

LABOR EMPLOYMENT OPPORTUNITIES IN COFFEE PRODUCTION IN SOUTHERN LAO PEOPLE'S DEMOCRATIC REPUBLIC

**Dexanourath Seneduangdeth, Kiengkay Ounmany, Saithong Phommavong,
Kabmanivanh Phouxay, Keophouthon Hathalong**

FATE-Laos Research Project, Faculty of Social Sciences, National University of Laos

Corresponding author, E-mail: dexanourath@yahoo.com

Citation: Seneduangdeth, D., Ounmany, K., Phommayong, S., Phouxav, K., Hathalong, K.
2018. Labor Employment Opportunities in Coffee Production in Southern Lao
People's Democratic Republic. *J. Asian Rur. Stud.* 1(2): 16-36

Abstract: General debate on the issue of labor employment is related to employment opportunity, pattern of labor employment, the contribution to labor employment, and the impact of labor employment on livelihoods. This paper examines labor employment opportunities through different ethnic perspectives, especially labor employment opportunities in coffee production, a non-traditional agricultural export (NTAE) product, as a case. The objectives of this study are to investigate the pattern of labor employment and to examine the impacts of the employment on the labor livelihoods. Qualitative method was applied to collect empirical data in four villages and five coffee planter-exporter companies in Pakxong District, Champasak Province, and Lao Ngam District, Salavanh Province, Lao PDR. Stakeholder consultation was held in relation to promotion of NTAE. Data analysis for this paper includes thematic analysis and narrative method. Findings show that there are many patterns of labor employment in coffee production: daily paid employment, monthly paid employment, and contracting employment. Wage laborers are from different ethnic groups who live in the same village, villages from outside, nearby villages, districts in the same province, and other provinces. Generally, the employment provides laborer with benefits. The laborers receive wage income and other additional benefits from employment in coffee production. The laborers benefit the most from a monthly salary and contracted employment compared to daily paid employment. The monthly paid employment secures employment status, provides additional benefits including welfare schemes such as medical care, accommodation, food provision, and telecommunication fees. The laborers, however, prefer to work as daily labor which provides incentive and is flexible for both the laborers and employers. In addition, migrant laborers experienced some negative impacts on their livelihood while working in a coffee garden such as working long hours, changing living style, and conflict with colleague workers and employers. The study suggests that related public and private agencies have to work closely with the farmers to regulate their workers' employment conditions to be in line with the national labor code of conduct.

Keywords: Labor employment; wage income; livelihood impact; non-traditional agricultural export; coffee production; Lao PDR

1. Introduction

In the post-Cold War era in the mid-1980s, the global geo-political situation had changed, and most socialist countries had launched a reformation of their socio-economic development policies. To cope with this context, in 1986 the government of Lao People's Democratic Republic (Lao PDR) introduced their renovation policy, known as *nayobai pianpaeng-mai*, with the implementation of the New Economic Mechanism (NEM) (Phomvihane, 1986). The main idea of the NEM is to reorient "a subsistence *production* system to market demands". It is a deep and far-reaching process of economic reform (Rigg, 2005, p. 2). It was noted that this economic reform applies a capitalist economic system within the Lao economic system. This allows the private sector to play a more active role in the country's socio-economic development, which has seen steady improvement according to key social and economic indicators (Seneduangdeth, 2014). Then the country started wider economic cooperation with foreign countries and became a member of the Association of South East Asian Nations (ASEAN) in 1997 (Narine, 1998) and membership to the World Trade Organization (WTO) in 2013 (WTO, 2017), and in initiatives for sub-regional cooperation, such as GMS Economic Cooperation (Rigg, 2009) and ASEAN Economic Community (AEC 2015).

Lao people consist of many ethnics. In total, there are 49 ethnic groups +rooted in 4 ethno-linguistic branches such as (1) the Lao-Tai language family, which consists of 8 ethnic groups; (2) the Mon-Khmer language family, which consists of 32 ethnic groups; (3) the Chine-Tibet language family, which consists of 7 ethnic groups; and (4) the Hmong-Iumien family, which consists of 2 ethnic groups (Department of Ethnics, 2005). Most of the Lao population is living in rural areas, but within the last two decades, from 1995 to 2005 (Lao census 2005), the rural inhabitants decreased from 83% to 73%, due to internal migration from rural to urban areas (LSB, 2014). Nonetheless, most of the Lao people are peasants relying on agriculture, particularly rice production; about 95% of rural households depend on agriculture as the main source of livelihood and 80% of the cropped area is planted with rice (SDC, 2007). Generally, most of population has usually produced for household consumption rather than for market.

The implementation of NEM policy in Lao PDR creates a favorable atmosphere for internal and foreign investment. Lao and foreign investors have often invested in various sectors including the agricultural sector, where agar wood tree, rubber tree, and coffee farms are popular crops. Coffee was first introduced and planted in the Bolaven

plateau, southern Laos by French colonialists in the early twentieth century and is still cultivated by local people since then. Coffee farms are widely planting in Champasak, Salavanh, and Xekong Provinces, Southern part of Lao PDR. Local people particularly in Pakxong District, Champasak Province and Lao Ngam District, Salavanh Province have engaged with coffee production for export. Coffee has become the main source of livelihood for local people to support their household's economy for many decades. Some foreign investors from Vietnam, Singapore, and Thailand for instance are also invested in Pakxong District, Champasak Province.

Generally, coffee plantation needs to hire wage laborers to work in the garden, particularly during the harvesting season. Garden owners with large gardens have to hire wage laborers for many works all year round such as planting coffee, weeding, and harvesting coffee. Labor employment in coffee farms and coffee production companies has gradually increased at various processes. While the coffee gardeners have tried to expand planting area, they have to look for hard-working wage laborers to work on their farms. This is to provide as much benefit as possible from coffee production to wage laborers who want to earn as much income as possible to improve their household economies. Some laborers are travelling from other villages, other districts, and other provinces to work as seasonal laborers in the villages of coffee farms. Therefore, labor employment is relevant to different ethnic groups and communities in two districts in southern part of Lao PDR such as Pakxong District, Champasak Province and Lao Ngam District, Salavanh Province. This study is really interested to investigate the patterns and impacted issues concerning labor employment—especially labor employment for coffee production, a non-traditional agricultural export (NTAE) product. The specific objectives of this study are to investigate the patterns of labor employment in coffee products as NTAE production and the impact of labor employment on the livelihood of employees. The main research questions are: What are the patterns of labour employment in coffee products as NTAE production? What are the impacts of labour employment on livelihood? This research is part of the research project for development and employment in sustainable development funded by Swiss Agency for Development and Cooperation and Swiss National Science Foundation. This paper presents the first part of a research project entitled *Feminization, Agricultural Transition and Rural Employment (FATE)* study, which focuses on some research objectives of the project in general. The research, after this introductory section, is structured by methodology, literature review, findings of the study, and concluding discussion.

