
Third Qualitative Assessment of Impacts of the Economic Crisis on Households and Vulnerable Workers in the Lao PDR

World Bank¹, Vientiane, Lao PDR

December 2010

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ACRONYMS

FDGs	Focus Group Discussions
GDP	Gross Domestic Product
IDIs	In-Depth Interviews
LAK	Lao Kip (currency)
LPB	Luang Prabang
LWU	Lao Women's Union
NTFP	Non-timber forest product
OT	Overtime
PKE	Pakse
SME	Small to medium enterprise
VTE	Vientiane
INGO	International Non-Governmental Organization
VAT	Value-added tax

EXECUTIVE SUMMARY

In order to better understand how vulnerable workers dealt with the global economic crisis and its aftermath, the Food, Fuel, and Financial Crisis Practice Group of the World Bank, with the support of the Lao PDR country office carried out three qualitative assessments with a cross-section of economically-active citizens. From May 2009 to June 2010 a total of 239 workers in Vientiane, Luang Prabang, and Champasak, participated in these assessments and discussed the impacts of the global crisis on their households and the various strategies they have been using to cope with negatives changes. A first round of assessments took place in Laos in May 2009, a second one in December of the same year, and a third and final one in June 2010.

This note presents the findings of the third round, which included a total of 128 people in 15 Focus Group Discussions (FGDs). Most of them (63 percent) had already taken part in the previous two assessments in 2009. The groups included:

- Low-income workers in Vientiane Capital (carpenters, restaurant workers, garment workers, daily laborers in various sectors, small-scale traders in the informal sector)
- Migrant-sending communities in the Southern province of Champasak
- Low-income workers engaged in the tourism sector in Luang Prabang

The findings obtained during the focus group discussions were triangulated with 17 interviews with business owners and managers in the garment and tourism sector, with village chiefs, INGO representatives, and representatives of mass organizations. The sample is small and findings cannot be generalized to a wider range of vulnerable workers in the Lao PDR. It is hoped, however, that these findings complement other studies on vulnerable workers responses to crises and risk management safety nets in the Lao PDR.

Summary of findings in June 2010

- Food price increases have affected all groups in the sample. The increase in the price of rice, fresh vegetables, and fuel was the main concern for all respondents.
- Expenditure for basic services (electricity and water) went up in the first half of 2010 caused by increases in service fees and usage. FGD participants indicated using more electricity than usual to power fans and refrigerators due to the extremely hot temperatures.
- The tourism sector was negatively affected by the political crisis in Thailand. The number of tourists declined sharply from March onwards, including the number of Thai tourists.
- From April onwards the garment industry started receiving larger orders and recruiting workers, mostly domestic migrants from Northern provinces.
- Workers welcomed the minimum wage of 569,000 LAK (68 USD), although maintained that it is not enough to cover their basic expenses. Production bonuses are crucial to complement the minimum wage. Some factories were providing bonuses, but overtime (OT) had not resumed after being stopped in 2009. From May onwards workers started raising formal complaints to the factories on salaries, benefits, and working conditions.
- Although workers indicated negative changes since December 2009 (rise in food and fuel prices) the overall impression is one of recovery. A majority of workers indicated doing better than in 2009. Workers had less debt and more savings compared to the same period a year ago.
- Most of the respondents use the *share system*, a type of informal savings-and-loans club, as their main

financial instrument to raise lump sums. Very few have considered using banks, which they considered inappropriate to meet their needs.

- Private informal moneylenders continue to be an important source of credit for investment capital. Although by 2010 traders who in 2009 were highly dependent on moneylenders indicated fewer loans and more savings into the share system.
- Few formal sources of support were indicated throughout the year. The most prominent being the Village Fund, an initiative of the Lao Women's Union that allows contributors to borrow at low interest rates (3 to 4 percent annually) with land as collateral. Many respondents had borrowed from the fund in the last months.
- Child labour was not mentioned in Vientiane and Luang Prabang. In Champasak, however, a couple of respondents with financial problems had taken their children out of school and had sent them to work in Thailand. In addition, some FGD participants in Champasak indicated being willing to do the same. Young people in the sample indicated being interested in migrating to Thailand hoping to gain experience, learn new skills, and earn more income than in Laos.
- The political crisis in Thailand might have affected Lao migrant workers. Interviews suggest that some migrants had returned to Laos during the crisis (March to May 2010), while remittances fell during this period.

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INTRODUCTION

From May 2009 to June 2010 and during the course of three rounds of assessment, 239 workers in Vientiane, Luang Prabang, and Champasak, have been discussing how the global financial crisis affected them and their families, the strategies they have been using to cope with negatives changes, the available sources of assistance in times of crisis, and their effectiveness and appropriateness. The groups in Champasak also discussed migration patterns and the reasons that motivate young people to migrate to Thailand.

