money for resources. Only schools receiving foreign assistance are doing better than the average.

6. There is no accreditation of the courses and the inspection and examination system is weak.

7. Most important: Keeping in view the location, costs and duration, these courses are aimed at students who belong to the urban middle and upper-middle classes. However, since the courses do not offer degrees (they award diplomas and certificates), the jobs that graduates obtain are on factory shop floors or in the field (not in offices). Urban middle and upper class students prefer to go to universities, even if they do not get technical degrees there.

There has been a 70 percent fall in admissions in the vocational schools and a small fall in admissions to the technical schools in 2007-2008.

Source: *MOE (2008a).*

Women are able to perform effectively in many non-farm activities

Degree-awarding engineering institutions would help attract the best students into this stream, thereby raising the standards of technological knowledge in Laos. They could also be repositories of technical knowledge. In the initial stages, a close collaboration with foreign institutions could be sought, and the knowledge gradually indigenised.

6. At present, only 20 percent of the students admitted enter through the purely competitive route and 10 percent come through provincial quotas. The remaining 70 percent are students who pay their way through. The admissions ratio will have to alter in favour of more students gaining admission through a competitive process: merit must prevail over any other factor. The provincial quotas must be revisited with a view to promote affirmative action; i.e., increasing the provincial quota.

7. Box 6.1 states that the fees and other expenses are high, not only in comparison to general earning levels of people, but also in comparison to the prevailing fees in neighbouring countries. These fees must reduce, or liberal scholarships must be introduced[127].

8. Schools supported by international aid are more successful. Therefore, for quality improvement, there is a need for a greater collaboration with schools located in other countries. A twinning system could help achieve this task at relatively lower cost, providing faculty exchange syllabus sharing and receiving donations of books and equipment, with schools in not very high-income countries (e.g., ASEAN, China, India).

9. A special fund should also be created for teacher quality improvement. All teachers must hold at least a bachelor's degree (not diploma), if not a post-graduate degree.

10. There are many scholarships given by donor countries to Lao students. Laos should instead ask these countries to strengthen technical

127 It has become a common practice to state that all technical education should be self-financing. In a low-income country, this may not be possible, as only a small section of the community can pay. Even in affluent countries, a large portion of the budget comes from public funding and donations.

schools *here*, rather than offer scholarships for students to go to the donor countries. This is because a local school becomes a better conduit for disseminating knowledge. For example engineering students graduating in Laos would work here as engineers, while those who get scholarships abroad choose study disciplines which might not have direct relevance in Laos, and the trained personnel start to work in unconnected work. E.g., graduates in tourism or botany from foreign universities work as programme officers in donor agencies.

11. Intensive coaching in English must be introduced as books and other teaching materials are mainly available in English. After all, students who go abroad on scholarships also learn the language of the country where they go to study. There is need to study the modalities of how to proceed.

12. A cost-sharing arrangement with the private sector and their larger participation in advising schools could help augment funds and broaden the knowledge base. How to achieve this participation needs to be considered in detail.

In general, the TVE as well as other streams of education should include training in entrepreneurship. Institutional efforts towards business incubation would also help and this aspect needs further thought.

BRIEF CONCLUSIONS:

The TVE system requires an overhaul. Among the issues to be considered in such an overhaul are: the quality of courses; demand for technical personnel by employers; demand by the trainees to be trained appropriately; syllabus improvement; international collaboration; fees; language teaching; admissions criteria; and cost sharing with the private sector.

Educating working people: An alternative approach

The clientele

Data in Chapter 3 suggest that there are about 55,000-60,000 new entrants to the workforce each year; about half of them join agriculture, and the other half join off-farm and non-farm activities. Calculated very roughly from population census data, about 75 percent of them complete no more than 3-6 years education and less than 6-7 percent possess any technical, vocational or college education. About 50 percent of those with say 5-6 years' education, who join the non-farm sectors, could be eligible for, and gain from some additional vocational and/or technical training. The numbers to be trained could be about 10,000 annually. The others might not be ready, willing or eligible. Similarly, about 10-12 percent of those joining farms could be chosen for *some* technical or vocational skills, adding approximately 2,500 more people to that figure, adding up to 12,500 each year. If there is scope for *existing* older workers to join in, the number could swell further; say by another two to three thousand. To begin with, it may be enough to create facilities for training 10,000-12,000 young persons each year in short-term courses, or some exposure to become successful self-employed workers or wage employees.

Imparting technical education differently

A different approach needs to be established to serve this population. The schools should be small, regionally dispersed, and located near the prospective learners. Anyone possessing 5-6 years education and of course a certain degree of intelligence, should be eligible. The admission procedure should be decentralised to serve local interests. Training could last for shorter periods (say a few weeks to a few months) and be flexible; e.g., if a trainee, in a 4-week programme, wishes to do three weeks, and take a break to come back later for the fourth week, the system should accommodate such a possibility. Holding night classes and weekend classes is also a distinct possibility. The curriculum should be practical, flexible and inexpensive. It should equip trainees to take up both self- and wage-employment.

There are a number of areas in which they could be trained:

1. Mechanical (pump-repair, repairing tyres, some machine handling),

2. Electrical (repairing electrical connections, fixing batteries, winding motor or dynamo coils, and simple electronics (fixing a radio, television or fixed line or mobile phone),

3. Simple repairs of trucks, busses and cars,

4. Metal welding, denting and painting,

5. Masonry and construction activities,

6. Wood work and carpentry,

7. Tailoring and stitching,

8. Managing finance (especially to strengthen village development funds), marketing, organisation, courier service, warehousing, personal care, and so on,

9. Tourism related activities,

10. Animal husbandry, food processing, curing meat, fish, fruits, etc, and

11. Scientific agriculture and newer methods in agriculture.

Of course, this list is not exhaustive. It could be expanded according to the specifics of each area.

Training centres

1. Centres need to be established for training, which requires machine exposure or practice. Training centres could serve as *service centres* as well, to provide services to their clientele. This would help them assess the demand, as well as earn some revenues. They should be staffed by a full-time trainer. Trainees could be brought to these centres and exposed to those activities.

2. Mobile training could be extended in select cases where the trainees are not mobile (hilly areas, when the trainees have dependent parents, or when trainees cannot leave jobs, etc.). Mobile-training facilities could be truck-mounted, which could be taken from one village-cluster or city-centre to another on specific dates in accordance with a pre-announced calendar. By its very definition, mobile training would be of short duration, but it has the advantage of 'training on the job'. An added advantage is that the *trainers* discover actual problems faced by the trainees, and hence act as trouble-shooters.

3. In some cases, a trainer alone (i.e. without equipment) could suffice. E.g., in programmes relating to scientific agriculture, animal husbandry, food-processing, retailing, grocery shops etc.,trainers could travel to villages (or urban centres) to provide the necessary training.

Note: In the spirit of affirmative action, emphasis in the hinterland provinces would support welfare. In this regard, setting up these centres in the 47 priority districts (at the Kumban level (i.e. the cluster villages)), could further the cause.

BRIEF CONCLUSIONS:

Short-term technical and vocational education programmes can fulfil certain needs in the labour market. It is important to design imaginative courses, specifically (though not exclusively) for students who have not been able to obtain a regular education for one reason or another. The courses should be short, practical, inexpensive, accessible and flexible.

Improving human capacity through business development and community development

Business development services

Education should not be restricted to fresh entrants alone. There is a need and possibility of improving incomes of people through improving and nurturing their business, particularly in the micro-scale businesses and micro enterprises, through extension services in technology, legal and commercial wherewithal. This could be achieved through establishing Business Development Services ('BDS').

BDS include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, business link promotion, and the like. BDS can be both operational and strategic. Operational services are those which are required and provided on a day-to-day basis, while strategic services are required for medium to long-term business planning and expansion. BDS can be service-specific as well as for a group of services; this decision would depend upon the market being served.

The different actors in a BDS are private enterprises (clients), facilitators (consultants, policy advisors), providers (product certifiers, technology suppliers, trouble-shooters, trainers) and donors or governments. The relationship between the different agents is as follows:

Donors/Government → BDS Facilitators → Providers → Clients

Clients pay for services and providers are demand-driven private agencies that work for a profit. Facilitators are also market driven, while donors, NGOs or governments support facilitators in the initial stages of development. In some countries, special sections within banks, known as 'development arms', have taken up the task of carrying out these services.

There are a number of other services that the state or donors can provide to promote the private sector, which are not direct subsidies or cash concessions. These could include training (on-job or off-job), backup services in the establishment of industry or technology parks or construction of common-use facilities (e.g. deep freezers for small-scale fisherpersons), helping create common design centres (for small garment/leather manufacturers), or even help in organising businesspersons' associations[128].

Community development

Community development ('CD') refers to collective action for bringing about social transformation, development and employment. Underlying CD are the concepts of equity and participation by members of the relevant communities. CD strengthens people's confidence and introduces them to their rights as well – the right to livelihood being one. The CD approach in villages and urban lower income circuits could be applied in:

1. Identifying local needs, opportunities, rights and responsibilities,

2. Planning, organising and taking action,

3. Evaluating the effectiveness and impact of the action, and

4. Distributing the gains.

CD training is carried out through practical instruction. Its core 'curriculum' includes imparting knowledge on the need for, and advantages of, collective action, training for working together and division of work, and the decision-making process for the distribution of gains. CD training for village communities is not conducted in classrooms; instead, community educators carry out training in the villages and local communities. The role of a CD educator is similar to that of agricultural extension officials. CD training in Laos can best be carried out by the Ministry of Agriculture for villages and Ministry of Labour for cities, in partnership with local authorities.

Example 1: Application of CD in rubber tapping

In recent years, Laos has taken the initiative in growing rubber on a large scale. The Ministry of Agriculture estimates that the area under cultivation is in the range of 150,000-180,000 ha, much of it under large plantations[129]. The tree takes 6-8 years before it starts to provide rubber milk. Workers are required during the July/August to November/December period to collect the rubber milk by creating incisions in the bark of the tree for the milk to flow out, and be harvested. Usually, 1-3 workers are required per ha, depending upon the density of the plantation, and they are expected to work throughout the night. Approximately 250,000-300,000 workers are needed for 3-4 months, beginning by about 2011-2012. The wages paid are no different from those in other agricultural operations. It is unlikely that farmers would quit their rice operations to tap rubber in the wet rice season, leaving the door open to in-migration owing to a mismatch between demand and supply of labour.

One approach is that the companies award rubber-tapping contracts to *villages* surrounding the plantation areas on a *profit-sharing* basis. Tapping rubber milk being a relatively simple job, village-heads could mobilise workers from their villages and after some initial training, deploy them to complete this work. Exposure to CD approaches would be helpful for this seasonal mobilisation of workers.