1.1. Impacts of Non-Traditional Agriculture Exports on Local Employment

The effects of non-traditional agriculture exports (NTAEs) on rural employment received a lot of debate from scholars, particularly in developing countries. A study in Africa indicates that NTAEs generate significant impacts on foreign direct investment

among the developing African countries (Amighini & Sanfilippo, 2014). The impacts are not only confined in agricultural sector, but also produce multiplier effects on other sectors such as industries and services. As a result, the development of NTAEs stimulates economic growth of the host countries through employment creation and increasing consumption. There are a number of best practice examples of the promotion of NTAEs as a tool for socioeconomic development. Nevertheless, successes depend on collaboration among different stakeholder groups. A study using two successful programs in Thailand and Taiwan as case studies indicates that the cooperation between the public and the private sectors contributes to the success of rice export of the countries (Benziger, 1996).

Studies on the impacts of NTAE on employment at the individual level are considerably extensive in comparison to the studies on the impacts at the regional and macro levels. NTAEs should not be viewed as panacea as they could generate both positive and negative impacts on local workforce. As mentioned above, NTAE has been promoted in developing countries as a means to generate employments and enhance living standard for local people (Damiani, 2000). Apart from economic benefits, NTAE is used as a tool to develop human capital for the host communities. In many cases, staff-training programs are sideline of investment in NTAE development. NTAE may be small and enterprises (SMEs), which have limited expertise and financial capital. In this case, host government may play facilitating role to allow the NTAE SMEs to better access to financial capital and export markets. A study using Brazil, Ecuador, and Guatemala as case studies indicated that the public sector empower small producers to access to credit, contact with agro-industry companies, and offered training programs for workers in the industries (Damiani, 2000). In addition, the development of NTAE contributes to improving productivity of local workforce and competitiveness of the local economy as a whole. A study in Senegal involving the production vegetables for export indicates that export of vegetables rose despite increasing quality standard (Maertens & Swinnen, 2009). As a consequence, NTAE could be hailed as a poverty reduction strategy of the government (Mannon, 2005; Maertens & Swinnen, 2009) and a tool for modernizing production system in developing countries.

Similar to other industries, NTAE generates negative impacts on local workforce working in the industry itself, with no exception to successful cases (Korovkin, 2005). While NTAE development creates employment for local people, it is often the case that the local people have to face harsh working conditions (Damiani, 2003). Therefore, the place of rural wage labor in African studies still in doubt (Oya, 2013). Nevertheless, the relationship between NTAE development and poor working condition is not universal. Damiani (2000) for example argued that NTAE helps to improve working conditions of the workers. Unskilled and low paid jobs constitute other side effects of NTAE development. A study in Kenyan cut flower industry indicate that the workers employed

by the industry, mostly women, are facing severe working conditions such as overtime, no maternity leave, employment insecurity, sexual harassment, no chance for upward mobility etc. (Dolan, 2010). It even worse in the case of people working for wages in rural Mozambique who are victims of deprivation and humiliation (Sender, J., Oya, C., and Cramer, C., 2006). Generally, wage labour is still controlled by gang-masters, bosses and their associations. (Harriss-White, 2014, p. 982). Well-being of the local people must be taken into account when consider an introduction of NTAE in a host community.

1.2. Non-Traditional Agriculture Export versus Rural Non-Farm Employment

As scholars argued above, NTAE has played a significant role in generating employment for rural people. Nevertheless, the sector is competing with rural non-farm employment (RNFE) in term of employment and income generation. A study in Honduras suggested that rural non-farm income (RNFI) accounted for 31.1% of the total income of the households (Isgut, 2004). The income from non-farm wage and self-employment is between 16 and 25% of the total farm household income in Honduras (Ruben & van den Berg, 2001). Similiarly a study in Latin America indicated that RNFI made up 40% of the total income of the rural families (Reardon, Berdegue, & Escobar, 2001). The case is also corresponded with a comparative in Africa that greater nonfarm income diversification causes more rapid growth in earnings and consumption (Barrett, C. B., Reardon, T., & Webb, P., 2001). There is a tendency in an increasing RNFE in many areas in developing countries. A study in Brazil reported that RNFE played an increasing role in urbanization of the rural areas, which led to a decrease in farming households (Da Silva & del Grossi, 2001). A study in Latin America suggested the following trends: (1) rural non-farm wage income exceeded self-employment income, (2) rural non-farm income far exceeded farm wage income, (3) local RNFI far exceeded migration incomes, and (4) service sector RNFI far exceeded manufacturing RNFI. In addition, non-farm activities contributed to improving food security, agricultural harvest, and labor productivity, given that non-farm income was spent on agricultural inputs (Ruben & van den Berg, 2001). As a result, RNFI and NTAE should be simultaneously promoted in rural areas, in particular attention should be paid on the service sector (Reardon, Berdegue, & Escobar, 2001). This is because of the rural non-farm income is importance for rural household (Isgut, 2004)

Studies suggested a number of factors supporting development of RNFE such as lucrative agricultural activities, important roads, tourist attractions (Isgut, 2004), small towns, and industrial free zones (Ruben & van den Berg, 2001). Nevertheless, benefits from NRFE development were unevenly distributed. The poor are often the disadvantaged groups. A study in Brazil indicated that the ‘multi-active households’ managed to make more income than ‘exclusively rural households’ in RNFE (Da Silva

& del Grossi, 2001). Similarly, Reardon, Berdegue, & Escobar (2001) argued that the poor could not make benefits from RNFE partly due to a lack of financial and human capitals. According to Ruben & van den Berg (2001) better-educated individuals had better access to non-farm activities, while women from wealthier households managed to develop a famous self-employment activity. However, Hitayezu et. al. suggested that female-headedness and education reduces the rural non-farm work reservation hours (Hitayezu, P., Okello, J. J., & Obel-Gor, C., 2014).