Qualitative focus group discussions (FDGs) were used during these rounds of assessment. Fifteen FDGs were organized for each of the three rounds with Tuk-Tuk drivers, street vendors and small-scale traders at local markets, daily laborers working in construction or outsourced factory work, formal factory workers, carpenters, restaurant and hotel workers, tour-guides, and former migrants and families with relatives currently working in Thailand. These discussions were complemented with information gathered through in-depth interviews (IDIs) with factory managers, hotel and restaurant owners, village chiefs, INGO workers, and union representatives (for a complete list of interviewees and more information on the composition of the FDGs please see Annex 1). Participants in Vientiane and Luang Prabang are urban dwellers, while the majority of participants in Champasak live in semi-urban districts around the provincial capital city of Pakse, a few kilometers away from the Thai border. Field work for the three rounds was conducted by Indochina Research Ltd., a local research company with overall support from the World Bank.

The first two assessments suggested that the respondents most affected in 2009 were:

- Workers in garment factories. It is estimated that the sector suffered a 16 percent drop in orders in 2009 compared to 2008. There was contraction in the sector affecting jobs, working hours, and incomes.
- Workers in the tourism industry as traditional tourists' arrivals fell (American and European). Nevertheless, negative impacts were cushioned by larger numbers of Thai tourists visiting Laos in 2009.
- Informal traders who showed high levels of debt and credit dependency on private moneylenders for investment capital (annual interest rates up to 50 percent).

This note presents the main findings in June 2010, followed by specific findings per group on employment and working conditions, savings, debt, and investment, and sources of support available to respondents.

FINDINGS IN JUNE 2010

1. GENERAL FINDINGS FOR ALL GROUPS

The main concern for respondents during the first half of 2010 has been the rise on food prices since late 2009², fuel prices have also gone up, as have water and electricity fees. All of the people participating in the assessment expressed concern as their purchasing power has declined in the last six months³. The two main drivers for food price increases according to the respondents were the introduction of the VAT and import tax enforcement at border points. Many believed that the consumer has been penalized with the reform as importers try to maintain the same level of profit as prior to the VAT introduction, while some participants questioned the lack of price control at local markets.

Importers who continued smuggling products have faced tougher controls. Interviews suggest that customs officials patrolling markets were actively seizing merchandise lacking the appropriate papers. This might have influenced the scarcity of fresh food products imported from Thailand. Hot temperatures might have also affected food prices. The production of rice for example was delayed as farmers waited for more rain to

² According to the Ministry of Planning and Investment food prices experienced a 1.67 percent rise in June, compared to the previous month, and a larger increase of 6.67 percent-on-year. Prices for restaurant meals rose by 1.17 percent compared to the same period last year (June). In *'Annual inflation hovers just below 5 percent'*, Vientiane Times July 8, 2010

³ The Lao Economic Monitor in June 2010 estimated inflation at 4.7 percent for the months between January and April 2010 from 1.5 percent in November 2009. Expected average inflation for 2010 is projected at 5 percent.

start planting seedlings. In Champasak province, the persistent draught had damaged 8,000 hectares of rice seedlings by the end of June⁴.

The tourism industry in Luang Prabang was negatively affected by the political conflict in Thailand. In December 2009, there were high hopes for recovery with full bookings and tourists arriving in large numbers to Luang Prabang. The season was shortened in March due to the Thai crisis. Bangkok is currently the main hub to reach Laos.

The appreciation of the Lao currency (Lao Kip) over the dollar was affecting the tourism sector⁵. Interviewees in the tourism sector mentioned decreasing profits caused by the Kip appreciation. The tourism sector earns generally in dollars but spends in Lao Kip or Thai Bath for domestic cost. By September the Kip went up by about 3.5 percent against the dollar.

Despite the increase in prices for basic products and services, most of the workers reported doing better than in 2009. Fewer workers indicated debts and some were able to make savings compared with the same period a year ago.

The share system, an informal saving- and-loan clubs, is one of the main and one of the few financial instruments to accumulate capital and raise lump-sums for investment available to respondents. Very few have considered using banks, which are perceived as time-consuming, complex, and lacking the flexibility that would suit their needs.

Private informal moneylenders continue to be an important source of credit for investment capital, although traders seem to be less depended on them than during the same period in 2009. In June 2010 traders indicated fewer high-interest loans⁶ and more savings into the share system. Interviews suggest that moneylenders are used for fast liquidity, smaller amounts, and short-term loans used to keep businesses going.

As during the two previous assessments, few formal sources of support were mentioned for the first quarter of the year. The most mentioned source of support was the Village Fund. The Fund is an initiative of the Lao Women's Union, which enables village contributors to borrow at low interest rates (3 to 4 percent annually). Many respondents borrowed from the fund during the first quarter of 2010 to cover small investments, health, and daily expenses. The limitation of this instrument is that it requires land as collateral to access loans.

2. SPECIFIC FINDINGS PER GROUP

2.1 Factory workers in the garment sector in Vientiane

Main changes:

- Since April factories started receiving more orders and started recruiting additional workers, mostly domestic migrants from rural areas and northern provinces
- Incomes for factory workers remained low as only few factories had re-established bonuses on production, and none had re-introduced overtime
- Many workers resorted to additional self-employment activities after working hours to complement wages (e.g. taking sewing orders at home)

⁴ In 'Champasak may import rice if drought persists', Vientiane Times July 14, 2010

⁵ According to the Vientiane Times, one of the main factors strengthening the kip from about 10,000 per US dollar in 2006 to about 7,800 at present has been the large influx of foreign currency, mainly from increased exports and direct foreign investment. In 'Consumers pay more despite stronger kip', Vientiane Times, July 9, 2010

⁶ During the second round of monitoring in December 2009 interest rates for informal loans ranged between 40 to 50 percent for an average of 10 months.