Example 2: Beyond rubber

CD could be effective in other fields. There is already a Coffee Growers' Association, which negotiates prices for the raw seeds that they sell to traders. Some policy analysts feel that there is a need for maize growers' associations, vegetable-growers' associations, and even rice growers' associations, for negotiating better prices and also cooperating for contract farming, sharing technological know-how, etc. Finally, CD approaches could find application in organising the self-employed in off-farm and non-farm activities in both rural and urban areas.

BRIEF CONCLUSIONS:

The responsibility of imparting skills should not be restricted to the education system alone. It should be extended to practical training for business and working in groups as well. Business development services could be helpful to strengthen small and micro enterprises. CD can help bring in newer work and income options within the fold of village and lower circuit urban communities.

128 For details, see World Bank (2001); ILO (2001).

129 NERI has quoted this number, based on the Ministry of Agriculture's estimates. See The Vientiane Times, January 8, 2009.

A school of mining and geology

Mining will be the mainstay of economic activities in Laos for at least 2-3 decades to come. Most developed or emerging economies relying mainly on one or two major activities, like mining, tend to develop local expertise in those activities. A school of mining and geology would help train personnel in a number of ways that would help retain a larger share of value added in the country as well as create direct and indirect jobs.

1. Geological experts can help authorities to know exactly how much mineral exists, where, and in what form, thereby reducing dependence on foreign companies to provide this information.

2. Information on (1) above would assist in negotiating deals with private companies that are more beneficial to Laos.

3. In the medium term, there is the possibility of Lao companies taking up mining without the involvement of foreign companies.

4. Knowledge of ore and metal processing would help in developing SMEs for downstream processing of minerals, a proposal made in Chapter 3.

The multiplier effect of such a school is impossible to calculate at this stage, but it would be large. It would also combat the criticism often made about small countries not getting the benefits of the mineral wealth that they own. The scale of such a school has to be determined through detailed studies: should such an institute become another department within the National University, should it be a small independent school, or some combination of these.

KEY RECOMMENDATIONS

1. Government spending on education must rise to equal that in say Malaysia or Korea, which is in the range of 6-8 percent of the GDP.

2. Some innovative approaches to strengthening primary education enrolment rates are; using multi-grade teaching, establishing cluster schools, assisting children who lag behind through extra coaching, introducing school midday meals, using the services of low-educated rural youth (e.g. for translating, for learners do not speak Lao), and providing incentives to teachers.

3. The existing TVE system needs to be overhauled to make it more accessible and interesting. More specifically:
   a. The institutions should become demand-responsive,
   b. The syllabi, equipment, practical training, quality of teaching, etc. must improve, and also include courses in entrepreneurship,
   c. Upgrading select diploma schools to degree colleges, introducing modular syllabi, and raising teacher quality could help in improving the quality of schools,
   d. The admissions criteria should change to admit more students on merit. To support them, liberal scholarships should be introduced,
   e. Private sector partnership and international collaborations with, preferably Asian countries, could help raise quality at a relatively low cost,
   f. Increasing the funding of TVE schools is paramount,
   g. Raising the number of admission points to TVE; e.g., raising the proportion of students who can take admission after Grade 8, or even consider lowering the admission to Grade 6 in some vocational courses, can increase the demand.
   h. Raising flexibility in imparting training, e.g., introducing/expanding night classes and weekend classes will make these courses more accessible.

4. Informal training programmes, lasting a few weeks to a few months, need to be targeted at low-income rural and urban youth (especially girls), who are unable to obtain regular educational streams for various reasons. The courses should be short, practical, inexpensive, accessible, flexible, and spread regionally (e.g., setting up these at the Kumban level). Training could be in schools, by instructors who would make regular visits to target sites, or through mobile (truck/van-mounted) training devices, depending upon the type and location. The timings of these courses should be flexible (e.g., introducing night classes and weekend classes). Such training would assist in strengthening both self-employment and wage employment outside family farms, in rural and urban areas alike. Private sector partnership should also be sought in these training programmes. The target should be to train about 10,000-12,000 persons each year.

5. Skills could be imparted to small and micro enterprises through business development services. Specialised agencies serve the interests of such enterprises, for each product, industry and

location. Additionally, thought given to promoting business incubation. Such agencies should be regionally dispersed.

6. Training in community development at the village/local community level could help workers, both self- and wage-employed, taking up new jobs or improving their incomes in their present jobs.

7. A demand survey for skilled workers should be carried out to assist the Ministry of Education in designing appropriate skill-development strategies.

8. Acquiring more skills in mining and geology would help retain a higher portion of value added from mining in Laos, create more skills and allow for more advantageous negotiations between the Lao government and mining companies. Opening a school of mining and geology could be a very useful step in this direction.

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APPENDIX I:
LAO BASIC DATA AND HUMAN DEVELOPMENT INDICATORS

TABLE 1: LAO PDR BASIC DATA

	Total Area	Districts	Villages	Households	Households	Average number of workers per household
	km²	Number	Number	Number	Number	Persons
	2007 1	2007 2	2007 3	2007 4	2008 5	2005 6
LAO PDR	236,800 .0	139.0	9,113.0	982,485.0	1,011,623.0	2.9
Urban	…	…	…	…	…	2.5
Rural with road access	…	…	…	…	…	2.9
Rural without road access	…	…	…	…	…	3.1
PROVINCES						
Vientiane Capital	3,920.0	9.0	500.0	124,872.0	128,464.0	2.6
Phongsaly	16,270.0	7.0	563.0	28,802.0	28,453.0	2.9
Luangnamtha	9,325.0	5.0	362.0	28,145.0	28,831.0	2.7
Oudomxay	15,370.0	7.0	502.0	43,618.0	44,923.0	2.9
Bokeo	6,196.0	5.0	312.0	27,223.0	27,520.0	2.7
Luangprabang	16,875.0	11.0	821.0	69,265.0	71,090.0	2.8
Huaphanh	16,500.0	8.0	774.0	43,964.0	44,664.0	2.9
Xayabury	16,389.0	10.0	465.0	63,682.0	66,575.0	2.9
Xiengkhuang	16,358.0	8.0	567.0	39,418.0	39,056.0	2.7
Vientiane Province	22,554.0	12.0	528.0	77,069.0	82,910.0	2.7
Borikhamxay	14,863.0	6.0	326.0	39,827.0	41,127.0	2.7
Khammuane	16,315.0	9.0	658.0	62,597.0	66,297.0	2.7
Savannakhet	21,774.0	15.0	1,012.0	134,646.0	139,191.0	3.3
Saravane	10,691.0	8.0	682.0	58,047.0	56,815.0	3.2
Sekong	7,665.0	4.0	252.0	13,772.0	15,200.0	3.2
Champasack	15,415.0	10.0	645.0	107,091.0	108,568.0	2.9
Attapeu	10,320.0	5.0	174.0	20,447.0	21,939.0	2.8

Sources:

Column1-3: *MPI-DoS (2007), Statistic Year Book*

Column 4: *MPI-DoS (2009) Lao Expenditure and Consumption Survey 2007/08*

Column 5: *MPI-DoS (2005),Population Census 2005*

Column 6: *MPI-DoS (2008), Statistic Year Book*

Remark:

… : Not applicable (NA)

TABLE 2: HUMAN DEVELOPMENT INDICATOR

	Human development index (HDI)	
	Value 1995	Value 2005
LAO PDR	...	...
PROVINCES		
Vientiane Capital	0.519	0.687
Phongsaly	0.175	0.279
Luangnamtha	0.153	0.316
Oudomxay	0.199	0.314
Bokeo	0.197	0.368
Luangprabang	0.226	0.414
Huaphanh	0.215	0.386
Xayabury	0.310	0.492
Xiengkhuang	0.281	0.434
Vientiane Province	0.359	0.520
Borikhamxay	0.286	0.459
Khammuane	0.291	0.366
Savannakhet	0.291	0.404
Saravane	0.248	0.308
Sekong	0.196	0.307
Champasack	0.325	0.467
Attapeu	0.235	0.331

Source: *Calculated from national data*

TABLE 3: POVERTY AND RELATED INDICATORS

	Poverty headcount ratio				Poverty gap ratio			
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
	1992-93 1	1997-98 2	2002-03 3	2007-08 4	1992/93 5	1997/98 6	2002/03 7	2007-08 8
LAO PDR	46.0	39.0	34.0	27.6	11.2	10.3	8.0	6.5
Urban	27.0	22.0	20.0	17.4	5.5	4.9	4.1	3.4
Rural	52.0	43.0	38.0	31.7	12.9	11.4	9.2	7.7
PROVINCES								
Vientiane Capital	34.0	14.0	17.0	15.2	7.0	2.8	3.6	3.4
Phongsaly	72.0	58.0	51.0	46.0	16.3	17.0	12.7	11.8
Luangnamtha	41.0	51.0	23.0	30.5	10.3	14.4	4.7	6.1
Oudomxay	46.0	66.0	45.0	33.7	9.7	24.7	11.3	8.6
Bokeo	42.0	39.0	21.0	32.6	7.0	9.5	5.4	7.9
Luangprabang	59.0	41.0	40.0	27.2	15.5	9.8	20.9	5.5
Huaphanh	71.0	71.0	52.0	50.5	24.6	23.4	14.9	13.6
Xayabury	22.0	18.0	25.0	15.7	4.8	3.1	6.2	3.0
Xiengkhuang	63.0	43.0	42.0	42.0	18.0	11.9	12.5	13.4
Vientiane Province	31.0	28.0	19.0	28.0	6.5	5.7	3.6	6.2
Borikhamxay	17.0	28.0	29.0	21.5	2.3	7.4	6.2	4.3
Khammuane	47.0	45.0	34.0	31.4	11.5	11.3	8.2	6.7
Savannakhet	53.0	42.0	43.0	28.5	11.2	9.8	11.4	6.1
Saravane	44.0	39.0	54.0	36.3	8.7	10.0	13.8	9.1
Sekong	67.0	50.0	42.0	51.8	23.5	15.0	12.3	19.1
Champasack	41.0	37.0	18.0	10.0	10.2	9.0	3.8	1.6
Attapeu	61.0	48.0	44.0	24.6	22.4	12.1	12.2	4.6
Xaysomboon SR	…	63.0	31.0	…	…	9.8	7.1	…

Sources:

Column 1-8: *MPI-DOS(2009), "Poverty in Lao PDR 1992-2008 Report"*

Column 9-18: *MPI-DOS (2009), Lao Expenditure and Consumption Survey 2002-03 and 2007-08*

Remark:

… : Not applicable (NA)