Several studies suggested policy recommendations to ensure viable development of RNFE and equitable benefits distribution to different stakeholder groups. Reardon, Berdegue, & Escobar (2001) proposed development of skills training programmes, education, infrastructure, and credit access for the poor. Similarly, Ruben & van den Berg (2001) suggested improving education, training and technical assistance, public investment, and credit access to develop RNFE as a whole.

1.3. Situation of Labor Supply in Lao PDR

For a long time, Laos has a serious problem with labor shortage due to a number of factors, in particular geographical and political influences. This problem could be dated back to an ancient time, when a contemporary nation state was not established in Laos. Laos experienced a series of internal and international conflicts with neighboring powers. In 1827, Siam (Contemporary Thailand) invaded Vientiane and deported hundred thousand of people to the right bank of the Mekong River leaving the city in ruin for decades. This was a reason why French did not develop large-scale plantations in Laos, when Laos was integrated in the French Indochina in 1893.

When the Lao People's Revolutionary Party (LPRP), which is the current ruling party of Laos PDR, seized power in 1975, a hundred thousand of people, who constitute intellectual and entrepreneurial classes, fled the country to settle in France, the United States and other western affluent countries. It was estimated that Laos lost approximately 10% of its total population (Savada, 1994). The exodus caused a huge capital flight and brain drain. Some reported that Laos lost 90% of its intellectual class following the establishment of Lao PDR (Stuart-Fox, Undated), which exacerbated the already existing labor shortage problem in the country.

The geographical location of Laos also shape labor market development in the country. Laos shares borders with five neighboring countries, especially Thailand, which has very similar language and culture. This similarity has facilitated labor movement from the less developed Laos to the more developed Thailand since the normalization of Lao-Thai relations in the early 1990s. So far, over two hundred thousand of Lao workers working in unskilled and low paid jobs in Thailand. A large number of them are illegal migrant workers working in agriculture and construction sectors.

Economic policy during the implementation of centrally planned economic system between 1975 and 1986 also affected labor movement in the country. During that time, the government of Lao PDR discouraged labor migration between rural and urban areas to guarantee labor supply for the implementation of cooperative programs in the rural areas. The policy, however, failed to put into practice ineffectively implemented. Thousands of workers left rural areas to settle in urban centers or even to foreign countries such as Thailand, France, the United States, and so on. Following an unsuccessful attempt to install the command economic system, a comprehensive economic reform called New Economic Mechanism (NEM) was instituted in 1986 with the aim to substitute command economy with capitalist economy. Later on, the implementation of NEM resulted in an abrupt increase in demand for a large number of workers. Between 1985 and 1990, Lao labor market grew faster than population growth at 2.8% per annum, which added 53,000 workers to the labor force annually. Women made up 51% of the total labor force, but disproportionately over-represented in the agriculture, trade, health and social services (World Bank, 1994). Nevertheless, accurate data on labor force and employment in Laos was extremely limited due to a lack of systematic studies. A number of studies on the labor market development in Laos exist in the form of reports from international development agencies namely the World Bank, Asian Development Bank, and the United Nation Development Program (UNDP).

1.4. Lao Agricultural Workforce

According to a population census in 1985, Lao PDR had a total population of 3.58 million inhabitants. Approximately 50% of the population was concentrated in urban centers namely Vientiane Prefecture, Vientiane province, Savannakhet, Champasak, and Salavanh. Laos was one of the most rural countries, where about 85% of the population was living in rural areas and employed in agriculture sector (World Bank, 1986). It was challenging to quantify unemployment in agricultural sector due to a lack of systematic development of national statistical database. Nevertheless, indirect observation indicated that the wages in agricultural sector was rising due to labor shortage. The labor shortage problem developed because an increase in foreign aids, which fuelled investment and stimulated demand for workers (World Bank, 1986).

As far as agricultural sector was concerned, rural workforce engaged in subsistence agriculture. As a result, market mechanism played a minor role in determining wage and allocation of human resources in the agricultural sector. Like elsewhere, industrialization led to a decrease in a share of agricultural sector in relation to the GDP, while the shares of industrial and service sectors were increasing. The agricultural workforce was likely to decrease as more workers were employed in industry and service sectors. In 2014, World Bank (2014) estimated that agriculture accounted for

26% of the GDP and employed 61% of the population. The report also indicates that 76% of households grow rice. Nevertheless, International Labor Organization suggested different figures regarding a share of labor force in agriculture in Laos. It was reported that 75% of the labor force was employed in low productivity agricultural sector. The report revealed that agricultural sector was characterized as high level of underemployment. The work was regarded as “unpaid family work” resulted in lower quality of work in comparison with other sectors. Working in agricultural sector was viewed as “vulnerable employment” due to low wages, poor working condition, and deficits in social protection and a lack of workplace representation.

1.5. Legal Frameworks on Employment in Lao PDR

The legal framework of Lao PDR is composed of constitution, laws and orders. There are now about 100 laws, which are related to social, economics, education, culture, investment, finance, natural resource, forest, land, etc., have been enacted. The constitution of Lao PDR, which was adopted in 1991, represents national political, social, economic, and other important aspects of the country, including right and obligation of both women and men and all ethnic groups. The national assembly takes a leading role in promulgation of laws on different fields including labor and employment.

Other sets of legal frameworks in the forms of decrees, orders, and instructions of the President, Prime Minister, and Minister have also been issued. The instructions are issued together with law in order to implement the laws. These legal frameworks shape employment conditions, including women’s employment. Labor law provides the principle of mutual interest of employers and workers that “the government shall ensure that employers and workers derive mutual benefits from their relationships without discrimination on the basis of race, color, sex, religion, political opinion or social status” (Labor law 1994, Article 2). Labor law also identifies employment condition for women, stating that “An employer shall not employ women to perform heavy work dangerous to their health as specified by regulation nor to work during the night in all industrial sectors from 10 p.m. to 5 a.m the next morning” (Labor law 1994, Article 33) and “An employer shall not employ a woman during her pregnancy or during the six months following her confinement to perform any lifting or carrying heavy loads work” (Labor law 1994, Article 34).