Composition of sample: The focus group with factory workers was composed of eight female respondents between 22 and 31 years old. Six of them are married. All have elementary education and most finished high school. Seven participants had taken part in the last two rounds of assessment. The in-depth interview was conducted with the human resource manager of a large garment factory in Vientiane.

Labour market: factories started recruiting workers from April onwards following an increase in orders. Factories had approached the Ministry of Labour and Social Welfare requesting support in identifying potential workers. Factories were also asking their staff to tell friends and family to apply. Workers indicated receiving commissions if they could attract new workers (up to 50,000 LAK or 6 USD per person). Despite recruitments, the practice of overtime (OT), stopped in 2009, had not been re-established, and bonuses on production were only slowly being re-introduced.

'Some factories have middle men finding employees for them. They send buses to collect employees from the Northern [provinces]'. (FGD factory workers, Vientiane)

A factory manager interviewed explained that his factory needs between 700 and 800 workers per day to complete orders on time, and a percentage of them need to be highly skilled to support the large number of under-skilled workers. He also indicated that the current number of skilled workers does not meet the needs of factories nation-wide. The constant training of new workers adds to production costs and limits the competitiveness of the sector at the regional level. The most serious challenge for this manager in the last months has been to attract enough skilled workers and ensuring they stay with the factory. Turnover of both, skilled and unskilled labour is high in the sector. The manager explained that on average he has to find between 50 and 100 workers each month to replace the staff that resigns. Workers explained that their strategy to maximize earnings is to constantly move between factories following the large orders. One of the respondents commented:

'These people often leave the factory when they receive less income; some go to work in other factories that could pay higher. If they start receiving less salary, they will resign again. However, if the factory receives more orders they will come back to apply for a job here again'. (FGD factory workers, Vientiane)

Income: Workers welcomed the minimum wage of 569,000 LAK per month⁷ (68 USD) in place since the end of 2009. Many argued, however, that with food prices going up, they need additional production bonuses⁸ to be able to cover their basic expenses. Net incomes including production bonuses and meal allowances ranged from 600,000 to 2 million LAK (73 to 245 USD) for 8 hours per day and 26 days a month in June 2010. From May onwards some factories have started receiving formal complaints from workers. The manager interviewed commented:

'I agree with their complaint, it is very hard to live with 600,000 - 700,000 LAK per month if you have family. Maybe it is not so bad for a person who has no family to support. For example myself, I spend a minimum of 10,000 LAK per meal; so I need to earn at least 900,000 LAK per month.' (HR manager, Vientiane)

Coping strategies: Factory workers mentioned that in general, they are doing better than last year, although they are still feeling the impact of fewer bonuses. Strategies to cope with the increasing costs of living included: a) taking additional work such as sewing orders that can be done in the evenings, b) reducing expenditures, although none has reduced food consumption, nor education related expenses, c) borrowing from relatives, or the workers fund⁹ and if this is not possible from moneylenders. Only two workers had debts in June 2010. Although workers in the sample are concerned about their financial situation, many also

⁷ The monthly minimum wage for unskilled workers is composed of a base salary of 348,000 LAK (42 USD) and a meals allowance of 221,000 LAK (26 USD). Previous to the minimum wage decree approved in April 2009, base salaries ranged from 200,000 to 350,000 LAK (24 to 42 USD) per month.

⁸ Production targets are set daily and reaching the target or surpassing it will result in a percentage bonus for the workers. Workers indicated that percentage on production can increase their salaries by 50 percent.

⁹ During the assessments we found out that factories usually keep small amounts of the monthly salary (usually 2 percent) from all employees as contributions for a fund that can be accessed by any employee in times of crisis (sickness or dead in the family). There was no clear answer about reimbursements on contributions when workers leave the factory.

mentioned that the positive side of less OT has been the extra time to spend with family and being able to help their kids with homework.

2.2 Tuk-Tuk drivers in Vientiane and Luang Prabang

Main changes:

- Demand for Tuk-Tuk services in Vientiane increased
- Drivers in Vientiane were working longer hours (on average 10 hours or 2 more than in 2009)
- The main concerns of drivers are: (i) rising prices for food and fuel, (ii) growing competition, (iii) traffic jams (Vientiane)
- Drivers in Luang Prabang were experiencing financial difficulties due to the shortened high tourist season caused by the political crisis in Thailand

Composition of sample: Two groups of Tuk-Tuk drivers participated during the third round, one in Luang Prabang and the other in Vientiane. These groups were composed of eight males each, with ages ranging between 27 to 55 years. All respondents are married with at least a child. All drivers in Vientiane finished elementary school and three finished secondary school. In Luang Prabang fewer had finished elementary school and there were just a couple with a technical degree. One works full time as a soldier and is a Tuk-Tuk driver after working hours. Most of them took part in the last two rounds (13 out of 16).