TABLE 3: POVERTY AND RELATED INDICATORS

	Average of consumption per month per household		Proportion of Total Consumption			
			Food		Self produced products	
	Kip per household	Kip per household	Percent	Percent	Percent	Percent
	2002/03 9	2007/08 10	2002/03 11	2007/08 12	2002/03 13	2007/08 14
LAO PDR	1,091.0	2,170.7	55.0	30.0	29.0	23.0
Urban	1,707.0	2,950.2	45.0	33.0	9.0	9.0
Rural	855.0	1,826.1	63.0	26.0	44.0	34.0
PROVINCES						
Vientiane Capital	1,900.0	3,183.1	42.0	33.0	6.0	5.0
Phongsaly	763.0	1,258.6	69.0	29.0	57.0	51.0
Luangnamtha	1,029.0	1,654.6	58.0	26.0	41.0	34.0
Oudomxay	804.0	1,734.9	65.0	24.0	49.0	38.0
Bokeo	833.0	1,279.0	67.0	31.0	50.0	42.0
Luangprabang	1,118.0	2,177.6	52.0	29.0	25.0	22.0
Huaphanh	939.0	1,471.5	65.0	22.0	50.0	49.0
Xayabury	1,102.0	3,035.4	50.0	19.0	33.0	19.0
Xiengkhuang	1,062.0	2,191.0	60.0	25.0	42.0	30.0
Vientiane Province	1,212.0	1,857.5	50.0	32.0	23.0	27.0
Borikhamxay	963.0	2,019.1	62.0	34.0	37.0	26.0
Khammuane	873.0	1,871.8	64.0	31.0	43.0	33.0
Savannakhet	965.0	2,365.0	60.0	31.0	34.0	23.0
Saravane	684.0	1,455.9	66.0	31.0	48.0	43.0
Sekong	804.0	1,518.7	68.0	37.0	47.0	35.0
Champasack	1,054.0	2,299.5	58.0	31.0	23.0	20.0
Attapeu	838.0	1,759.7	57.0	33.0	38.0	30.0
Xaysomboon SR	899.0	…	65.0	…	39.0	…

Sources:

Column 1-8: *MPI-DOS(2009), "Poverty in Lao PDR 1992-2008 Report"*

Column 9-18: *MPI-DOS (2009), Lao Expenditure and Consumption Survey 2002-03 and 2007-08*

Remark:

… : Not applicable (NA)

TABLE 3: POVERTY AND RELATED INDICATORS

	Daily Rice Intake Per Capita							
	Total		Urban areas		Rural areas with road access		Rural areas without road access	
	Gram	Gram	Gram	Gram	Gram	Gram	Gram	Gram
	2002/03 15	2007/08 16	2002/03 17	2007/08 18	2002/03 19	2007/08 20	2002/03 21	2007/08 22
LAO PDR	575.0	569	509	533	595	606	591	655
Urban	509.0	498	…	…	…	…	…	…
Rural	594.0	598	…	…	…	…	…	…
PROVINCES								
Vientiane Capital	478.0	400.0	442.0	418.0	589.0	473.0	…	…
Phongsaly	592.0	707.0	541.0	581.0	629.0	695.0	585.0	760.0
Luangnamtha	702.0	688.0	785.0	701.0	735.0	667.0	594.0	843.0
Oudomxay	644.0	645.0	545.0	670.0	658.0	657.0	666.0	661.0
Bokeo	637.0	736.0	684.0	780.0	643.0	747.0	521.0	796.0
Luangprabang	608.0	612.0	476.0	567.0	601.0	629.0	662.0	673.0
Huaphanh	649.0	674.0	689.0	678.0	634.0	681.0	654.0	675.0
Xayabury	704.0	669.0	544.0	703.0	759.0	710.0	645.0	568.0
Xiengkhuang	672.0	661.0	676.0	671.0	712.0	672.0	637.0	652.0
Vientiane Province	573.0	438.0	584.0	467.0	569.0	451.0	599.0	…
Borikhamxay	532.0	425.0	521.0	445.0	542.0	446.0	535.0	427.0
Khammuane	717.0	566.0	646.0	534.0	733.0	592.0	714.0	769.0
Savannakhet	452.0	575.0	475.0	547.0	455v	652.0	415.0	676.0
Saravane	597.0	611.0	600.0	480.0	597.0	630.0	596.0	451.0
Sekong	533.0	509.0	563.0	477.0	545.0	518.0	495.0	487.0
Champasack	502.0	565.0	433.0	579.0	514.0	598.0	513.0	584.0
Attapeu	573.0	520.0	637.0	542.0	571.0	542.0	551.0	532.0
Xaysomboon SR	740.0	…	519.0	…	762.0	…	…	…

Sources:

Column 1-8: *MPI-DOS(2009), "Poverty in Lao PDR 1992-2008 Report"*

Column 9-18: *MPI-DOS (2009), Lao Expenditure and Consumption Survey 2002-03 and 2007-08*

Remark:

… : Not applicable (NA)

TABLE 4: DEMOGRAPHIC INDICATORS

	Total Population				Population Growth	Population Density			Total Fertility	
	Thousand Persons				Percent					
	1995 1	2005 2	2006 3	2007 4	2007/08 5Z	2005 6	2006 7	2007 8	1995 9	2005 10
LAO PDR	4,575.0	5,622.0	5,748.0	5,874.0	2.1	23.7	24.3	25	5.4	4.5
PROVINCES										
Vientiane Capital	524.0	698.0	712.0	726.0	2.9	178.0	182.0	185.0	4.7	2.3
Phongsaly	153.0	166.0	168.0	170.0	0.8	10.0	10.0	10.0	5.7	5.1
Luangnamtha	115.0	145.0	149.0	153.0	2.4	16.0	16.0	16.0	5.7	4.8
Oudomxay	210.0	265.0	272.0	279.0	2.4	17.0	18.0	18.0	6.6	5.8
Bokeo	114.0	145.0	149.0	153.0	2.5	23.0	24.0	25.0	5.5	4.7
Luangprabang	365.0	407.0	415.0	423.0	1.1	24.0	25.0	25.0	6.1	5.3
Huaphanh	245.0	281.0	288.0	295.0	1.4	17.0	17.0	18.0	6.2	6.4
Xayabury	292.0	339.0	346.0	353.0	1.5	21.0	21.0	22.0	5.6	4.2
Xiengkhuang	201.0	230.0	246.0	252.0	1.4	15.0	15.0	15.0	6.3	5.9
Vientiane Province	287.0	389.0	430.0	442.0	3.1	21.0	19.0	20.0	5.9	4.4
Borikhamxay	164.0	225.0	233.0	241.0	3.3	15.0	16.0	16.0	5.8	5.2
Khammuane	273.0	337.0	345.0	353.0	2.2	21.0	21.0	22.0	5.4	5
Savannakhet	672.0	826.0	842.0	859.0	2.1	38.0	39.0	39.0	5.4	4.4
Saravane	256.0	324.0	333.0	341.0	2.4	30.0	31.0	32.0	5.5	5.5
Sekong	64.0	85.0	87.0	90.0	2.9	11.0	11.0	12.0	7.2	5.9
Champasack	501.0	607.0	617.0	626.0	1.9	39.0	40.0	41.0	4.9	4.2
Attapeu	87.0	112.0	115.0	118.0	2.5	11.0	11.0	11.0	5.4	5.2
Xaysomboon SR	54.0	39.0	...	...	...	9.0	...	...	6.8	6.4

Note: *Column 17, (-) means the Immigrant, (+) means Migrant*

Sources:

Column 1, 9, 11, 13 and 15: *Ministry for Planning and Investment – National Statistics Centre (1997) "Population and Housing Census 1995 Lao PDR" (Vientiane: 1997)*

Column 2, 5, 6, 10, 12, 14, 16 and 17: *Ministry of Planning and Investment – National Statistics Centre (2005) "Population and Housing Census 2005: (Vientiane: 2005)*

Column 3, 4, 6 and 7: *Ministry of Planning and Investment-Department of Statistics (2006,2007) "Statistics Year Book 2006, 2007), Vientiane: 2006, 2007*

TABLE 4: DEMOGRAPHIC INDICATORS

	Crude Death		Population not born in the same district as their residence		Rural Population		Migration (numbers)
			Percent	Percent	(as % total)		Persons
	1995 11	2005 12	1995 13	2005 14	1995 15	2005 16	2005 17
LAO PDR	15.1	9.8	19	18.3	83	73	269,348
PROVINCES							
Vientiane Capital	10.9	6.2	44.2	41.1	37.0	17.5	(24,114.00)
Phongsaly	11.7	12.6	13.5	8.8	94.0	87.4	23,986.76
Luangnamtha	12.9	13.3	21.5	20.7	83.0	78.2	(1,554.00)
Oudomxay	11.1	14.9	13.6	13.3	85.0	84.8	11,323.75
Bokeo	13.5	11.2	27.3	25.0	95.0	86.3	(5,774.00)
Luangprabang	15.2	11.3	14.8	16.5	89.0	81.1	40,899.52
Huaphanh	15.1	10.1	7.8	9.0	94.0	88.2	36,386.38
Xayabury	16.2	7.8	13.4	12.5	93.0	77.3	23,751.63
Xiengkhuang	15.0	10.0	23.2	21.5	93.0	79	43,777.34
Vientiane Province	13.9	7.7	28.5	29.0	83.0	76.5	(41,329.00)
Borikhamxay	16.5	9.2	22.7	24.0	94.0	73.6	(17,872.00)
Khammuane	12.3	11.0	12.4	11.8	87.0	78.7	16,228.53
Savannakhet	12.1	9.4	10.9	9.3	85.0	77.5	48,831.01
Saravane	12.6	11.0	10.2	8.5	94.0	91.4	26,998.20
Sekong	12.9	14.4	19.5	21.5	85.0	78.7	2,710.74
Champasack	14.0	9.0	14.5	14.3	87.0	79.5	50,430.24
Attapeu	16.6	14.4	13.6	10.8	95.0	83	3,108.06
Xaysomboon SR	16.9	9.9	43.7	39.4	92.0	82.6	31,559.30

Note: *Column 17, (-) means the Immigrant, (+) means Migrant*

Sources:

Column 1, 9, 11, 13 and 15: *Ministry for Planning and Investment – National Statistics Centre (1997) "Population and Housing Census 1995 Lao PDR" (Vientiane: 1997)*

Column 2, 5, 6, 10, 12, 14, 16 and 17: *Ministry of Planning and Investment – National Statistics Centre (2005) "Population and Housing Census 2005: (Vientiane: 2005)*

Column 3, 4, 6 and 7: *Ministry of Planning and Investment-Department of Statistics (2006,2007) "Statistics Year Book 2006, 2007), Vientiane: 2006, 2007*

