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**EMPLOYMENT
AND
DEVELOPMENT
IN
LAOS**

ASIAN EMPLOYMENT PROGRAMME



ARTEP

Employment and Development in Laos

Some Problems and Policies

Azizur Rahman Khan
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ASIAN EMPLOYMENT PROGRAMME
ASIAN REGIONAL TEAM FOR EMPLOYMENT
PROMOTION (ARTEP)

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Preface

In April 1980 we undertook a mission to Laos to explore the possibility of ARTEP assistance in training and advice on employment planning in that country. The mission was made possible by the persistent efforts made by Mr. Gunnar Asplund, the UNDP Resident Representative in Vientiane. We would like to record our deep appreciation of all the help provided by him and by Mr. Henk Hartogh of his office.

The National Planning Committee of the Lao Peoples Democratic Republic organized our meetings with their own officials, with the officials of the National Statistical Office and other ministries of the LPDR Government and also our visits to co-operatives and other places of interest. To all those officials who generously gave their time we remain in deep debt of gratitude. In particular, we would like to thank Mr. Thong Phachanh, the Deputy Director of the Manpower Division of the National Planning Committee, who accompanied us to most places.

Without the help of Mr. Borje Ljunggren, the acting Charge de Affaires of the Swedish Embassy and the Head of the SIDA, Vientiane, we would not have succeeded in collecting the background material for this report. Mr. Jan van den Oever helped greatly by arranging access to the data on Nam Ngum co-operative. To them and to the other members of the international community in Vientiane who helped in various ways we would like to extend our sincere thanks.

At the end of the mission we were able to make concrete proposals for possible ARTEP assistance to the National Planning Committee and the National Statistical Office. Both these agencies showed much interest in these proposals which were drawn up in consultation with them. These proposals are now under consideration of the LPDR Government. Subject to their consent the ARTEP will get involved in training and advisory activities on employment planning in Laos.

We, however, felt that even before that we could make a small contribution to the employment and development planners in Laos by putting down in the form of a preliminary report our assessment of the problems and our explorations into how one might tackle them. We hope that the report will be of some use to both the planners in LPDR and the international agencies who are involved in the development of Laos.

Finally, we also wish to record our thanks to Keith Griffin for helpful comments on an earlier draft and to Nutchanat O-Charoen, Nucharee Cholvilai and Tippawan Eamanondh for having typed the manuscript under an exacting deadline.

A. R. Khan

E. Lee



LAO PEOPLE'S DEMOCRATIC REPUBLIC

PROVINCES

1. Phongsaly
2. Luang Namtha
3. Oudomsay
4. Sayaboury
5. Luang Prabang
6. Xieng Khouang

7. Houa Phan
8. Vientiane
9. Khammouane
10. Savannakhet
11. Saravane
12. Champassak
13. Attapeu

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CHAPTER 1

Some Introductory Notes

1.1 INTRODUCTION

The purpose of this report is to analyse some aspects of employment and development problems of the Lao Peoples Democratic Republic (LPDR) in the context of the socialist transformation of the economy that is currently under way. The task has been rendered immensely difficult by the lack of reliable data even on the most basic aspects of the economy. The prolonged civil war made it impossible to collect nationwide statistics for a long time. Even those data that were collected for the part of the country that happened to be under the control of the Government in Vientiane have by now become largely outdated. In trying to piece together a picture of the economy by 'updating' incomplete and unsatisfactory data collected in the past and by buttressing it with more contemporary micro data of diverse source and quality one is inevitably exposed to an unquantifiable error.

And yet one cannot and need not wait for the reorganization of the statistical system and the generation of reliable data to piece some kind of a rough picture together. This is due, first, to the fact that it will be a long time before the system of statistical information gets reorganized and reliable data become available. Secondly, the basic structure of the economy is so imple that one can obtain useful insights into the problems of employment and development even though the analytical structure has to be based on the rudimentary scaffolding provided by shaky statistical material.