Vientiane

Income: Tuk-Tuk drivers are earning better than in 2009 as demand for their services has increased caused by growing activity around local marketplaces and the opening of routes that were temporarily closed for Tuk-Tuks in 2009. The group reported monthly incomes of 900,000 to 2 million LAK (112 to 250 USD).

Main concerns: (i) the steady increase in the price of fuel since 2009, (ii) the growing number of cars in Vientiane resulting in heavy congestion at peak hours, and (iii) the jump in food prices and high fees for basic services.

Coping strategies: to cope with rising prices for food and services drivers have tried to increase their incomes by working longer hours. Although they have not increased their fares as strong competition in public transport makes this impossible. Two drivers have started raising small animals such as pigs, and poultry for sale and own consumption, while another borrowed to buy a minivan and diversified his income sources. All of the drivers have also reduced the purchase of non-essentials. None of them has reduced the amount and quality of food. They were all of the opinion that reducing food would be the last resort in times of crisis. All indicated that food and children's education are priority expenses.

To benefit from their current increase in earnings a majority of these drivers has started to save. Most of them use the '*share system*'. Seven out of eight drivers are members in this type of clubs, while none uses banks:

'They are not convenient for us. A waste of time waiting in long queues, low interest, and trouble in finding parking' (FDG with Tuk-Tuk drivers, Vientiane)

Luang Prabang

Income: When last interviewed in December 2009, drivers in Luang Prabang were enjoying a successful high season – better than expected. Tourists were arriving in large quantities, announcing the recovery of the sector after the global slowdown. Unfortunately, this was going to be a short season as political problems in Thailand caused high number of travel cancellations to Laos. Tourism is a major source of income for Tuk-Tuk drivers in Luang Prabang and fluctuations in tourist arrivals affect their livelihoods. By June 2010, drivers interviewed were making between 500,000 to 1,800,000 LAK (62.5 to 225 USD) per month working 8 hours per day.

Main concerns: i) growing competition from other tuk-tuks or mini-vans, ii) higher taxes and operation fees,

and iii) high prices for fuel and food. The number of tuk-tuks has been increasing in Luang Prabang despite fluctuations in the tourism sector. One participant mentioned that:

'[People] choose this occupation [driving tuk-tuk] because they are unable to do farming, due to scarcity of agricultural land. People abandon their farms in rural areas to do service work in town'. [Comparing with the construction sector] earning an income in both is hard, but Vietnamese workers are strong competitors in construction work. We don't have the background knowledge [in construction], but Vietnamese people do'. (Tuk-Tuk drivers, LPB)

Taxes have increased in the last months and except for one driver all others had outstanding tax commitments. Drivers in Luang Prabang pay approximately 270 USD annually to operate. This amount includes a monthly tax of 13 USD, and registration fees, annual insurance and association membership fee.

Coping strategies: drivers ranked food as the main expense in their households, and although they are not keen to save on food, they have reduced their meat consumption in the last months. They mentioned protecting children's nutrition and also their education. A few drivers send their children to private schools with monthly fees of about 12 to 18 USD.

Asked about their outlook for the future, six out of eight drivers answered that they would remain working as Tuk-Tuk drivers, while two hope to accumulate enough capital to start their own small business.

2.3 Informal sector: female traders in Vientiane and Luang Prabang

Main changes:

- Most traders have increased their sales from April onwards.
- Food prices were their main concern, although all have increased their meat and fish consumption compared to 2009
- Most traders have maintained the savings initially reported in December 2009 and very few have debts

Composition of sample: Two groups of female traders took part in this round. The group in Vientiane was composed of eight traders between the ages of 19 to 55 years old. Most of them are vegetable traders at local markets (5 out of 7), one sells home-made food, and one has a small shop. In Luang Prabang the group was composed of seven traders from 27 to 55 years old. Most of them are retail sellers operating from home and one has a stand at the night market specializing on handicrafts and targeting tourists. All respondents are married with children. Most had finished high school. Most of them participated during the last two rounds (13 out of 15).

Vientiane

Incomes: In June traders indicated daily sales ranging between 30 and 97 USD working on average 11 hours per day. Most of them (5 out of 8) had increased their sales since the Lao New Year in April 2010, while three had reduced theirs. The reduction was caused by high temperatures that damaged fresh food products. To deal with the heat one trader had taken a loan to purchase a refrigerator, while the others decided to limit their offer hoping to sell their products before they could be damaged by the heat.

'Business is not that good for me during this time. I sell ready-made food and the weather is very hot. I have to reduce the amount of food I sell because I am afraid that it will rotten. This year is terrible because the weather is very hot'. (FGD with traders, Vientiane)

Main concerns: competition was the main concern for traders. They indicated that low salaries and the kip appreciation have forced people to look at the informal sector as an alternative to generate income. Food prices were also a major concern. Food ranked as the main expenditure in traders' households. But despite higher prices, most traders also mentioned increases in the amount of fish and meat in their diets compared with consumption in 2009.