TABLE 5: THE DISTRIBUTION OF POULATION BY SEX AND PROVINCE

	Population	Female	Male	Sex ratio	
	2005	2005	2005	1995	2005
	Persons 1	Persons 2	Persons 3	Percent 4	Percent 5
LAO PDR	5,621,982.0	2,821,431.0	2,800,551.0	97.7	99.2
Urban	1,522,137.0	759,094.0	763,043.0	...	100.5
Rural with road access	2,895,179.0	1,452,837	1,442,342	...	99.3
Rural without road access	1,198,069.0	607,122	590,947	...	97.3
PROVINCES					
Vientiane Capital	698,318.0	349,624.0	348,694.0	100.4	99.7
Phongsaly	165,947.0	82,838.0	83,109.0	98.6	100.3
Luangnamtha	145,310.0	73,599.0	71,711.0	95.5	97.4
Oudomxay	265,179.0	133,126.0	132,053.0	98.5	99.1
Bokeo	145,263.0	73,162.0	72,101.0	97.8	98.5
Luangprabang	407,039.0	203,429.0	203,610.0	98.2	100.0
Huaphanh	280,938.0	139,327.0	141,611.0	98.9	101.6
Xayabury	338,669.0	167,633.0	171,036.0	100.0	102.3
Xiengkhuang	229,596.0	113,944.0	115,652.0	99.1	101.5
Vientiane Province	388,895.0	191,433.0	197,462.0	102.3	103.1
Borikhamxay	225,301.0	111,293.0	114,008.0	100.0	102.4
Khammuane	337,390.0	171,825 .0	165,565.0	94.4	96.3
Savannakhet	825,902.0	419,101.0	406,801.0	96.0	97.0
Saravane	324,327.0	165,508.0	158,819.0	93.8	95.9
Sekong	84,995.0	43,041.0	41,954.0	96.9	97.4
Champasack	607,370.0	306,524.0	300,846.0	95.3	98.1
Attapeu	112,120.0	57,338.0	54,782.0	94.1	95.5
Xaysomboon SR	39,423.0	18,686.0	20,737.0	101.5	110.9

Note: *Column 4 and 5, Number over 100 means Number of men greater than woman*

Source:

Ministry of Planning and Investment – National Statistics Centre (2005) "Population Census 2005"

Remark:

... : Not applicable (NA)

TABLE 6: MORTALITY MEASUREMENTS

	Infant mortality rate	Infant mortality rate		Maternal mortality ratio	Under five mortality	
		Boy	Girl			
	Deaths per 1000 live births	Deaths per 1000 live births		Deaths per 100,000 live births	Deaths per 1000 live births	
	2005 1	2005 2	2005 3	2005 4	2000 5	2005 6
LAO PDR	70.0	75.0	61.0	405.0	107.0	68.0
Urban	36.0	…	…	…	49.0	40.0
Rural	…	…	…	…	114.0	…
Rural with road access	57.0	…	…	…	…	69.0
Rural without road access	62.0	…	…	…	…	78.0
PROVINCES						
Vientiane Capital	…	22.0	15.0	…	…	…
Phongsaly	…	75.0	61.0	…	…	…
Luangnamtha	…	112.0	94.0	…	…	…
Oudomxay	…	99.0	82.0	…	…	…
Bokeo	…	52.0	33.0	…	…	…
Luangprabang	…	87.0	71.0	…	…	…
Huaphanh	…	75.0	60.0	…	…	…
Xayabury	…	52.0	33.0	…	…	…
Xiengkhuang	…	75.0	61.0	…	…	…
Vientiane Province	…	42.0	32.0	…	…	…
Borikhamxay	…	52.0	41.0	…	…	…
Khammuane	…	112.0	94.0	…	…	…
Savannakhet	…	75.0	60.0	…	…	…
Saravane	…	112.0	94.0	…	…	…
Sekong	…	140.0	118.0	…	…	…
Champasack	…	75.0	60.0	…	…	…
Attapeu	…	113.0	94.0	…	…	…
Xaysomboon SR	…	75.0	60.0	…	…	…

Sources:

Column 1-4, 10, 12: MPI-DoS (2005), "Population and Housing Census 2005"

Column 5, 6: MPI-DoS , Lao Reproductive Healthy Survey 2000 and 2005

Column 9, 11: MPI-DoS (1997), "Population and Housing Census 1995"

Remark:

… : Not applicable (NA)

TABLE 6: MORTALITY MEASUREMENTS

	Life expextancy at birth			
	Male		Female	
	Year	Year	Year	Year
	1995 9	2005 10	1995 11	2005 12
LAO PDR	50	59	52	63
Urban	…	…	…	…
Rural	…	…	…	…
Rural with road access	…	…	…	…
Rural without road access	…	…	…	…
PROVINCES				
Vientiane Capital	57.0	68.0	59.0	71.0
Phongsaly	55.0	60.0	58.0	63.0
Luangnamtha	52.0	56.0	55.0	59.0
Oudomxay	55.0	58.0	58.0	60.0
Bokeo	51.0	63.0	54.0	66.0
Luangprabang	50.0	59.0	53.0	62.0
Huaphanh	51.0	60.0	53.0	63.0
Xayabury	49.0	63.0	51.0	66.0
Xiengkhuang	52.0	60.0	54.0	63.0
Vientiane Province	52.0	65.0	54.0	68.0
Borikhamxay	48.0	63.0	50.0	66.0
Khammuane	54.0	56.0	57.0	59.0
Savannakhet	55.0	60.0	58.0	63.0
Saravane	54.0	56.0	57.0	59.0
Sekong	53.0	54.0	56.0	56.0
Champasack	53.0	60.0	55.0	63.0
Attapeu	52.0	55.0	55.0	58.0
Xaysomboon SR	47.0	60.0	50.0	63.0

Sources:

Column 1-4, 10, 12: MPI-DoS (2005), "Population and Housing Census 2005"

Column 5, 6: MPI-DoS , Lao Reproductive Healthy Survey 2000 and 2005

Column 9, 11: MPI-DoS (1997), "Population and Housing Census 1995"

Remark:

… : Not applicable (NA)

TABLE 7: HEALTH PROFILE

	Prevalence of underweight (children under weight for age), <5 years	Population without sustainable access to an improved water source		Population without access to improved sanitation	
	Percent	Percent		Percent	
	2000 1	2002/03 2	2007/08 3	2002/03 4	2007/08 5
LAO PDR	40.0	50.0	66.0	49.0	34.0
Urban	33.0	82.0	88.0	15.0	11.0
Rural	42.0	…	…	…	…
Rural with road access	…	47.0	61.0	54.0	41.0
Rural without road access	…	24.0	23.0	83.0	66.0
PROVINCES					
Vientiane Capital	…	91.0	95.0	5.0	2.0
Phongsaly	…	30.0	60.0	79.0	69.0
Luangnamtha	…	57.0	82.0	47.0	38.0
Oudomxay	…	17.0	68.0	58.0	30.0
Bokeo	…	59.0	65.0	32.0	33.0
Luangprabang	…	42.0	70.0	60.0	34.0
Huaphanh	…	22.0	63.0	51.0	38.0
Xayabury	…	46.0	58.0	15.0	6.0
Xiengkhuang	…	27.0	58.0	44.0	28.0
Vientiane Province	…	50.0	71.0	23.0	12.0
Borikhamxay	…	39.0	76.0	40.0	8.0
Khammuane	…	41.0	37.0	78.0	44.0
Savannakhet	…	55.0	60.0	70.0	51.0
Saravane	…	54.0	71.0	84.0	80.0
Sekong	…	76.0	65.0	65.0	53.0
Champasack	…	50.0	41.0	61.0	51.0
Attapeu	…	37.0	95.0	53.0	39.0
Xaysomboon SR	…	74.0	…	26.0	…

Sources:

Column 1: *MPI-DoS and MoH (2001), National Health Survey 2000*

Column 2-5: *MPI-DoS (2004), Lao Expenditure and Consumption Survey 2002/03 and 2007/08*

Remark:

… : Not applicable (NA)

APPENDIX II:
MACROECONOMIC AND EDUCATION

TABLE 8: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Adult literacy rate, 15+				Average number of schooling years (*)			
	Total 15+ years	Total men 15+ years	Total woman 15+ years	"Primary completion rate"	Male	Female	Male	Female
	Percent			Percent	Years	Years	Years	Years
	Total	Male	Female					
	2005 1	2005 2	2005 3	2004/05 4	2002/03 5	2002/03 6	2007/08 7	2007/08 8
LAO PDR	73.0	83.0	63.0	44.2	5.0	5.0	9.0	7.0
Urban	89.0	94.0	85.0	…	7.0	7.0	10.0	9.0
Rural	…	…	…	…	7.0	7.0	8.0	7.0
Rural with road access	70.0	81.0	59.0	…	…	…	…	…
Rural without road access	54.0	68.0	41.0	…	…	…	…	…
PROVINCES								
Vientiane Capital	92.0	95.0	88.0	88.1	8.0	7.0	10.0	9.0
Phongsaly	43.0	53.0	34.0	19.9	4.0	4.0	7.0	5.0
Luangnamtha	51.0	63.0	39.0	29.3	5.0	4.0	7.0	5.0
Oudomxay	56.0	73.0	40.0	31.5	4.0	3.0	8.0	5.0
Bokeo	58.0	72.0	45.0	27.5	4.0	4.0	8.0	6.0
Luangprabang	67.0	80.0	55.0	41.8	5.0	4.0	9.0	7.0
Huaphanh	65.0	78.0	51.0	31.1	5.0	4.0	9.0	7.0
Xayabury	80.0	87.0	74.0	80.3	6.0	5.0	9.0	8.0
Xiengkhuang	73.0	84.0	62.0	35.5	5.0	4.0	9.0	8.0
Vientiane Province	80.0	88.0	71.0	58.4	6.0	5.0	9.0	8.0
Borikhamxay	77.0	86.0	68.0	63.1	5.0	5.0	9.0	9.0
Khammuane	70.0	81.0	60.0	45.0	5.0	4.0	9.0	7.0
Savannakhet	69.0	79.0	59.0	42.6	5.0	5.0	8.0	7.0
Saravane	62.0	75.0	49.0	27.8	4.0	4.0	8.0	6.0
Sekong	62.0	76.0	48.0	47.5	4.0	3.0	8.0	6.0
Champasack	82.0	90.0	74.0	47.3	5.0	5.0	10.0	8.0
Attapeu	64.0	77.0	52.0	43.5	5.0	4.0	9.0	8.0
Xaysomboon SR	73.0	85.0	59.0	…	5.0	4.0	…	…

Sources:

Column 1-3: MPI-DoS (2005), "Population and Housing Census 2005"

Column 4 : TBP report

Column 5,6,9,11,13,15: Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)

Remark:

… : Not applicable (NA)