2. Methods

This research applied qualitative methodology as a data collection tool and analysis. To provide in-depth analysis in this research, two types of data sources were used, including primary data and secondary data. The primary data collection was conducted in four villages: Lak 35 (Etu) village and Setkhot village, Pakxong District, Champasak

Province, and Dong village and Phorkhem village, Lao Ngam District, Salavanh Province. The secondary data includes documents from Provincial Office of Salavanh Province, documents from Agricultural and Forestry Office of Pakxong District, documents from Statistic Division, Department of Planning and Investment of Champasak Province and other relevant research reports.

The key informants and stakeholders for interviews in the primary survey (December 2014) are government officials of two ministries including Ministry of Commerce and Industry and Ministry of Agriculture and Forestry in two provinces—Champasak and Salavanh provinces, two districts—Pakxong and Lao Ngam (and Bachieng Chaleunsuk during primary survey), and four villages—Lak 35 (Etu) village, Setkhod village, Dong village, and Phorkhem village. The owners and managers of five coffee planters/exporters in coffee industries in Pakxong District, Champasak Province, and Lao Ngam District, Salavanh Province including Pakxong Highland Co.,Ltd, Phetsavang Joint Development Lao Coffee Co.,Ltd, Pakxong Chaleunxay Promoting Agriculture Co.,Ltd, Organic Coffee cooperatives, Lao Coffee Association, and Bolaven Coffee Producer Cooperative (Coopérative des Producteurs de Café du Plateau des Bolavens: CPC).

The structure of the interviews was designed by the project team and applied to collect data in the research site in May 2015. In order to gain perspectives from different types of data or from different levels within a study, this research applied four methods to gather primary data, including participant observation, semi-structured and in-depth interviews, key-informant interviews, and focus group discussion.

Semi-structured and in-depth interviews were used with local people who are owners of gardens and laborer who work in coffee farms. The selection of key-informants was designed by the team with the assistance of village authorities and aimed to include representatives of coffee producers from different ethnic groups. In brief, the interviews were conducted with owners of the farm, villagers who are members of the coffee group production, and wage workers at the coffee farms.

The group discussions consisted of 3-6 people in each stakeholder group. The recruitment of the key informants was based on the selection of the researchers, with most of them being village authorities and some outstanding garden owners who have different land size of coffee garden. The criteria for selection of key-informants for group discussion was not only focused on ethnic identity, but also considered other features including household economy, types of household and marital status. The group interviews consisted of female/male headed household, producer group (CPC and non-CPC), village authorities, ethnic groups, and mixed groups. The selection of the private company was also done with the assistance of the Lao Coffee Association.

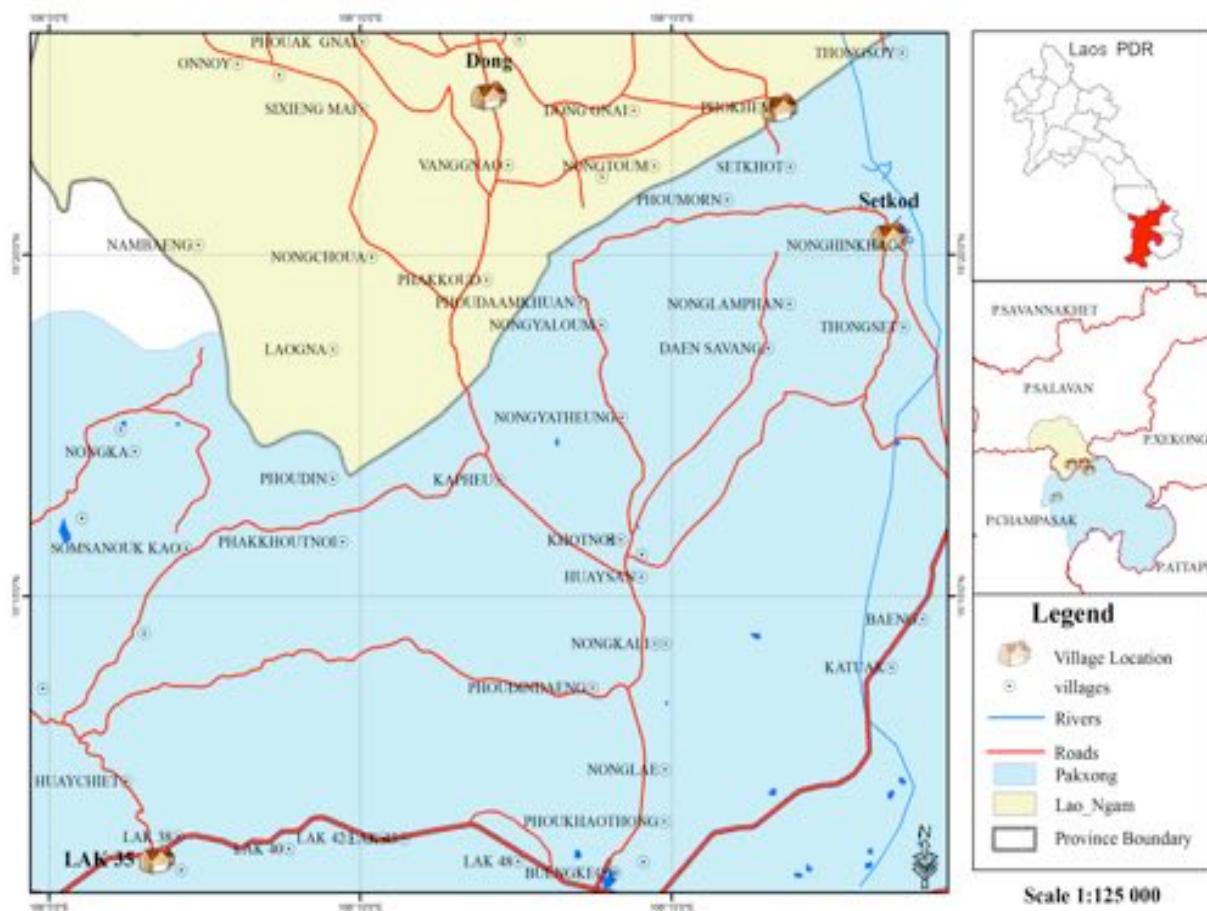


Figure 1: Map of Research site: Dong, Phorkhem, Lak 35 and Setkhot Villages

Two villages were selected for each district based on different locations: one village is located at the main road and one is located far from the main road. Four villages were selected as research sites. Lak 35 village in Pakxong District and Dong village in Lao Ngam District were selected as the site near the main road; Setkhot village in Pakxong District and Phor Khem village in Lao Ngam District were selected as the sites far from the main road. Several field visits were made before the final decision for research sites was selected.