'Food is more expensive, especially rice. The price was about 80,000 to 90,000 Kip for 12 kg [10 to 11 USD] and is now 110,000 Kip [13 USD]. Sugar was about 6,000 to 7,000 kip per kg [0.7 to 0.8 USD], but it is now 8,000 to 9,000 Kip [1 to 1.10 USD]. Gasoline is 9,240 Kip per liter [1.10 USD]. It was about 7,000 Kip per liter [0.8USD] seven months ago.' (FGD with traders, Vientiane)

To complement the FGD with traders, an interview was carried out with the manager of a local market in Vientiane. According to the manager sales slowed down after Lao New Year (April 2010) when the government imposed tougher controls on imported goods. Lao farmers produce limited amounts of fresh agricultural products and local demand is met by imports, mainly from Thailand and Vietnam.

'Sometimes the customs officers are sitting at the gate of the market and check all goods transported to the market. Sometimes the dealers arrived at the market with their imported goods and run away as soon as they had seen the officers, leaving all of their goods to be seized by the officers. I don't know if the dealers who imported the goods have the correct documents or not, but they couldn't make the documents for some of the expensive goods, because if they added the tax fee, then they wouldn't know how to set up the selling price. Therefore, the dealers smuggled the imported goods, which sometimes were seized.' (Interview with market manager, Vientiane)

According to the manager this resulted in many products becoming scarce, prices went up, and consumer spending fell. She observed that many sellers decided to close down their businesses:

'During this time I get only 400,000 Kip [50 USD] per day [for market stalls rental]. This makes the [market] owner not so happy; I have discussed with him about this, because in the past I used to get 500,000 to 700,000 Kip daily [62 to 87 USD].' (Interview with marketplace manager, Vientiane)

Saving, loans, and investment: traders have maintained the savings initially reported in December 2009. The most popular types of saving continue to be the informal share and gold. Two have purchased land as a form of saving. Regarding investment capital, the manager indicated that various banks have approached the traders with credit offers, but traders had not been interested in the conditions.

'The staff from several banks used to come here to ask if traders would like to take their loans. But it seems that nobody was interested in this, because they [traders] didn't want to waste their time to prepare documents. In addition, the banks also required the borrowers to give them collaterals such as houses, land, etc. The staff coming to estimate the worth of the collateral seemed very tricky, for example, the worth of a house of 100 million Kip [12,000 US] would be estimated at 50 or 60 million Kip (6,000 or 7,000 USD). Therefore, all the traders decided not to borrow from banks.' (Market manager, Vientiane)

The traders confirmed that the share system is the main source of capital and if they borrow, they would do so from informal lenders or from the Village Fund. During this round five out of six women had borrowed from this fund. Capital is an important concern to these traders as some of them would like to expand their business, but have limited access to credit suiting their needs.

Coping strategies: To deal with the competition traders were trying to attract customers by increasing their offer, adding complementary amounts to regular costumers, or by providing home-delivery of products rather than renting a place at a local market. Few had reduced prices as a way to attract customers. All of them mentioned that they would like to have a formal job with a steady income rather than working in the informal economy.

Luang Prabang

Income: From the seven traders interviewed in Luang Prabang, only one depends on tourism, while the rest targets the local market. The majority of traders reported low, yet stable sales with daily profit ranging between 4 to 12 USD working on average 11 hours per day.

Main concerns and coping strategies: The two most important concerns for the traders were the high prices for food and petrol and a fast increase in drug-use by young people.

Saving, loans, and investment: The respondents in Luang Prabang are currently saving in the Village Fund (six out of seven). Four out of seven also prefer to save in gold, shares, and unlike Vientiane, they also save in banks. Most of the respondents mentioned saving for crises (e.g. sickness in the family), and for the education of children. The women also discussed at length their responsibility for household finances:

'The husband is the one that earns the money, and I am the one that saves it. Some of my children complain because I save. I told them that we don't have money so we have to save and control the expenditure in electricity and water. Most of the children who still don't work don't understand and don't care about what I say. They just ask for money from me.' (FDG traders, Luang Prabang)

Coping strategies: Their strategies to cope with lack of investment capital expenses included receiving goods in advance from suppliers and paying back on an on-going basis depending on sales. People with land grow their own vegetables, raise animals (pigs), maintain fish ponds, and sell these in the market. A few also collect wild foods from common land for sale as well as for own consumption.

2.4 Carpenters in Vientiane

Main changes:

- Carpenters continue to enjoy high demand for their services and their earnings have increased

Composition of sample: The group was comprised of seven male carpenters between 20 to 38 years old. Six respondents are single and have no children. All finished secondary school and two also finished technical school. Only two of them had taken part in the past two rounds.

Income: Carpenters have been enjoying high demand for their work for the past year and this has not changed. In June 2010 salaries for these carpenters were ranging between 121 to 242 USD for 8 to 10 hours per day, 6 days a week.

Main concerns: Increases in fuel and food prices.

Saving, loans, investment: Although earning well, only few of the carpenters interviewed are saving (three out of seven). The ones saving use banks as well as informal shares. A few have also purchased land. Asked on their outlook for the future, most would like to continue working as carpenters, learning more about the trade and to improving their skills.