TABLE 8: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Pupils per Primary School Teacher		Villages with available textbooks for Primary Students		Villages with primary school in village		Village with lower secondary school in village	
	Number	Number	Percent	Percent	Percent	Percent	Percent	Percent
	2002/03 9	2007/08 10	2002/03 11	2007/08 12	2002/03 13	2007/08 14	2002/03 15	2007/08 16
LAO PDR	22.0	20.0	77.0	83.0	79.0	89.0	8.0	18.0
Urban	24.0	20.0	81.0	91.0	80.0	83.0	19.0	38.0
Rural	...	...	...	...	...	...	...	...
Rural with road access	21.0	19.0	78.0	82.0	81.0	91.0	11.0	13.0
Rural without road access	23.0	22.0	75.0	74.0	76.0	88.0	0.0	3.0
PROVINCES								
Vientiane Capital	19.0	23.0	89.0	93.0	88.0	83.0	26.0	38.0
Phongsaly	15.0	15.0	95.0	87.0	95.0	96.0	0.0	4.0
Luangnamtha	18.0	18.0	75.0	87.0	75.0	100.0	4.0	17.0
Oudomxay	14.0	21.0	76.0	75.0	78.0	76.0	16.0	5.0
Bokeo	31.0	15.0	56.0	84.0	56.0	83.0	5.0	17.0
Luangprabang	29.0	23.0	78.0	90.0	78.0	88.0	4.0	9.0
Huaphanh	16.0	19.0	88.0	88.0	88.0	94.0	3.0	15.0
Xayabury	15.0	12.0	94.0	73.0	94.0	94.0	10.0	23.0
Xiengkhuang	18.0	17.0	88.0	78.0	88.0	92.0	9.0	24.0
Vientiane Province	23.0	19.0	73.0	79.0	73.0	87.0	14.0	29.0
Borikhamxay	37.0	27.0	88.0	76.0	88.0	74.0	6.0	13.0
Khammuane	25.0	19.0	84.0	86.0	84.0	82.0	7.0	12.0
Savannakhet	25.0	20.0	70.0	81.0	75.0	90.0	9.0	17.0
Saravane	27.0	23.0	58.0	84.0	63.0	89.0	7.0	17.0
Sekong	15.0	19.0	65.0	75.0	65.0	94.0	7.0	12.0
Champasack	32.0	25.0	69.0	85.0	77.0	92.0	5.0	14.0
Attapeu	22.0	19.0	87.0	83.0	89.0	100.0	22.0	28.0
Xaysomboon SR	24.0	…	91.0	…	91.0	…	6.0	…

Sources:

Column 5,6,9,11,13,15: Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)

Column 7,8,10,12,14,16: Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)

Remark:

... : Not applicable (NA)

TABLE 8: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Drop out-rate by grade in 2004/05			
	Grade 1		Grade 2	
	Male 1	Female 2	Male 3	Female 4
LAO PDR	12.7	13.2	6.7	6.9
PROVINCES				
Vientiane Capital	9.7	8.7	3.6	2.8
Phongsaly	17.6	21.0	14.9	15.1
Luangnamtha	12.3	20.4	12.0	15.6
Oudomxay	27.9	30.6	9.8	12.4
Bokeo	14.0	11.2	8.7	9.1
Luangprabang	14.8	12.9	7.0	8.0
Huaphanh	15.3	14.5	3.2	4.6
Xayabury	4.1	4.4	2.6	3.0
Xiengkhuang	6.1	9.5	1.6	1.8
Vientiane Province	8.9	10.0	1.4	0.7
Borikhamxay	8.8	8.9	3.4	3.2
Khammuane	13.9	15.9	7.1	7.5
Savannakhet	8.1	7.3	9.6	8.8
Saravane	16.5	18.3	12.4	12.5
Sekong	17.8	13.6	9.9	9.0
Champasack	11.5	10.5	6.7	7.4
Attapeu	21.1	20.3	7.2	10.5

Sources:
Column 1-10: *TBP report*

	Self-reported youth literacy rate, 15-24 year-olds	Net enrolment ratio in primary education	Gross enrolment ratio in primary education (*)	Gross enrolment ratio in lower secondary education (*)	"Proportion of pupils starting grade 1 who reach grade 5 (*)"
	Percent	Percent	Percent	Percent	Percent
	2005/2006 1	2005/2006 2	2005/2006 3	2005/2006 4	2005/2006 5
Lao PDR	83.9	83.9	121.9	51.7	60.2
Male	82.5	86.5	129.8	57	60.7
Female	63.2	81.2	113.7	46.2	59.6

**** Survival rate to grade 5***
Column 1-5 : *TBP report*

TABLE 8: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Drop out-rate by grade in 2004/05					
	Grade 3		Grade 4		Grade 5	
	Male 5	Female 6	Male 7	Female 8	Male 9	Female 10
LAO PDR	7.8	7.7	6.4	8.1	10.0	9.5
PROVINCES						
Vientiane Capital	3.7	3.4	5.3	3.8	14.9	14.0
Phongsaly	12.1	7.6	5.8	7.2	26.8	14.6
Luangnamtha	8.4	6.9	8.9	6.3	10.1	9.3
Oudomxay	9.0	7.8	4.1	7.8	9.7	8.0
Bokeo	10.3	10.7	6.0	7.1	16.0	12.2
Luangprabang	9.8	10.4	5.9	8.0	4.8	7.7
Huaphanh	6.2	4.6	5.8	8.3	6.7	4.1
Xayabury	3.8	2.4	3.0	2.7	2.9	1.1
Xiengkhuang	4.5	4.3	1.4	7.1	2.8	19.3
Vientiane Province	4.3	3.8	3.0	5.3	14.5	11.5
Borikhamxay	5.1	3.8	0.8	4.9	2.5	5.9
Khammuane	8.4	9.1	6.5	8.4	7.8	5.9
Savannakhet	10.9	10.9	12.7	11.9	12.8	11.7
Saravane	13.6	14.4	9.2	17.9	15.9	11.2
Sekong	12.1	15.9	8.9	13.2	17.3	13.4
Champasack	8.7	10.4	10.3	11.4	7.7	6.7
Attapeu	10.0	11.2	7.0	14.1	14.6	10.2

Sources:
Column 1-10: *TBP report*

TABLE 9: MARKETS, COMMUNICATION & TRANSPORT PROFILE

	Proportion of villages							
	With electricity		Reachable in dry season		Reachable in rainy season		With bus stop in village	
	Percent		Percent		Percent		Percent	
	2002/03 1	2007/08 2	2002/03 3	2007/08 4	2002/03 5	2007/08 6	2002/03 7	2007/08 8
LAO PDR	33.0	61.0	71.0	100.0.0	54.0	84.0	45.0	66.0
Urban	95.0	99.0	100.0.0	100.0.0	97.0	98.0	96.0	79.0
Rural with road access	33.0	53.0	84.0	100.0	65.0	80.0	54.0	55.0
Rural without road access	13.0	26.0	35.0	83.0	17.0	17.0	11.0	93.0
PROVINCES								
Vientiane Capital	100.0.0	100.0.0	100.0.0	100.0	100.0	100.0	98.0	88.0
Phongsaly	23.0	38.0	32.0	100.0	27.0	55.0	19.0	70.0
Luangnamtha	6.0	52.0	47.0	100.0	34.0	89.0	34.0	74.0
Oudomxay	9.0	33.0	51.0	100.0	26.0	65.0	26.0	52.0
Bokeo	14.0	54.0	76.0	95.0	44.0	65.0	46.0	58.0
Luangprabang	34.0	65.0	53.0	100.0	51.0	77.0	45.0	71.0
Huaphanh	26.0	44.0	41.0	100.0	28.0	78.0	23.0	32.0
Xayabury	28.0	60.0	77.0	100.0	71.0	85.0	68.0	63.0
Xiengkhuang	41.0	40.0	83.0	100.0	41.0	95.0	18.0	64.0
Vientiane Province	54.0	84.0	93.0	100.0	92.0	100.0	74.0	76.0
Borikhamxay	54.0	74.0	74.0	100.0	63.0	95.0	53.0	78.0
Khammuane	48.0	74.0	78.0	100.0	54.0	73.0	48.0	52.0
Savannakhet	35.0	69.0	96.0	100.0	64.0	87.0	44.0	69.0
Saravane	18.0	50.0	83.0	100.0	65.0	76.0	52.0	42.0
Sekong	42.0	29.0	74.0	100.0	58.0	79.0	46.0	71.0
Champasack	26.0	67.0	64.0	100.0	52.0	85.0	50.0	81.0
Attapeu	16.0	33.0	85.0	100.0	53.0	92.0	38.0	72.0

Sources:

Column 1, 3, 5, 7, 9, 11, 13: *Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)*

Column 2, 4, 6, 8, 10, 12, 14: *Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)*

Remark:

... : Not applicable (NA)

TABLE 9: MARKETS, COMMUNICATION & TRANSPORT PROFILE

	Average distance from a village to					
	Nearest road		Public transport		Post office	
	km		km		km	
	2002/03 9	2007/08 10	2002/03 11	2007/08 12	2002/03 13	2007/08 14
LAO PDR	5.0	17.0	10.0	10.0	23.0	21.0
Urban	0.0	0.0	0.0	5.0	5.0	8.0
Rural with road access	2.0	5.0	6.0	11.0	22.0	22.0
Rural without road access	12.0	18.0	22.0	10.0	32.0	40.0
PROVINCES						
Vientiane Capital	0.0.0	0.0	0.0	10.0	9.0	7.0
Phongsaly	16.0	14.0	19.0	9.0	38.0	37.0
Luangnamtha	16.0	33.0	23.0	10.0	30.0	28.0
Oudomxay	7.0	11.0	15.0	6.0	29.0	19.0
Bokeo	8.0	26.0	10.0	7.0	23.0	25.0
Luangprabang	10.0	21.0	11.0	6.0	23.0	35.0
Huaphanh	9.0	18.0	19.0	10.0	31.0	34.0
Xayabury	2.0	5.0	4.0	15.0	17.0	19.0
Xiengkhuang	8.0	14.0	18.0	9.0	26.0	29.0
Vientiane Province	2.0	5.0	4.0	8.0	18.0	13.0
Borikhamxay	5.0	13.0	5.0	9.0	16.0	19.0
Khammuane	1.0	7.0	5.0	8.0	29.0	18.0
Savannakhet	1.0	4.0	7.0	11.0	22.0	18.0
Saravane	1.0	18.0	8.0	11.0	22.0	15.0
Sekong	12.0	51.0	21.0	10.0	20.0	24.0
Champasack	2.0	10.0	3.0	9.0	16.0	18.0
Attapeu	3.0	18.0	25.0	11.0	16.0	24.0

Sources:

Column 1, 3, 5, 7, 9, 11, 13: *Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)*

Column 2, 4, 6, 8, 10, 12, 14: *Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)*

Remark:

... : Not applicable (NA)

TABLE 9: MARKETS, COMMUNICATION & TRANSPORT PROFILE cont.