Table 1: General information of research sites (2015)

Description	Champasak Province		Salavanh Province	
	Pakxong		Lao Ngam	
Village	Lak 35	Setkhot	Dong	Phorkhem
Village establishment	1930	1973	1768	1807
Population (family)	217	501	380	348
Population (female)	1009 (458)	2861 (1481)	1961 (982)	1812 (919)
Elevation (above sea level)	920 m	1036 m	900 m	900 m
Main occupation	Farmers, traders, civil	Farmers, traders	farmers	farmers

Road access to district	servant Asphalt road 15 km	30 km, earth road 4.5 km	Earth road 9 km	Earth road 20 km
Public health care	1 Health care center	Nil	1 Health care center	1 Health care center
School	Primary School-Upper Secondary School	Primary School-Lower Secondary School	Primary School-Lower Secondary School	Primary School-Upper Secondary School
Market Per capita (USD/year)	Nil 852	Nil 1,277	Nil 600	Nil 1,000
Ethnicity	Lao, Yarou (Laven), Xuay	Lao, Yarou (Laven), Katou, Katang, Lavae, Xuay, Ta Oy	Lao, Ngae, Xuay, Ta Oy	Lao, Yarou (Laven), Ngae, Xuay, Ta Oy, Katou, Katang

Source: Interview village headmen by the study team

3. Result and Discussion

3.1. Patterns of labor employment in coffee product as NTAE production

3.1.1. Patterns of employment

Coffee production offers a panacea for rural employment. In the past, coffee gardeners often exchanged labor for planting coffee, weeding and also harvesting coffee. However, garden owners who had large coffee gardens had to hired laborers for harvesting coffee. Labor employment in coffee gardens or farms in theses villages began around the early 1990s and it has increased since gardeners started to cultivate ARABICA Cartimor around the mid-1990s. There are many patterns of labor employment in coffee production in the southern part of Lao PDR. However, it can be grouped into two main patterns: temporary employment and permanent employment.

3.1.2. Temporary Employment

There are many patterns of labor employment in temporary employment based on modes of payment and usually in seasonal terms such as daily payment, monthly payment, contracting payment, and payment as aggregate product or work.

Daily payment: These laborers are living in the same village with coffee garden owners or coffee farm owners. They usually get daily wages without any other welfare. However, some employers or garden owners serve them a lunch for the working day. The pattern of daily payment is often used in terms of planting season—including planting coffee seeds, planting coffee trees, weeding season, and also harvesting season.

Table 2. Payment rate by types of employment (2015)

No.	Villages	Districts	Provinces	Types of work	Rate of daily payment
1	Lak 35	Pakxong	Champasak	weeding by using knife, hoe, etc.	40,000-50,000 LAK
2	Setkhot	Pakxong	Champasak	weeding by using knife, hoe, etc.	40,000 LAK
3	Dong	Lao Ngam	Salavanh	weeding by using knife, hoe, etc.	30,000 LAK
4	Phorkhem:	Lao Ngam	Salavanh		
	- Villagers gardens			weeding by using knife, hoe, etc.	40,000 LAK
	- Company's garden			weeding by using knife, hoe, etc.	30,000 LAK

Source: from the survey by the authors

Monthly payment: This pattern of payment is often used to hire laborers for harvesting coffee in the villagers' gardens or coffee farms of companies in the harvesting season. These laborers are often from outside the village; some of them are from other districts in the same provinces—Champasak and Salavanh Provinces, and other provinces like Xekong, Attapu and Savannakhet Provinces. Approximately, the rate of monthly payment is around 800,000-1,400,000 LAK per month. The rate of monthly payment is different based on work and location of gardens or farms.

Table 3. Payment rate by types of employment (2015)

No.	Villages/company	Districts	Provinces	Types of work	Rate of monthly payment
1	Lak 35 village	Pakxong	Champasak	Harvesting	800,000 LAK
2	Setkhot village	Pakxong	Champasak	Harvesting	800,000-1,400,000 LAK
3	Phetsavang company	Pakxong	Champasak	Weeding, Harvesting, controlling laborers	800,000-1,000,000 LAK 1400,000 LAK
4	Dong village	Lao Ngam	Salavanh	Harvesting	800,000 LAK
5	Phorkhem village: - Villagers' gardens	Lao Ngam	Salavanh	Harvesting	1,000,000 LAK

Source: Interview village headmen by the study team

Contracting payment: This pattern of payment is not often used compared to daily payment and monthly payment. However, it is often used to hire laborers for weeding in coffee gardens of villagers or company farms. The rate of contracting payment is different in each case.

Payment as aggregate product or work: This pattern of payment is often used to hire laborers who live in the same village, but sometime they are from other nearby villages. They are hired to harvest coffee in the harvesting season. Approximately, harvesting coffee in Setkhot village, they earned around 60,000-100,000 LAK per day, while in Lak 35 village they earned around 30,000-70,000 LAK per day and in Dong village they earned around 100,000-150,000 LAK per day (the exchange rate in June 01, 2015: 1 USD = 8,100.00 LAK). The deputy village head of Dong village said, "My wife hired extra workers to harvest coffee. Sometime we paid 100,000 LAK per day, but sometime

150,000 LAK per day” (Khon, 2015).

3.1.3. Permanent Employment

There are two patterns of permanent employment based on types of work such as working in company farms and coffee production companies.

- a) Company Farms: some laborers work in coffee farm of companies as permanent employment, while some laborers work as temporary employment.
- b) Coffee Production Company: laborers work in coffee production company as permanent employees who get monthly payment and other social welfare including health insurance.

Besides these employments, some households have coffee gardens with an area less than 1 hectare, so they have never hired any additional labor to work in their gardens. They have done the garden’s work through their household laborers, who are sometimes also looking for wage work in other households’ gardens in the same village and nearby villages to earn more income to subsist their households’ economy as much as possible.