Laos is one of the 'least developed countries' from the

stand-point of the United Nations' definition. The World Bank measures its *per capita* income (for 1977) to be \$US 90, expectation of life at birth 42 years and *per capita* daily supply of calories (for 1974) 2,090.¹ Agriculture contributes 63 per cent and manufacturing only 3 per cent to national product. *Per capita* exports of goods and services, consisting almost entirely of primary products such as timber, coffee and tin and surplus electricity generated by hydro projects, amounted only to \$US 4.7 in 1978 and account for only 15 per cent of *per capita* imports. National income is believed to be roughly the same as consumption so that the entire investment programme is dependent on capital inflow. In the same year less than 20 per cent of the Government budgetary expenditure was financed by tax and non-tax Government revenue the rest being met from foreign assistance and deficit finance. Even after allowing for the substantial possibility of error in all these measurements one gets the picture of severe poverty, extreme backwardness and a lack of surplus to finance development.

1.2 SOME POSITIVE AND NEGATIVE FACTORS

Admittedly a good deal of the current situation has resulted from the prolonged civil war which unsettled a large part of the population and made it virtually impossible to organize coherent development activities. Now that peace has by and large been restored under a unified Government one need not allow one's estimates about the potential for future growth to be overly dominated by the past trends. In judging such potential

¹ The World Bank data are from the *World Development Report*, 1979 and other unpublished sources. The same report lists Bhutan (and possibly Kampuchea) as the only countries with lower *per capita* incomes and Ethiopia as the only country with a lower expectation of life at birth. But, even on the assumption that the present daily intake of calories per person is 5 per cent below that in 1974, Laos in this respect *today* would be above India (*in 1974*) and many other countries (e.g., Zaire and the Philippines *also in 1974*) with much higher *per capita* incomes. All these comparisons are based on the data shown in the *World Development Report*, 1979. See Chapter 3, section 3 for an estimate that *per capita* calorie intake in 1980 may return to about 95 per cent of that in 1974 in Laos after very sharp declines in 1978 and 1979.

one cannot fail to take note of certain positive and negative factors.

Among the positive factors are the low density of population and the relatively large reserves of untapped resources. Although the supply of cultivated land *per capita* is not very high it is far more favourable than in the densely populated Asian countries such as Bangladesh and Java.² Also the possibilities of expanding the cultivated area are very substantial. The country is rich in hydroelectric and mineral resources.

These positive factors must be juxtaposed against formidable negative factors. In such a vast country (236,800 square kilometres) with very low density of population (14.4 persons per square kilometre) and isolated, often remote, population settlements *per capita* investment in economic infrastructure (e.g., transport and power transmission) tends to be very high. This is exacerbated by the extremely undeveloped economic and social infrastructure that the country has inherited from its colonial past. It has only 1,338 kilometres of paved road, merely two post-secondary educational institutions (but no university) and just over one hundred doctors. Vast investments must go into the development of economic and social infrastructures in order to integrate the isolated settlements into the national economy, exploit natural resources, augment the supply and cropping intensity of cultivated land and ensure the availability of essential skills and organization. This will inevitably push the capital intensity of the country's growth in the initial period significantly above that of a typical south-east Asian country.

Another serious disadvantage derives from the fact that Laos is a landlocked country. Quite apart from the additional transport cost involved in carrying out external trade the country is subject to the monopoly powers of the neighbours to artificially push up the cost of transit and the uncertainty of transit rights in the event of strained political relations that might result if the country were to pursue independent economic and political lines in its external relations.

² *Per capita* cultivated land in Laos is 0.27 hectare as compared to 0.11 in Bangladesh and about 0.12 in Java.

Yet another disadvantage is inherent in the ethnic diversity of the country. This is exacerbated by the coincidence of ethnic differences with that in economic, social and linguistic differences. Thus, for example, the altitudinal stratification of ethnic settlement means that the technology and organization of cultivation varies fundamentally between different ethnic groups. This would certainly make the task of technological and institutional transformation very much more difficult than would be the case with a homogeneous population.