	Proportion of households which possess							
	Car		Motorbike		Bicycle		TV	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
	2002/03 1	2007/08 2	2002/03 3	2007/08 4	2002/03 5	2007/08 6	2002/03 7	2007/08 8
LAO PDR	4.0	7.0	22.0	51.0	54.0	39.0	41.0	53.0
Urban	11.0	15.0	54.0	67.0	71.0	41.0	76.0	73.0
Rural	1.0	4.0	11.0	44.0	48.0	38.0	30.0	44.0
PROVINCES								
Vientiane Capital	15.0	24.0	65.0	80.0	69.0	48.0	86.0	86.0
Phongsaly	3.0	0.0	3.0	17.0	9.0	2.0	14.0	14.0
Luangnamtha	2.0	3.0	6.0	29.0	39.0	25.0	15.0	31.0
Oudomxay	1.0	2.0	6.0	24.0	22.0	12.0	14.0	25.0
Bokeo	2.0	2.0	9.0	19.0	28.0	30.0	29.0	35.0
Luangprabang	2.0	4.0	13.0	29.0	27.0	25.0	18.0	37.0
Huaphanh	0.0	3.0	13.0	47.0	40.0	33.0	19.0	38.0
Xayabury	4.0	9.0	20.0	50.0	56.0	46.0	39.0	57.0
Xiengkhuang	2.0	6.0	18.0	46.0	46.0	31.0	24.0	40.0
Vientiane Province	4.0	7.0	25.0	51.0	64.0	34.0	51.0	57.0
Borikhamxay	6.0	7.0	23.0	54.0	60.0	53.0	46.0	57.0
Khammuane	3.0	4.0	15.0	47.0	49.0	42.0	41.0	60.0
Savannakhet	2.0	3.0	18.0	60.0	72.0	54.0	45.0	62.0
Saravane	1.0	3.0	11.0	41.0	58.0	29.0	30.0	36.0
Sekong	0.0	2.0	6.0	46.0	35.0	33.0	21.0	26.0
Champasack	1.0	5.0	21.0	67.0	66.0	45.0	52.0	63.0
Attapeu	1.0	2.0	14.0	28.0	66.0	49.0	15.0	21.0
Xaysomboon SR	0.0	...	7.0	...	27.0	...	11.0	...

Sources:

Column 1,3,5,7,9,11,13,15: *Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)*

Column 2,4,6,8,10,12,14,16: *Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)*

TABLE 9: MARKETS, COMMUNICATION & TRANSPORT PROFILE cont.

	Proportion of households which possess							
	Radio/ video		Mobile phone		Refrigerator		Electric rice cooker	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
	2002/03 9	2007/08 10	2002/03 11	2007/08 12	2002/03 13	2007/08 14	2002/03 15	2007/08 16
LAO PDR	46.0	55.0	3.0	42.0	22.0	34.0	21.0	29.0
Urban	53.0	62.0	10.0	65.0	59.0	61.0	58.0	58.0
Rural	43.0	52.0	1.0	32.0	10.0	22.0	9.0	16.0
PROVINCES								
Vientiane Capital	53.0	73.0	14.0	81.0	77.0	82.0	74.0	79.0
Phongsaly	38.0	38.0	0.0	10.0	2.0	5.0	2.0	6.0
Luangnamtha	42.0	41.0	1.0	27.0	2.0	8.0	0.0	10.0
Oudomxay	35.0	38.0	2.0	15.0	8.0	10.0	9.0	10.0
Bokeo	49.0	53.0	1.0	22.0	7.0	18.0	6.0	12.0
Luangprabang	49.0	55.0	1.1	28.0	11.0	22.0	11.0	20.0
Huaphanh	58.0	58.0	1.1	17.0	8.0	12.0	11.0	12.0
Xayabury	54.0	60.0	1.0	39.0	10.0	30.0	8.0	25.0
Xiengkhuang	53.0	48.0	0.0	30.0	1.0	10.0	1.0	17.0
Vientiane Province	44.0	51.0	1.0	48.0	27.0	43.0	28.0	44.0
Borikhamxay	47.0	51.0	3.0	50.0	20.0	42.0	22.0	37.0
Khammuane	38.0	54.0	2.0	38.0	22.0	38.0	16.0	22.0
Savannakhet	46.0	64.0	1.0	50.0	20.0	34.0	19.0	24.0
Saravane	35.0	46.0	0.0	26.0	11.0	17.0	9.0	12.0
Sekong	34.0	45.0	1.0	15.0	8.0	13.0	7.0	10.0
Champasack	42.0	56.0	1.0	53.0	20.0	36.0	18.0	27.0
Attapeu	33.0	33.0	1.0	16.0	8.0	13.0	11.0	13.0
Xaysomboon SR	62.0	...	1.0	...	1.0	...	1.0	...

Sources:

Column 1,3,5,7,9,11,13,15: *Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)*

Column 2,4,6,8,10,12,14,16: *Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)*

TABLE 10: GROSS DOMESTIC PRODUCT AND RELATED DATA

No.	Indicators	Unit	1990	1991	1995	2000	2001
1	Gross Domestic Product (GDP)						
2	Nominal GDP (current prices)	Billion LAK	613 .0	722.0	1430.0	13,669.0	15,702.0
3	Real GDP (constant prices 1990)	Billion LAK	613 .0	637.0	836.0	1,127.0	1,192 .0
4	Real GDP average annual growth rate	Percent	...	4.0	7.1	5.8	5.8
5	GDP (current prices) in USD	Million USD	858.8	1,028.0	1,747.0	1,742.0	1,770.0
6	GDP in USD per capita	USD	207 .0	242.0	379.0	335.0	329.0
7	GDP in USD per capita average annual growth rate	Percent	…	16.6	12.4	17.4	-1.8
8	GDP by sector						
9	Agriculture	Percent	60.7	57.4	53.7	52.1	50.8
10	Industry	Percent	14.4	16.6	18.5	22.7	23.5
11	Services	Percent	24.1	24.6	25.3	24.4	24.8
12	GDP annual growth rates by sector						
13	Agriculture	Percent	4.1	-1.7	3.1	4.9	3.8
14	Industry	Percent	12.3	19.9	13.3	8.5	10.1
15	Services	Percent	6.8	6.5	10.2	4.9	5.7
16	Average annual change in consumer price index						
17	Average annual change in consumer price index (CPI)	Percent	35.9	13.2	19.6	23.1	7.8
18	Liquidity (M2)						
19	Liquidity (M2) at end of year	Billion LAK	…	…	…	2,253.0	2705.0
20	Total liquidity growth rate (M2)	Percent	…	…	…	…	20.0
21	Average Exchange Rate		724.8	710.0	834.2	7,935.0	8,937.8
22	Official Commercial Bank Rate						
23	-Buying rate	(LAK/USD)	703.0	702.0	816.0	7,811.0	8,838.0
24	-Selling rate	(LAK/USD)	736.0	703.0	821.0	7,885.0	8,904.0
25	-Mid Rate	(LAK/USD)	720 .0	703.0	819.0	7,848.0	8,871.0
26	Parallel market rate						
27	-Buying rate	(LAK/USD)	725 .0	714.0	841.0	7,979.0	8,960.0
28	-Selling rate	(LAK/USD)	735 .0	721.0	858.0	8,065.0	9,049.0
29	-Mid Rate	(LAK/USD)	730 .0	718.0	850.0	8,022.0	9,004.0
30	Planned Foreign Direct Investment	Mill US$	860.5	55.3	108.9	37.2	54.1
31	Foreign Aid (ODA)	Mill US$	...	130.6	203.2	202.6	127.2

Sources:

Row 1-17 and 30 : Committee for Planning and Investment – National Statistics Centre (2005) "Statistics Book 1975-2005" (Vientiane: 2005)

Row 18-19, and 21-39: Bank of the Lao PDR (2005) "Balance of Payments" (Vientiane: 2005).

Row 20-29: Calculated base on data provided by the Research Department, Bank of Laos (2005)

Row 30: MPI, Department of Investment Promotion

Row 31: Department of International Cooperation

TABLE 10: GROSS DOMESTIC PRODUCT AND RELATED DATA

No.	Indicators	Unit	2002	2003	2004	2005	2006	2007
1	Gross Domestic Product (GDP)							
2	Nominal GDP (current prices)	Billion LAK	18,401.0	22,503.0	26,590.0	30,594.0	33,782.0	39,492.0
3	Real GDP (constant prices 1990)	Billion LAK	1,263.0	1,335.0	1,427.0	1,531.0	21,264.0	22,944.0
4	Real GDP average annual growth rate	Percent	5.9	5.7	6.9	7.3	8.3	7.9
5	GDP (current prices) in USD	Million USD	1,830.0	2,129.0	2,498.0	2,867.0	3,481.0	4,189
6	GDP in USD per capita	USD	331.0	375.0	428.0	510.0	580.0	701.0
7	GDP in USD per capita average annual growth rate	Percent	0.6	13.2	13.2	19.2	13.7	20.9
8	GDP by sector							
9	Agriculture	Percent	49.9	48.1	46.6	44.4	31.1	30.8
10	Industry	Percent	24.4	25.7	27.0	29.2	27.8	26.0
11	Services	Percent	24.7	25.2	25.5	25.5	35.6	38.4
12	GDP annual growth rates by sector							
13	Agriculture	Percent	4.0	2.2	3.5	2.5	3.5	6.2
14	Industry	Percent	10.1	11.7	12.4	15.9	21.5	6.5
15	Services	Percent	5.7	7.3	7.5	6.7	5.3	12.1
16	Average annual change in consumer price index							
17	Average annual change in consumer price index (CPI)	Percent	10.7	15.5	10.5	7.2	6.8	4.5
18	Liquidity (M2)							
19	Liquidity (M2) at end of year	Billion LAK	3,435.0	4,095.0	5,000.0	5,416.0	7,046.0	9,774.0
20	Total liquidity growth rate (M2)	Percent	27.0	19.0	22.0	8.0	30.0	39.0
21	Average Exchange Rate		10,111.2	10,609.4	10,644.0	10,672.7	9,703.9	9,428.1
22	Official Commercial Bank Rate							
23	-Buying rate	(LAK/USD)	10,000.0	10,515.0	10,580.0	10,620.0	9,654.0	9,385.0
24	-Selling rate	(LAK/USD)	10,112.0	10,622.0	10,644.0	10,687.0	9,739.0	9,414.0
25	-Mid Rate	(LAK/USD)	10,056.0	10,569.0	10,612.0	10,656.0	9,697.0	9,399.0
26	Parallel market rate							
27	-Buying rate	(LAK/USD)	10,114.0	10,598.0	10,630.0	10,649.0	9,659.0	9,425.0
28	-Selling rate	(LAK/USD)	10,219.0	10,702.0	10,720.0	10,731.0	9,764.0	9,489.0
29	-Mid Rate	(LAK/USD)	10,166.0	10,650.0	10,676.0	10,690.0	9,711.0	9,457.0
30	Planned Foreign Direct Investment	Mill US$	133.0	466.0	533.1	1,245.3	2,699.7	116.9
31	Foreign Aid (ODA)	Mill US$	143.7	162.0	183.0	186.3	230.4	...