Table 4. Typology of employment (2015)

Villages	District	Employers	Typology of employment
Lak 35	Pakxong	- Villagers gardens	Daily payment
Setkhot	Pakxong	- Villagers gardens	Payment as aggregate product or work
			Monthly payment
Dong Phorkhem	Lao Ngam Lao Ngam	- Villagers gardens - Villagers gardens - Company garden	Daily payment
			payment as aggregate product or work
			Monthly payment
			Daily payment
			Payment as aggregate product or work

Source: from the survey by the authors

3.2. Sources of wage labor

There are many sources of wage laborers working in coffee gardens or coffee company farms based on types of work. Some types of work like planting seeds of coffee and weeding in villagers’ garden are often done by wage laborers from the same village. In contrast, *wage* laborers for harvesting coffee in the harvesting season are from nearby villages in the same district–Pakxong and Lao Ngam Districts and from other districts in Champasak, Salavanh, Xekong, Attapu and Savannakhet Provinces. An interviewee with a Yaru ethnic gardener in Lak 35 village, Pakxong District, Champasak Province provided that:

Wage laborers who work for harvesting coffee in our coffee garden have come from other villages, other districts like Khong, Munlapamok, Champasak and other districts in this province. Some of them have been from this village, particularly who has no coffee garden or small coffee garden. Especially,

laborers who have been hired to harvest coffee in our garden in the past often come back to work with us again. We contact them and we pick up them from their home to work in our garden and live with our family. Sometime two experienced laborers persuaded their friends for a number of 10 laborers to work with us, but depending on us to consider how many laborers we need to hire in our garden. (A Yaru ethnic gardener, 2015)

Some cases, laborers who are from other districts or provinces are suggested by drivers or brokers who have labor recruitment experiences with seasonal work in coffee farms or gardens. An interviewee with a Lao ethnic owner of coffee farm highlighted that:

There are some brokers, particularly who has a Hyundai pickup for carrying laborers to farm and carrying them back home often come to ask us if we need laborers to harvest coffee or not and how many laborers we need so they can provide laborers for us. The brokers ask laborers to pay for commission and transportation fee 10,000 LAK per person and they also ask us to pay for transportation fee 100,000 LAK for all. (Vongphakdy, 2014)

Briefly, sources of wage laborers working in coffee gardens or coffee company farms are based on the type of work. They were contacted to work places by garden or farm owners, their friends, drivers and brokers.

Based on interviews, almost all garden owners did not specify ethnic name of laborers to work in coffee gardens or coffee farms. In addition, the employers neither specify gender nor age of laborers. They have specified only being diligent laborer. However, villagers have often hired the same ethnic laborers to work in a garden or farm to avoid conflicting problems in terms of cultural livelihood while living in the garden owners' houses in the period of working in the gardens. A garden owner in Setkhot village pointed out that:

Actually, we did not specify any ethnic, men or women to employ to work in our garden; we just looked for laborers who were diligent, but it is better to hire the same ethnic laborers so that they work and stay smoothly together in our home in the working period (Ounnouvong, 2015).

Nevertheless, they have sometimes worked together in the same garden or farm. Particularly, company employers often hired different ethnic laborers to work in their company farms so they have worked together.

3.3. Contribution of NTAE production to labor employment

Generally, coffee production creates employment for local people (Damiani, 2000). Coffee production as NTAE including plantation and coffee production have created work or income sources for laborers. Coffee sector may be used as a tool for promoting human capital, as some training programs can be offered to workers working in the

industries related to coffee (Damiani 2000). Laborers who worked in coffee gardens or coffee farms earn income for themselves in the case of young laborers or for their households in the case of adult laborers. The incomes from working in coffee gardens or coffee farms are different levels depending on the type of work, patterns of employment, and places of gardens or farms.

- Different income depends on working tools: in consideration of different tools, laborers were hired at different wages. For example, a laborer working for daily payment in Setkhot village earned income 40,000 LAK per day for weeding by using traditional tools like knife, hoe, etc., while laborer (usually man) earned 50,000 LAK per day for weeding by using grass cutter or machine (Ethnic-group-A, 2015)
- Different income depends on patterns of employment: in comparison to different patterns of employment, laborers earned different income. For example, while a laborer harvesting coffee in Setkhot village earned about 40,000 LAK per day in case of daily payment, he or she earned 60,000-100,000 LAK per day in case of payment as aggregate product (Ethnic-group-A, 2015)
- Different income depends on the place of gardens or farm: by taking different places into account, laborers were hired at different wages. Particularly, villages that are not far from the town or located along the paved road or nearby the paved road often employ a better wages than villages that are located far from the town or far from the paved road. For example, a laborer working for daily payment in Setkhot and Lak 35 (Etu) villages in Pakxong District earned 40,000 LAK per day for weeding; he or she earned 30,000 LAK per day in Dong village, Lao Ngam District (Ethnic-group-A, 2015) (Ethnic-group-C, 2015) and (Ethnic-group-D, 2015).
- Different income depends on labor status of being local laborers or migrant laborers: in terms of monthly payment employment, wages are also a different rate, such as in Setkhot village, Pakxong District in 2014 where a migrant laborer was hired for harvesting coffee at about 700,000-1,000,000 LAK per month while a local laborer was hired at about 1,400,000 LAK per month. The reason for hiring at different rates is that local laborers who were living on their own houses bring their own lunch while migrant laborers living in garden owners' houses shared meals with garden owners. A gardener of Phorkhem village stated in ethnic group discussion:

That is very good you hired only 700,000-800,000 LAK per person per month, but I paid 1,000,000 per month per one this year. I think we better hired wage laborers from our village than hiring from other villages due to the laborer from our village were responsible for their meals even though we hire them 1,200,000-1,300,000, or someone who is hard working by combining garden works and also helping at home for drying coffee beans, washing coffee beans, milling coffee beans, for that case, I am satisfy to pay him or her 1,500,000 LAK (Somlit, 2015).

- Different income depends on the garden owners' decision: Many gardeners hire wage laborers at different wages; particularly, they defined monthly payment differently even in the same village. A gardener shared his experience with a focus group discussion in Setkhot village:

The wages are dependent on garden owners' decision, how much they can pay for wage labor per month. If I can pay 700,000 LAK that means I hire them 700,000 LAK, some gardeners can pay 800,000 LAK they pay them 800,000 LAK, someone find difficult to find wage laborer they have to pay higher like 900,000 LAK, but they have to agree to work. For wage laborers in this village we hire at least 1,000,000 LAK with the inclusion of meal which they have to provide their own (ethnic-group-E, 2015).

- Different income depends on gender: In addition to other cases, wages are different based on gender. For instance, in a coffee farm in Pakxong District, they hired both male and female laborers to work in their coffee farm, but paid different salary rates depending on gender. An interviewee who owns a coffee farm said that:

We pay a salary of 800,000 LAK for a female laborer to work in farm and also for a female cook, while we pay a salary of 900,000 LAK for a male laborer who works in farm and pay amount of 1,000,000 LAK for one who work in coffee warehouse due to male laborers are stronger than female laborers (Vongphakdy, 2014).