Coping strategies: Carpenters have not reduced their expenses in the last six months and continue to eat good quality food and eating-out often. They indicated having a diet with good amounts of fish and meat. Nevertheless, they also mentioned that the cost of living has increased. The increase in the price of fuel is the major burden for their businesses and some of them had devised strategies, such as car-pooling to cope with it.

'Different people have different saving techniques. Those who are team leaders of carpenters normally save with their transportation and the young ones spend less going out.' *'If they [team members] don't take their motorbikes, then I pick them up and we all go in a truck together. I can save by doing this. When gasoline is expensive, I pick and drop of my team members at one point. We can use only one truck and load 20 people and we spend about 100,000 Kip for gasoline. I can save a lot from using this strategy.'* (Carpenter, Vientiane)

2.5 Urban poor in Vientiane

Main changes:

- A few (three out of eight) participants mentioned small savings while none had savings in December 2009.

- Most (seven of out eight) continue to have debt and to live with the bare minimum.

Composition of sample: The group was composed of eight females between the ages of 30 to 85 years old. Three of them are seamstresses working from home, three are street vendors, one has a home-based store, and one is an elderly retired soldier. Four finished elementary school, three finished secondary school, and one completed high school. All are married with children.

Income: the traders in this sample indicated turnovers averaging 45,000 LAK per day (5.6 USD); seamstresses indicated monthly incomes averaging 330,000 LAK (41USD), while the retired soldier receives 700,000 LAK (87.5 USD) per month from the army retirement scheme.

Concerns: Increase in food prices.

Savings, loans, investment: Seven out of eight have debts in amounts ranging from 35 to 420 USD. Most took loans from the village fund (4 percent annual interest). The village fund requires land as collateral and is only open to contributing members. The discussion suggests that debt is a common strategy for this group to manage scarce financial resources, and debt might not necessarily mean that all resources have been spent. During this round, three mentioned having savings as well as debt.

Coping strategies: To cope with high food prices and debt, respondents tried to raise chickens and vegetables in their plots of land. This strategy has not been successful for all. A couple of them were visited by their district agriculture officers to remind them that their villages have poultry-raising bans placed by the avian flu control program.

Sources of support: Some participants mentioned the social fund, a communal informal mechanism to which they contribute 1,000 LAK per month (0.12 USD). The fund can be access in case of sickness or for funerals, and no collateral is required. The support from older children was also mentioned:

'Parents are responsible for all household expenses, children give us some money, but not regularly, and it is voluntary, we cannot set the amount for them. As we are parents, even if they are married, but still living in the same house with parents, we will have to take care of their food and household costs. In fact, we never expect to receive money from them, but are happy to know that they have earned enough to be able to save some money for building their own family. All of my children have a job now. Each earns about 400,000 to 500,000 Kip per month [approximately 50 USD]. It is a little help in reducing my expenses because they can cover their expenses and transport cost, but the food still depends on my income'. (FGD with female workers, Vientiane)

Social events such as weddings, births, funerals are an important part of Lao communal life, maintaining social cohesion. Some FGD participants described these events and the obligation of family and friends to contribute to them as an extra financial burden. Others were of the opinion that despite the pressure to contribute, this traditional system can be seen as a way of saving into the future. Contributions to special events will be recorded by the recipient family and eventually 'reimbursed' to the donating families.

'Since December until now we get at least two invitations per month. I think I spend at least 100,000 kip per month on this, and we cannot avoid it because they are our friends or relatives. So we have to respond and they will do the same for us. We cannot reduce the amount of cash we contribute either. We think this is a way of helping each other, as we might need the same support in the near future'. (FGD with female workers, Vientiane)

2.6 Restaurant and hotel workers in Vientiane and Luang Prabang

Main changes:

- Number of tourist declined during the high season due to political crisis in Thailand
- Workers face poor working conditions, no benefits, and are dismissed during low season

Composition of sample: The group is composed of males and females between 20 to 25 years old. All of the restaurant workers in Vientiane are students working part-time. In Luang Prabang most of participants have a second job.

Income: In June 2010 restaurant workers reported wages ranging from 48 to 66 USD per month, plus tips working on average six days a week, eight hours per day. Monthly wages are variable depending on the number of festivities celebrated in the month.

Main concerns: This group also felt the increase in food and fuel prices, but working conditions was the main topic of discussion, particularly in Luang Prabang. Restaurant workers lack benefits, most of them are hired for the high season only, and made redundant during the low season without compensation. Only one of participants had health coverage paid by the employer, while all the others pay for medical care by themselves. All have between five to seven days sick leave per year with medical certification. Longer absences from work due to illness would result in dismissal. One respondent in Luang Prabang indicated:

'If you are sick for a week and not getting better, you are temporarily unemployed. If you take leave for one month, you are eligible for permanent unemployment.' Another one added: *'I am satisfied with my salary, but not so satisfied with the welfare. Honestly, I would like the Department of Labor to come and inspect how each company is providing welfare to their staff, and whether or not they are in line with the Labor Law.'* (FGDs with restaurant and guesthouse workers, in Vientiane and Luang Prabang)

Coping strategies: To deal with rising food prices their strategy has been to cut expenses for non-essentials, to eat out less, and spending less on entertainment. None of them indicated reducing their food consumption, or borrowing money. No strategies to cope with poor working conditions were mentioned.