Sources:

Row 1-17 and 30 : Committee for Planning and Investment – National Statistics Centre (2005) "Statistics Book 1975-2005" (Vientiane: 2005)

Row 18-19, and 21-39: Bank of the Lao PDR (2005) "Balance of Payments" (Vientiane: 2005).

Row 20-29: Calculated base on data provided by the Research Department, Bank of Laos (2005)

Row 30: MPI, Department of Investment Promotion

Row 31: Department of International Cooperation

APPENDIX III:
LABOUR

TABLE 11: WORK PARTICIPATION RATE

	Economic activity rate (Proportion of population over 10 years of age working					
	Total		Male		Female	
	Percent	Percent	Percent	Percent	Percent	Percent
	1995 1	2005 2	1995 3	2005 4	1995 5	2005 6
LAO PDR	70.3	66.6	69.5	66.8	71.2	66.3
PROVINCES						
Vientiane Capital	59.6	59.3	61.9	63.2	57.2	55.5
Phongsaly	76.3	69.0	76.4	69.0	76.2	69.0
Luangnamtha	76.4	66.2	76.2	66.0	76.6	66.3
Oudomxay	76.9	67.8	75.3	66.8	78.4	68.8
Bokeo	77.3	65.3	76.3	66.3	78.4	64.4
Luangprabang	69.6	65.9	67.2	64.4	71.9	67.4
Huaphanh	72.3	64.2	70.0	62.7	74.6	65.7
Xayabury	68.2	69.3	67.9	68.9	68.5	69.9
Xiengkhuang	65.9	60.2	63.3	59.0	68.5	61.4
Vientiane Province	62.2	63.1	62.7	64.7	61.6	61.5
Borikhamxay	69.5	64.3	68.8	64.3	70.2	64.4
Khammuane	75.1	69.1	73.5	68.9	76.6	69.3
Savannakhet	73.7	71.1	73.1	71.7	74.2	70.6
Saravane	79.4	73.2	77.1	71.3	81.5	75.0
Sekong	82.1	70.3	81.9	70.1	82.4	70.5
Champasack	69.3	68.6	67.2	68.0	71.2	69.1
Attapeu	72.4	69.5	71.0	69.1	73.6	69.9
Xaysomboon SR	71.3	63.1	69.3	65.6	73.5	60.2

Sources:

Column 1, 3, 5: *Ministry of Planning and Investment – National Statistics Centre (1995) "Population Census 1995"*

Column 2, 4, 6: *Ministry of Planning and Investment – National Statistics Centre (2005) "Population Census 2005"*

TABLE 12: ACTIVITY OF WORKERS BY MAIN SECTORS

	Percent of population in farm activity		Non-farm activity	
	Male	Female	Male	Female
	Percent		Percent	
	2005 1	2005 2	2005 3	2005 4
LAO PDR	75.7	81.3	24.3	18.7
PROVINCES				
Vientiane Capital	34.0	36.9	66.1	63.1
Phongsaly	89.4	91.1	10.6	8.9
Luangnamtha	83.4	89.5	16.6	10.5
Oudomxay	85	90.5	15.1	9.5
Bokeo	82.2	87.1	17.9	12.9
Luangprabang	79.8	83.6	20.2	16.5
Huaphanh	87.4	90.3	12.5	9.7
Xayabury	83.4	89	16.6	10.9
Xiengkhuang	78.3	84.2	21.7	15.6
Vientiane Province	70.2	76.8	29.7	23.3
Borikhamxay	77.6	84.7	22.5	15.3
Khammuane	80.5	86.2	19.4	13.7
Savannakhet	85.2	88.7	14.8	11.2
Saravane	91.1	94.1	8.9	5.8
Sekong	81.6	88.9	18.3	11.0
Champasack	77.7	83	22.3	17.0
Attapeu	81.5	89.4	18.5	10.6
Xaysomboon SR	61.5	86.5	38.5	13.5

Sources:

Ministry of Planning and Investment – National Statistics Centre (2005) "Population and Housing Census 2005"

TABLE 13: ACTIVITY OF WORKERS BY MAIN WORK STATUS

	Main economic activity last 7 days (Percent of total hours worked)					
			Self employed			
	Paid employee		Non farm activity		Own operated farm	
	2002/03 1	2007/08 2	2002/03 3	2007/08 4	2002/03 5	2007/08 6
LAO PDR	6.0	14.0	24.0	20.0	71.0	66.0
Urban	17.0	27.0	49.0	35.0	34.0	38.0
Rural with road access	3.0	9.0	16.0	15.0	81.0	76.0
Rural without road access	1.0	7.0	11.0	11.0	88.0	82.0
PROVINCES						
Vientiane Capital	22.0	32.0	47.0	40.0	31.0	27.0
Phongsaly	0.0	9.0	7.0	15.0	92.0	77.0
Luangnamtha	3.0	14.0	15.0	22.0	82.0	64.0
Oudomxay	3.0	8.0	3.0	7.0	94.0	84.0
Bokeo	1.0	8.0	15.0	8.0	84.0	84.0
Luangprabang	5.0	13.0	12.0	19.0	84.0	68.0
Huaphanh	1.0	5.0	18.0	9.0	81.0	86.0
Xayabury	5.0	15.0	19.0	22.0	76.0	63.0
Xiengkhuang	2.0	7.0	16.0	17.0	82.0	76.0
Vientiane Province	5.0	14.0	26.0	25.0	69.0	61.0
Borikhamxay	3.0	13.0	34.0	21.0	63.0	66.0
Khammuane	3.0	10.0	21.0	15.0	76.0	75.0
Savannakhet	5.0	17.0	22.0	20.0	73.0	64.0
Saravane	0.0	3.0	11.0	9.0	88.0	88.0
Sekong	3.0	14.0	14.0	10.0	83.0	76.0
Champasack	5.0	11.0	32.0	24.0	63.0	65.0
Attapeu	2.0	11.0	30.0	19.0	68.0	70.0
Xaysomboon SR	5.0	...	15.0	...	80.0	...

Sources:

Columns 1, 3, 5: *Committee for Planning and Investment - National Statistics Centre (2004) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2002/2003 (LESC 3)" (Vientiane: 2004.)*

Column 2, 4, 6: *Committee for Planning and Investment - National Statistics Centre (2009) "The Household of Lao PDR: Social and Economic Indicators, Lao Expenditure and Consumption Survey 2007/2008 (LESC 4)" (Vientiane: 2009.)*

TABLE 14: LABOUR MARKET PROFILE

	Population 10+, average of months unemployed	Population 10+, average of months that in farm and also in non-farm activity		Population 10+, average of months working in farm activity and also unemployed in some months	
		Farm	Non-farm	Farm	Unemploy
	Months	Months	Months	Months	Months
	2007/08 1	2007/08 2	2007/08 3	2007/08 4	2007/08 5
LAO PDR					
Urban	3.9	5.4	5.5	5.7	3.2
Rural with road access	3.2	6.5	4.2	7.6	3.0
Rural without road access	2.3	7.0	3.8	8.1	2.3
PROVINCES					
Vientiane Capital	4.4	4.6	6.3	5.3	4.4
Phongsaly	2.7	7.7	3.4	8.5	2.2
Luangnamtha	2.5	7.0	4.2	8.2	2.5
Oudomxay	2.6	7.3	3.4	7.8	2.4
Bokeo	5.5	7.2	3.9	6.3	4.8
Luangprabang	2.5	6.5	5.0	9.0	2.3
Huaphanh	2.5	7.6	2.7	8.5	2.5
Xayabury	3.2	6.6	4.2	6.6	3.1
Xiengkhuang	2.9	5.4	4.1	8.3	2.7
Vientiane Province	2.7	5.3	5.4	7.0	2.5
Borikhamxay	3.8	5.5	5.4	7.0	2.8
Khammuane	5.6	6.9	4.9	7.0	4.6
Savannakhet	3.7	5.9	5.1	7.4	3.6
Saravane	4.0	7.1	3.8	7.2	3.9
Sekong	2.3	7.3	3.7	7.3	2.2
Champasack	3.1	6.2	4.4	7.1	2.8
Attapeu	3.7	6.6	5.3	7.0	4.8

Sources:

Column 1-5: *MPI-DoS (2009), Lao Expenditure and Consumption Survey 2007/08*

TABLE 14: LABOUR MARKET PROFILE

	Percent of people with long term illness or disability				Percent of people with temporary health problems in the past 4 weeks disrupting work, etc.			
	Male		Female		Male		Female	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
	2002/03 1	2007/08 2	2002/03 3	2007/08 4	2002/03 5	2007/08 6	2002/03 7	2007/08 8
LAO PDR	5.2	2.4	5.0	2.3	56.0	45.0	57.0	47.0
Urban	4.5	2.1	4.7	2.0	43.0	40.0	42.0	41.0
Rural with road access	5.7	2.3	5.4	2.2	58.0	46.0	59.0	48.0
Rural without road access	4.7	3.4	4.2	3.3	62.0	48.0	65.0	50.0
PROVINCES								
Vientiane Capital	3.8	2.0	4.5	1.8	33.0	43.0	34.0	42.0
Phongsaly	4.9	2.6	4.2	2.0	75.0	50.0	70.0	56.0
Luangnamtha	6.5	1.2	4.1	1.3	60.0	37.0	64.0	35.0
Oudomxay	6.1	2.9	3.8	3.1	62.0	49.0	69.0	61.0
Bokeo	1.0	1.3	0.7	2.1	8.0	28.0	4.0	25.0
Luangprabang	6.2	3.2	5.5	3.4	70.0	54.0	67.0	55.0
Huaphanh	4.3	2.0	3.6	1.8	47.0	72.0	44.0	66.0
Xayabury	2.9	2.2	2.7	2.2	52.0	38.0	42.0	37.0
Xiengkhuang	5.0	3.2	3.8	2.8	59.0	35.0	66.0	47.0
Vientiane Province	3.6	0.9	2.7	0.5	56.0	38.0	60.0	41.0
Borikhamxay	2.8	1.2	3.2	1.2	45.0	33.0	55.0	32.0
Khammuane	7.2	1.3	6.9	1.2	57.0	42.0	55.0	48.0
Savannakhet	5.3	1.4	4.9	1.5	57.0	50.0	57.0	48.0
Saravane	7.3	4.5	7.0	3.3	63.0	37.0	64.0	41.0
Sekong	6.2	5.2	6.6	4.6	78.0	57.0	85.0	66.0
Champasack	8.2	3.6	9.4	5.3	64.0	49.0	69.0	48.0
Attapeu	2.6	2.3	3.3	1.9	34.0	44.0	41.0	30.0