However, in this case the farm owner defined clearly the labor division between male and female laborers. The female laborer is responsible for fertilizer application and weeding while male laborers are responsible for fertilizer application, weeding, and carrying organic fertilizer or compost fertilizer bags. Nevertheless, it seems that the labor benefits the most from monthly paid and contracting employment, compared to daily paid employment, which could secure longer term employment, medical care provision, accommodation support, food provision, and telecommunication fees.

Even though laborers earned different wages, it is estimated that coffee production could provide wage income higher than national and UN poverty line which contributes to achieving the poverty reduction strategy of the government (Mannon, 2005; Maertens & Swinnen, 2009)

3.4. Impacts of labor employment on the livelihood

In contrast to the contributions of coffee production to laborers working in coffee gardens or production, labor employment also brought negative effect to laborers who were hired in coffee gardens. Working in the coffee farm is considered as unskilled labor which anyone can take and risky for overtime, no maternity leave, employment insecurity, sexual harassment, no chance for upward mobility etc. (Dolan, 2010). Particularly, migrant laborers who were far from home had to live far separately from

their families. Adults who were married have told their families at home that they could not help solve household problems in case of emergencies. As a gardener in Setkhot village shared that: *“Sometimes laborers’ families have problem particularly emergency case, they ask for leaving to visit their home, but in case the problem was not serious they just called them...”* (Ethnic-group-A, 2015).

For young laborers, they have not been able to help their families in case of emergencies due to being far from home. As a case in Phorkhem village, ethnic group discussion showed that when wage laborers *“who worked and stayed when my family was ill, we help them buying medicines to treat them at home or guiding them to see a doctor in the hospital. If they were not better we had to take them back home”* (Ethnic-group-B, 2015).

Additionally, some wage laborers cannot adapt to living with garden owners while they worked as migrant labors. Particularly, some ethnic group-laborers who have different cultures have faced a problem of adaptation to new livelihood in the village of the coffee garden. Korovkin, (2005) said migration to work and living with different ethnic groups leads to some negative effects with no exception in the successful cases including adaptation to ethnic culture of living, working, and socializing. Because, migrant laborers usually stayed at the employers’ house while they work as wage laborers, they had to fire wage labors when they could not adapt to live together. As a case of problem in Setkhot village, a gardener contended:

Around 6 years ago, I had hired over 10 wage labors from Salavanh Province to work in my garden. They lived in my house here, but they had a problem of living with us due to they have strange culture of cooking-I told them to stream sticky rice, but they boiled it...they could not adapt to live with us so only three days I told my husband to send them back home... (Ounnouvong, 2015).

This case shows that different ethnic laborers have different abilities of adaptation, particularly adjusting to work and life with different ethnic groups as the case of migrant laborers trying to adapt to coffee garden’s owner in Setkhot village.

Table 4: Estimation of the impact of daily wage income on local livelihood

Cost/day (Kip)	No. working day	Total/ Month (Kip)	Total/ Month (USD)	Total/ year (USD)	Total/ day (USD)
30,000	24	720,000	88.89	1,066.67	2.92
40,000	24	960,000	118.52	1,422.22	3.90
50,000	24	1,200,000	148.15	1,777.78	4.87

Exchange rate: Kip/USD 8,100 (Source: calculated by authors based on survey data)

Table 4 is drawn as a benchmark to reflect on the impact of employment on the livelihood of local people. Three levels of daily wage income 30,000, 40,000, and 50,000 kip per days are using as proxy indicator estimation of the impact of daily wage income on local livelihood. These three rates were mentioned as daily wage paid for the

labor by the employers or gardeners. The daily employment is highly flexible for the labors who can work every day or only some days per week. In order to earn the equivalent to monthly wage payment, the labors have to work 6 days per week or 24 days per month, the maximum number of working days prescribed in Labor Law (NA, 2014, p. 8). In such cases, three rates of payment per month yield income of 720,000, 960,000, and 1200,000 Kip, respectively. In these levels of income only the second and third levels are relatively equal to the minimum prescribed national labor income level, 900,000 Kip per month (MLSW, 2015, p. 2). All monthly income levels, however, are much higher than national monetary poverty line for rural area which is 180,000 kip per person per day (GoL, 2012, p. 2). The equated US dollars income level of three levels per year is still lower than the gross domestic product per capita income which stood at 1,787 USD per person per year in 2015 (BoL, 2015). On average, the three levels of the wage rate per day are higher than national and United Nations sustainable development goals (SDGs) on poverty, which is 1.90 US dollars per day (SDG, 2017).

4. Conclusion

This paper focuses on labor employment opportunity, especially labor employment for coffee production as a non-traditional agricultural export product in Southern Lao PDR. The findings show that there are many patterns of labor employment in coffee production: seasonal employment, daily paid employment, monthly paid employment, payment as aggregate product or work, contracting employment and permanent employment. Wage laborers are different ethnics who live in the same village and also from outside the village, including nearby villages, other districts and other provinces. Coffee production as NTAE includes planting and coffee production have created works or sources of incomes for laborers. Generally, labors receive income as wages and other additional benefit rather than losing benefit from coffee production. The incomes from working in coffee gardens or coffee farms are different levels depending on type of work, tool, patterns of employment, places of gardens or farms, labor status of being local laborers or migrant laborers, garden owners' decision and gender. It is considered that coffee production as NTAE provides a panacea to fulfill the gap of seasonal work after rice harvesting for Lao peasants. However, migrant labors could not avoid some impacts on their livelihood while working in coffee gardens such as migrant laborers have to live far from families, cannot help solving household' problems in case of emergencies, and face problem of adaptation to new livelihood in new work place. These significant effects on local employment are the costs of poor working conditions (Damiani, 2003) who have to share living facilities. Nevertheless, migration to work and living with different ethnic group create new problem for some workers in terms of adaptation to ethnic culture of living, working, and socializing. This study suggests that concern agencies should regulate labor market in a better condition to enable the

workers to follow national legal standard in terms of payment, working and living condition. A government strategy of using coffee as a main crop for poverty reduction is not guaranteed, since income for direct employment is not a secured permanent job. Some suggestions for policy implication are to invest more on the processing of coffee.