Sources of support: Only family support was mentioned by FGD participants, although this type of support was getting more difficult to access for some participants:

'To get money from others is not that easy as to earn it myself. If I ask my sister for money, she will question me for a reason with some insult before giving, and not in the proposed amount.'
(Restaurant worker, Vientiane)

FDG participants would like to see more control on the application of the Labour Law and mechanisms of implementation targeted to the hospitality industry.

The reduction in tourist visiting Thailand as a result of the political crisis in this country might have had spillover effects on Laos. Two of the restaurant and guesthouse owners in the sample indicated that business slowed down as a result of the low season, but also due to the political instability in Thailand. The decrease in Thai visitors and cancellations from tourists arriving via Bangkok had a strong impact. In Luang Prabang, room occupancy dropped to 20 percent by May 2010, both had to reduce staff. These entrepreneurs started to diversify their businesses some years ago and currently, while the restaurant and guesthouse are not given them high returns, they have also catering and car rental services which are keeping them afloat. Despite the current slowdown, both women are making plans for the future: one talked about building a resort in Luang Prabang; the other about upgrading and extending her guesthouse in Vientiane and applying for hotel certification.

2.7 Tourism workers in Luang Prabang

Main changes:

- Short high season and fewer tourists than in 2009 due to Thailand crisis
- Less income (salary and tips) caused by falling number of tourists
- Appreciation of Lao Kip against US dollar

Composition of sample: Two focus group discussions were organized with six tour guides and six hotel workers (6 males and 6 females). Interviews were carried out with a village head, a hotel owner, and the manager of a travel agency.

Incomes: The 2009/10 high season started good in Luang Prabang. In December 2010 respondents mentioned good incomes and a re-bounce in tourist arrivals. By June 2010 respondents were disappointed after a season that was shortened by the political crisis in Thailand (March to May), and the eruption of a volcano in Iceland in April. Both of these events had a strong impact on the tourism business in Luang Prabang. According to some of the interviewees, it was a worse-than-expected high season; for many worse than 2008-2009 when the effects of the financial crisis were being felt. Incomes during the high season were also further reduced by a drop in the level of the Mekong River, which resulted in the cancellation of multi-day boat trips, one of the favorite tourist attractions. According to the owner of a tour agency, his company lost approximately 10,000 USD during the season due to boat trip cancellations.

Main concerns: Respondents in Luang Prabang have also experienced a steady increase in prices for basic consumer goods and basic services. According to the respondents what pushes prices for agricultural products up is the reliance in Luang Prabang for imported goods as the local market does not meet current demand.

Coping strategies: Workers tried to reduce non-food consumption and work two jobs during the low season. Some also raise small animals (pigs and poultry) for sale.

Business owners reduced their investment spending during this season. They normally use savings made during the high season for renovations, upgrades and new investments. As incomes were limited during the 2009/2010 high season, investments have been limited to urgent renovations, rather than upgrades and new businesses. In addition, respondents mentioned that banks temporarily froze credit approval during the disturbances in Thailand, which further delayed investment plans. Nonetheless, talking with business people in Luang Prabang one gets a sense of their entrepreneurial spirit. Investments on the pipeline include a bread factory, new resorts, and identified areas for eco-tourism. Eco-tourism was a recurrent theme during interviews as respondents argue that this is the added value they can offer over the regional neighbors. Business owners interviewed also mentioned looking at the Asian market, particularly at Chinese visitors, the number of which has been increasing in the last couple of years.

Savings: The table below shows the main types of savings used by the FGD participants in Luang Prabang.

Size of sample: 27 participants

<i>Occupation</i>	<i>Type of saving</i>							
	Shares	Cash	Gold	Durables	Bank	Land	Village Fund	Animals
Tuk-Tuk driver	7	3	-	8	2	1	-	1
Informal trader	4	1	4	1	4	2	6	1
Restaurant worker	5	2	2	-	1	-	-	-
Tour guide	1	6	4	-	1	4	-	1
No. people using each type of saving	17	12	10	9	8	7	6	3

Sources of support: The main source of support for workers is the family. Workers borrow without interest from parents and relatives when in need. The community saving scheme was mentioned by few as an informal safety net in urgent cases (sickness) or for funeral expenses. No other sources of support were mentioned during the FGDs.

2.8 Semi-urban migrant-sending communities in Champasack province

Main changes:

- There were indications that some migrant workers returned to Laos due to the crisis and violence

in Thailand which might have impacted their incomes

- The reduction in number and amount of remittances during the crisis in Thailand was felt by family members in Laos

Composition of sample: a total of 38 people participated in 5 FDGs in Champasak.