1.3 THE INSTITUTIONAL FRAMEWORK

The emergence of the Lao People's Democratic Republic in December 1975 signalled the creation of the first unified and cohesive central Government in the post-World War II period. It also signified the emergence of a Government which is committed to the creation of a marxist socialist society in Laos. The ultimate objective of the Government is to transform all means of production into that under state or collective ownership. However, given the low level of development of the economy, this goal is being visualized as a rather distant one. The present period is being characterized by the political leaderships as that of a transition during which the following five forms of organization and ownership of means of production will co-exist:³

(a) The state economy, the ownership of which is vested in the state representing the whole people, covers money, banking, major industrial enterprises, state transport services and state trading companies. Although the 'commanding heights' of the economy are all in this sector its share in the nation's total production is rather small.

(b) The collective economy has just been built on the basis of reorganizing farmers, mainly in the plains, into agricultural co-operatives. By now this form is second only to individual economy (see below) in terms of its share of national output.

³ This has recently been very clearly stated in Prime Minister (and Secretary-General of the Lao People's Revolutionary Party - LPRP) Kaysone Phomvihane's Report to the Annual Plenary Session of the Supreme People's Council (SPC) on 26 December 1979.

(c) The individual economy⁴ is composed of the predominantly self-employed (but resorting also to some wage-labour) farmers, private handicraftsmen, small traders and grocers. This form of ownership is the most extensive in terms of the share of national output although the scale of each individual unit is small.

(d) The capitalist economy is represented by the industrial and trading enterprises owned by the private capitalists who are allowed to function within the broad framework of state control on trade and industry. They represent a relatively small proportion of national output.

(e) The state-capitalist economy represents the joint state-private enterprises. This is a new form of co-operation offered by the state to the private capitalists. The regulations and principles for this sector are yet to emerge.

While in agriculture the long-term goal is to transform the entire sector into a collective economy at the moment the Government is adopting a policy of avoiding haste, consolidating the existing co-operatives, selectively promoting new co-operatives and recognizing the continued role of the individual economy. In the non-agricultural sector the stated policy is that "it is better to have a smaller number of efficient state enterprises than to have many ineffective ones" and that "the capitalist economy in our country at present is still useful to production and social life. Therefore, we must still use it".⁴ It is in the above organizational and institutional context that one must view the problems of employment and development in Laos in the immediate future.

1.4 AN OUTLINE OF THE REPORT

The next chapter is concerned with the establishment of some basic quantitative facts on population and labour force in Laos. It also tries to identify some of the essential features of the specific nature of the employment problem in that country. The third chapter looks at the problem of agricultural employ-

⁴ Kaysone Phomvihane's report at the SPC, *op. cit.*

ment in the broader context of output, consumption and policies to augment production. The fourth chapter looks at the problem of the ongoing institutional transformation in Lao agriculture and the question of efficiently utilizing rural labour in that context. In the fifth chapter some preliminary comments are made on the nature of employment problem in the non-agricultural sectors. The last chapter summarises conclusions on some of the important elements of employment policy in Laos.

CHAPTER 2

Labour Force and Employment

2.1 POPULATION

The origin of the present series of population estimates is the sample count undertaken in 1958 and 1959 on the basis of which the following demographic measurements were arrived at: (a) an estimated population of 2.23 million for 1958; and (b) a birth rate of 47 per thousand and a death rate of 23 per thousand. The resulting growth rate of 2.4 per cent per year has ever since been used to arrive at the official population estimate which, for 1979, would be 3.67 million.¹