Sources:

Column 1, 3, 5, 7: *MPI-DoS (2004), Lao Expenditure and Consumption Survey 2002/03*

Column 2, 4, 6, 8: *MPI-DoS (2009), Lao Expenditure and Consumption Survey 2007/08*

TABLE 15: ECONOMIC ACTIVITY OF WORKERS

ISIC	A	B	C	D	E	F
International Standard Industrial Classification	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas	Water supply; sewerage	Construction
PROVINCES						
Vientiane Capital	15.1	13.0	45.7	20.2	32.1	37.0
Phongsaly	0.6	0.1	0.4	1.2	1.0	1.0
Luangnamtha	0.8	4.0	0.4	0.0	2.0	8.1
Oudomxay	2.0	0.5	1.9	1.6	2.3	1.0
Bokeo	1.1	0.1	1.6	1.0	1.6	1.9
Luangprabang	3.6	1.1	4.4	4.9	6.2	4.3
Huaphanh	0.3	0.8	1.3	2.7	1.5	4.5
Xayabury	6.3	2.7	5.2	1.6	3.2	4.5
Xiengkhuang	0.7	0.3	1.7	1.8	2.5	1.0
Vientiane Province	22.8	3.5	7.7	14.2	8.3	5.2
Borikhamxay	25.7	1.0	3.5	4.5	2.8	1.5
Khammuane	8.6	8.9	5.7	12.4	6.5	4.0
Savannakhet	5.2	61.5	9.4	10.9	10.6	8.3
Saravane	2.0	0.0	2.2	7.6	4.4	2.6
Sekong	0.9	0.2	0.9	0.2	1.4	10.5
Champasack	4.2	2.2	6.4	13.6	11.9	4.1
Attapeu	0.1	0.1	1.3	1.4	1.6	0.4

Source:

Economic Census 2006

TABLE 15: ECONOMIC ACTIVITY OF WORKERS

ISIC	G	H	I	J	K	L
International Standard Industrial Classification	Wholesale and retail trade; repair	Transportation and storage	Accom-modation and food service	Information and communication	Financial and insurance	Real estate activities
PROVINCES						
Vientiane Capital	28.0	18.9	45.1	50.8	43.5	61.2
Phongsaly	1.5	0.7	1.0	1.0	0.7	0.3
Luangnamtha	2.4	0.4	2.1	1.4	1.7	1.2
Oudomxay	2.6	2.1	2.0	6.3	2.9	0.8
Bokeo	2.1	3.1	1.4	1.3	5.9	0.9
Luangprabang	5.9	8.1	12.7	11.7	3.0	8.6
Huaphanh	2.7	3.4	1.3	0.5	1.3	1.3
Xayabury	5.6	9.7	2.2	6.2	5.2	0.7
Xiengkhuang	3.0	3.9	2.3	2.0	2.7	1.2
Vientiane Province	8.0	14.4	8.3	2.6	5.7	3.8
Borikhamxay	3.9	3.5	2.2	2.4	2.3	2.0
Khammuane	5.9	5.3	3.3	2.9	0.4	4.1
Savannakhet	12.7	11.0	5.7	4.1	11.7	10.5
Saravane	3.6	3.2	1.4	2.4	4.2	2.5
Sekong	1.0	0.5	0.5	0.8	1.0	0.0
Champasack	9.5	11.3	7.5	2.7	6.6	0.7
Attapeu	1.4	0.4	0.9	1.1	1.0	0.3

Source:
Economic Census 2006

TABLE 15: ECONOMIC ACTIVITY OF WORKERS

ISIC	M	N	P	Q	R	S
International Standard Industrial Classification	Professional, scientific and technical	Administrative and support service	Education	Human health and social work	Arts, entertainment and recreation	Other service activities
PROVINCES						
Vientiane Capital	73.9	61.0	66.2	59.3	51.2	45.9
Phongsaly	0.3	0.3	0.6	0.5	0.3	0.7
Luangnamtha	1.4	0.4	0.3	0.9	1.3	1.4
Oudomxay	1.0	2.2	3.8	1.2	5.0	1.7
Bokeo	0.4	1.8	1.5	0.3	0.6	0.7
Luangprabang	3.7	6.9	4.4	3.0	3.7	6.3
Huaphanh	0.9	0.3	1.5	1.2	0.5	1.0
Xayabury	0.6	0.3	2.1	0.5	2.9	2.6
Xiengkhuang	1.8	3.9	2.0	6.4	2.0	2.0
Vientiane Province	3.4	14.1	2.7	3.3	9.4	9.8
Borikhamxay	1.1	0.9	0.0	1.0	2.6	2.7
Khammuane	1.2	1.7	4.1	2.3	2.7	4.4
Savannakhet	5.9	2.2	6.1	12.8	6.6	9.6
Saravane	0.6	0.9	0.4	1.3	2.4	1.5
Sekong	0.1	0.0	0.1	0.1	0.3	0.5
Champasack	3.4	2.8	4.3	5.8	7.7	8.1
Attapeu	0.4	0.1	0.0	0.4	0.8	1.0

Source:

Economic Census 2006

TABLE 16: THE STRUCTURE OF ECONOMIC UNITS BY ECONOMIC ACTIVITIES AND OWNERSHIP

International Standard Industrial Classification Letter Digit		Domestic (Lao) single proprietorship	Foreign single proprietorship	Private domestic partnership	Private foreign partnership	Private domestic and foreign partnership	State and domestic private partnership
A	Agriculture, forestry and fishing	96.3	1.1	0.7	0.4	0.3	0.1
B	Mining and quarrying	87.5	4.0	1.3	2.0	0.0	0.0
C	Manifacturing	97.8	0.9	0.5	0.2	0.2	0.0
D	Electricity, gas	19.3	0.9	0.0	1.8	0.0	0.9
E	Water supply; sewerage	70.5	6.4	1.5	0.0	0.4	0.4
F	Construction	82.2	3.3	3.2	0.6	1.3	0.2
G	Wholesale and retail trade; repair	97.8	1.8	0.2	0.1	0.0	0.0
H	Transportation and storage	94.9	0.3	1.1	0.0	0.1	0.2
I	Accommodation and Food service	94.7	3.1	0.5	0.4	0.3	0.2
J	Information and communication	88.4	1.4	0.3	0.5	0.3	0.2
K	Financial and insurance	20.1	1.7	5.4	1.3	2.7	4.7
L	Real estate activities	97.7	0.3	0.6	0.0	0.2	0.2
M	Professional, scientific and technical	91.4	4.2	0.6	1.7	0.8	0.0
N	Administrative and support service	85.7	2.3	2.8	0.7	1.1	1.7
P	Education	85.2	3.0	5.0	1.3	1.3	0.7
Q	Human health and social work	96.0	0.8	1.6	0.5	0.0	0.0
R	Arts, entertainment and recreation	91.8	1.8	0.8	0.1	0.1	1.1
S	Other service activities	96.7	3.0	0.1	0.1	0.0	0.0
	Total of percentage	**96.9**	**1.6**	**0.4**	**0.1**	**0.1**	**0.1**
	Total	122,988.0	2,059.0	459.0	155.0	154.0	101.0

Source:
Economic Census 2006

TABLE 16: THE STRUCTURE OF ECONOMIC UNITS BY ECONOMIC ACTIVITIES AND OWNERSHIP

International Standard Industrial Classification Letter Digit		State and foreign partnership	Cooperation	State owned enterprises	Total	Total
A	Agriculture, forestry and fishing	0.2	0.5	0.3	100.0	4,319.0
B	Mining and quarrying	1.0	1.3	2.7	100.0	297.0
C	Manifacturing	0.1	0.2	0.1	100.0	24,331.0
D	Electricity, gas	6.1	0.0	71.1	100.0	114.0
E	Water supply; sewerage	1.1	3.4	16.3	100.0	264.0
F	Construction	1.4	0.6	7.2	100.0	628.0
G	Wholesale and retail trade; repair	0.0	0.0	0.1	100.0	81,780.0
H	Transportation and storage	0.1	0.9	2.5	100.0	3,799.0
I	Accommodation and Food service	0.2	0.2	0.4	100.0	3,439.0
J	Information and communication	2.1	0.1	6.7	100.0	872.0
K	Financial and insurance	4.0	25.1	35.1	100.0	299.0
L	Real estate activities	0.0	0.6	0.3	100.0	618.0
M	Professional, scientific and technical	0.3	0.3	0.8	100.0	359.0
N	Administrative and support service	0.7	1.1	4.1	100.0	755.0
P	Education	0.3	2.3	0.7	100.0	298.0
Q	Human health and social work	0.0	0.8	0.3	100.0	375.0
R	Arts, entertainment and recreation	0.1	0.1	4.1	100.0	1,013.0
S	Other service activities	0.0	0.1	0.1	100.0	3 353.0
	Total of percentage	0.1	0.2	0.5	100.0	126,913.0
	Total	102.0	253.0	642.0	126,913.0	...

Source:
Economic Census 2006

TABLE 17: TOTAL AND AVERAGE NUMBER OF WORKERS, BY ECONOMIC ACTIVITIES OUTSIDE THE FAMILY FARM

International Standard Industrial Classification		Number of Economic units	Number of Labor (Persons)	Structure (%)	Average labor per economic units
A	Agriculture, forestry and fishing	4,319.0	20,277.0	5.9	4.7
B	Mining and quarrying	297.0	7,708.0	2.2	26.0
C	Manifacturing	24,331.0	105,234.0	30.4	4.3
D	Electricity, gas	114.0	3,167.0	0.9	27.8
E	Water supply; sewerage	264.0	1,824.0	0.5	6.9
F	Construction	628.0	12,496.0	3.6	19.9
G	Wholesale and retail trade; repair	81,780.0	135,440.0	39.2	1.7
H	Transportation and storage	3,799.0	10,741.0	3.1	2.8
I	Accommodation and Food service	3,439.0	17,779.0	5.1	5.2
J	Information and communication	872.0	3,688.0	1.1	4.2
K	Financial and insurance	299.0	4,440.0	1.3	14.8
L	Real estate activities	618.0	1,492.0	0.4	2.4
M	Professional, scientific and technical	359.0	1,389.0	0.4	3.9
N	Administrative and support service	755.0	6,320.0	1.8	8.4
P	Education	298.0	3,896.0	1.1	13.1
Q	Human health and social work	375.0	1,043.0	0.3	2.8
R	Arts, entertainment and recreation	1,013.0	3,695.0	1.1	3.6
S	Other service activities	3,353.0	5,094.0	1.5	1.5
	Total	126,913.0	345,723.0	100.0	2.7

Source:
Economic Census 2006