References

- Amighini, A., & Sanfilippo, M. (2014). Impact of South-South FDI and Trade on the Export Upgrading of African Economies. *World Development*, 64, 1-17.
- Barrett, C. B., Reardon, T., & Webb, P. (2001). Nonfarm income diversification and household livelihood strategies in rural Africa: Concepts, dynamics, and policy implications. *Food Policy*, 26(4), 315–331.
- Benziger, V. (1996). Small Fields, Big Money: Two Successful Programs in Helping Small Farmers Make the Transition to High Value-Added Crops. *World Development*, 24(11), 1681-1693.
- BoL. (2015). *Annual Economic Report*. Vientiane Capital: Bank of Lao PDR (BoL): Lao PDR.
- Da Silva, J. G., & del Grossi, M. E. (2001). Rural Nonfarm Employment and Incomes in Brazil: Patterns and Evolution. *World Development*, 29(3), 443-453.
- Damiani, O. (2000). The State and Nontraditional Agricultural Exports in Latin America: Results and Lessons from Three Case Studies. *The Conference on the Development of Rural Economy and Poverty Reduction in Latin America and the Caribbean*, (p. 10). New Orlean.
- Damiani, O. (2003). Effects on Employment, Wages, and Labor Standards of Non-Traditional Export Crops in Northeast Brazil. *Latin American Research Review*, 38(1), 83-112.
- Dolan, C. (2010). The 'Good Wife': Struggles over Resources in the Kenyan Horticultural Sector. *Journal of Development Studies*, 37(3), 39-70.
- Ethnic-group-A, S. v. (2015, 5 17). Group discussion on wages of laborer in coffee plantaion in Setkot village. (D. Seneduangdeth, Interviewer)
- Ethnic-group-B, d. i. (2015, 5 21). Migrant laborers' lifelihood in Phorkhem village. (S. Phommavong, Interviewer)
- Ethnic-group-C. (2015, 5 18). Group discussion on wages of laborer in coffee plantaion in Lak 35 village. (D. Seneduangdeth, Interviewer)
- Ethnic-group-D. (2015, 5 19). Group discussion on wages of laborer in coffee plantaion in Dong village. (D. Seneduangdeth, Interviewer)
- ethnic-group-E, d. i. (2015, May 18). Wages for wage laborers in Setkhot village. (S. Phommavong, Interviewer)
- GoL. (2012). *Poverty and Development Standards*. Vientiane Capital: Government of Laos (GoL): Lao PDR.

- Harriss-White, B. (2014). Labour and Petty Production. *Development and Change* 45(5): DOI: 10.1111/dech.12124, 981-1000.
- Hitayezu, P., Okello, J. J., & Obel-Gor, C. (2014). Farm households' participation in rural non-farm employment in post-war Rwanda: Drivers and policy implications. *Development Southern Africa*, 31(3), 452-474.
- Isgut, A. E. (2004). Non-farm Income and Employment in Rural Honduras: Assessing the Role of Locational Factors. *Journal of Development Studies*, 40(3), 59-86.
- Khon. (2015, 5 20). Labor employment in coffe garden. (S. Phommavong, Interviewer)
- Korovkin, T. (2005). Creating a Social Wasteland? Non-traditional Agricultural Exports and Rural Poverty in Ecuador. *European Riview of Latin American and Caribbean Studies*, 74, 47-67.
- LSB, L. S. (2013). *Population estimation and density 2012*. Retrieved December 20, 2013, from Lao Statistic Bureau: http://nsc.gov.la/index.php?option=com_content&view=article&id=37&Itemid=160&lang=en
- LSB, L. S. (2014). *Population Census 2005*. Retrieved January 29, 2014, from Lao Statistic Bureau: http://nsc.gov.la/index.php?option=com_content&view=article&id=18&Itemid=19&lang=en
- Maertens, M., & Swinnen, J. F. (2009). Trade, Standard and Poverty: Evidence from Senegal. *World Development*, 37(1), 161-178.
- Mannon, S. E. (2005). Risk Takers, Risk Makers: Small Farmers and Non-Traditional Agro-Exports in Kenya and Costa Rica. *Human Organization*, 64(1), 16-27.
- MLSW. (2015). *Instruction on Revision of Minimum Labor Income Level in Lao PDR*. Vientiane Capital: Ministry of Labor and Social Welfare (MLSW): Lao PDR.
- NA. (2014). *Labor Law*. Vientiane Capital: Lao PDR.
- Ounnouvong, S. (2015, May 16). Coffee production and wage laborers employment. (D. Seneduangdeth, Interviewer)
- Oya, C. (2013). Rural wage employment in Africa: Methodological issues and emerging evidence. *African Political Economy*, 40(136), 251-273.
- Reardon, T., Berdegue, J., & Escobar, G. (2001). Rural Nonfarm Employment and Incomes in Latin America: Overview and Policy Implications. *World Development*, 29(3), 395-409.
- Ruben, R., & van den Berg, M. (2001). Nonfarm Employment and Poverty Alleviation of Rural Farm Households in Honduras. *World Development*, 29(3), 549-560.
- SDC, (. A.-E. (2007). Filling the Rice Basket in Lao PDR Partnership Results. *Asia Brief*, May 2007.
- SDG. (2017). *Sustainable Development Goal*. Retrieved July 4th , 2017, from <http://www.un.org/sustainabledevelopment/poverty/>

- Sender, J., Oya, C., and Cramer, C. (2006). Women working for wages: Putting flesh on the bones of a rural labour market survey in Mozambique. *Journal of Southern African Studies*, 32(2), 313–333.
- Somlit. (2015, 5 21). The wages in coffee garden. (S. Phommavong, Interviewer)
- Vongphakdy, S. (2014, December 23). Development of coffee farm of Phetsavang Company. (S. Phommavong, Interviewer)
- World Bank. (1986). *Lao People's Democratic Republic Agricultural Sector Note*. Washington DC: World Bank.
- World Bank. (1994). *Lao People's Democratic Republic Country Economic Memorandum*. Washington DC: World Bank.
- World Bank. (2014). *Lao Development Report 2014: Expanding Productive Employment for Broad-Based Growth*. Vientiane: World Bank.
- WTO. (2017). Retrieved July 1, 2017, from https://www.wto.org/english/thewto_e/countries_e/lao_e.htm. 19, 1979.