This estimate is obviously unsatisfactory for a number of reasons. Even under normal circumstances it would be difficult to justify unchanged birth and death rates over more than two decades. In the unsettled conditions of Laos it would be far less justified to assume constant demographic rates. Unfortunately, it is difficult to estimate conclusively the directions of change in those rates. It should, however, be remembered that 1958 and much of 1959 were periods of relative lack of hostility. Although the Government of National Union fell in the second half of 1958 the rebellion by the Neo Lao Hak Sath did not resume until 1959. This too subsided soon afterwards and uneasy peace lasted until mid-1960. It is, therefore, unlikely that the death rate during the 1960s and early 1970s was any lower than they were estimated for 1958. In all probability they had

¹ This information was supplied to the present writers by the National Statistical Office (NSO) of the LPDR.

increased somewhat before starting to decline since the mid 1970s. Birth rate, on the other hand, might easily have been lower in the 1960s and early 1970s than in 1958. Between a fifth and a quarter of the population became uprooted. Armed conflicts were extensive and continuous. Under such circumstances a decline in birth rate would be highly probable.

Another factor for which no allowance is made in the official statistics is the emigration of a large number of Lao People especially since the mid 1970s. No reliable estimate is available though a figure of a quarter of a million since the establishment of the LPDR is sometimes mentioned. The flow continues to date at an estimated monthly rate of 2,000.

Although the above discussion would appear to be a convincing basis for the conclusion that the official statistics overestimate current population it is hardly a firm one to base adjustments on. All we shall do is to deduct a quarter of a million from the official estimates for 1979 to allow for the above factors. This would put our estimate for 1979 at 3.42 million. This still is perhaps an overestimate.

The natural rate of population growth may have started accelerating in very recent years. Peace has by and large been restored. An estimated drop in percapita food consumption has largely been reversed by early 1980. For the first time preventive medicine is reported to be reaching rural areas. Contraception is unavailable. Internal refugees have largely been resettled and the circumstances for many families may be the one in which the past postponement of additions to family should be reversed. A decline in death rate and an acceleration in birth rate are the highly likely outcome which may easily push the rate of population growth to the range of 2.5 to 3.0 per cent per year that is characteristic of most of the neighbouring countries.²

2

This was also the view of the NSO officials with whom the present writers had an opportunity of discussing these issues. The World Bank, following the world population data sheet of the Population Reference Bureau, estimates a decline in both death and birth rates (respectively to 21 and 44 per thousand by 1978). This – a sharper reduction in birth rate than in death rate bringing about a decline in the rate of population growth – appears unconvincing.

2.2 LABOUR FORCE

A reasonable working age group, in the Lao context, may be from 15 upto 65 years for men and from 15 upto 60 years for women.³ On this basis the population in the working age group in the year 1979 would be:⁴

male:	858	thousand
female:	810	"
Total:	1,668	"

In the absence of any information on labour force participation rates we make deductions, from this population in the working age group, for certain roughly quantifiable factors to arrive at what might be called a maximum estimate of the civilian labour force. These deductions are as follows (in thousand persons),⁵

	<i>Male</i>	<i>Female</i>	<i>Total</i>
Secondary and Higher Level Students	46	31	77
Expectant and Nursing Mothers	—	80	80
Armed Force	48	2	50
Sick, Disabled etc. (2.5 per cent of <i>Working Age Group Population</i>)	21	20	41
Total	115	133	248

³ The present authors heard some senior LPDR officials quote 15 to 55 as the desirable working age group for females.

⁴ Men constitute 49.8 per cent of the population and 50.4 per cent of men and 47.2 per cent of females are estimated to be within the specified age groups.

⁵ The following assumptions are used: of the total 91,000 secondary and higher level students 85 per cent are assumed to be in the age group 15 years and above and 40 per cent of them are arbitrarily assumed to be female. In a year an estimated 161,000 childbirths take place and, it is assumed, that on the average each birth puts the mother out of work for half a year. A token of 2 thousand out of the armed forces is shown under women. Sick, disabled, females overburdened with large families and persons voluntarily or involuntarily out of work are conservatively estimated to be 2.5 per cent of the working age group population.