- Returned migrants (males): ages between 20 and 30 years, most of them work in construction (5 out of 8), while two were unemployed at the time of the assessment. All had finished at least elementary school.
- Returned migrants (female): ages ranging between 17 to 30 years, four engaged in the informal sector as small-scale traders, one unemployed, two housewives, and a hairdresser. Most of them had finished secondary school (7 out of 8). Most of them took part in previous assessments.
- Family members (female): three traders, two farmers and one domestic worker with ages ranging between 31 and 57. All had taken part in the previous assessments.
- Family member (male): four farmers, three construction workers, and one unemployed with ages ranging between 35 and 75. Half had taken part in previous assessments.
- Young people (mixed group): four study and work part-time, three are construction workers, one is an informal trader. Ages ranging between 19 and 24. Most (6 out of 8) had taken part in previous rounds.

Migration flows and remittances: During the first two assessments, interviews suggested that flows of Lao migrants crossing the border to Thailand remained stable. It is possible that companies were maintaining the ‘cheaper’ migrant workers, while Thai workers were being laid-off. While the financial crisis seemed not to have affected Lao migrant workers in a visible scale, the extended political crisis in Thailand seemed to have had a more direct effect on these workers. Respondents spoke of ‘*fear of the violence*’ and some returned during the period of instability. Interviews suggest that remittances decreased during this political crisis period. Although finding of the first two rounds indicated that remittances play only a minimal role for participants in the sample, their reduction during the first half of 2010 was felt by most sampled households.

Former migrants: Most of the 16 former migrants interviewed were having difficulties finding work in Champasak province; many were using their savings for basic expenditures while waiting for work, while others were living with family and depending entirely on them. Some were making some income from fishing and collecting other food from common property lands. While in Thailand they worked in construction, garments, and tapping rubber (male); domestic, restaurant, and factory workers (female). Most had been unable to use the skills learned in Thailand upon returning. Respondents indicated that it is easier to find jobs in Thailand than in Champasak province, and that on average, wages for comparable jobs are higher in Thailand – although many also added that working conditions are tougher in Thailand:

‘Making income in Thailand is definitely better than in Laos, but you have to be a hard worker. Many people come back because they couldn’t stand the heavy work.’ (FGD with families of migrant workers, Champasak)

Working children: As during the last two assessments, few respondents have taken their children out of school and sent them to Thailand as migrant workers.

‘My children went to Thailand because I didn’t have enough money to send them to school. I have only one son. The rest are daughters. If we send them to school, all of them would study. They know their parents are too poor to send them all to school, so all daughters dropped out of school and work to support the family, only a son was at school.’ (FGD with families of migrant workers, Champasak)

Debt: Seven out of eight female former migrants had debt. They have mostly invested in small informal businesses such as vegetable stalls, or home-based stores. None of the male former migrants indicated having debt at the moment.

Youth opinions on migration: During the FGD with young people they explained that their motivation to migrate comes mainly from the perceived possibilities of: a) acquiring new skills, b) increasing their self-

confidence, c) becoming independent from their parents and self-reliant. They discussed the pros and cons of migration, and 6 out of 8 ended up indicating, that although they are aware of the potential dangers in Thailand¹⁰, they will try to migrate.

Coping strategies: To deal for the increase in food prices and lack of work people in the sample indicated: Raising animals, mainly poultry, and vegetables for sale and own consumption, reducing non-food expenditure, asking for money from relatives (older sons and daughters). Loans were also mentioned to cover higher education expenses (teacher training). None has reduced food expenditure in the past six-months.

Sources of support: The family remains the main source of support in times of crisis while community support was also mentioned in the case of funerals (individual support to affected families as well as informal communal funeral insurances). No source of formal support was mentioned by any of the FGD participants in Champasak.

CONCLUSION

Findings in June 2010 indicate that the increase in food prices has affected all of the respondents in the sample. While none of them has reduced the amount of food consumed, a few have reduced the amount and frequency of meat intake. None has reduced the consumption of rice, although people started purchasing lower quality rice. Participants have in general reduced their spending on food and non-food goods opting for cheaper products, and have cut expenditures in non-essentials (alcohol, cigarettes, cosmetics, clothes, mobile phone credit, and entertainment).

The political crisis in Thailand affected the tourism workers in the sample by cutting the high season short, influencing incomes and low-season investment. There were also indications of cross-border migrants returning to Laos due to the violence and uncertainty in Thailand. Remittances fell during the conflict (March – May 2010).

Garment workers, and restaurant and hotel workers raised the issue of low salaries and poor working conditions. In the case of garment workers they argued that incomes are not enough at a time of rising food prices and inflation if the base salary is not complemented by bonuses and formal complaints on wages have started to be raised in factories in Vientiane. In the hospitality industry workers were concerned about poor working conditions and the lack of enforcement of the labor law in their sector.

More FGD participants were saving and fewer had debt in June 2010 if compared to May 2009. The sources of credit had also changed from the previous year, from moneylenders and very high interest rates (40% annually) to the Village Fund (4-5% annually). The main financial instrument used by all participants was the informal saving-and-loan club or *share system*, and only very few respondents were using banks. The majority considered banks inappropriate to address their particular needs. Traders indicated raising investment capital from the share system. Many participants indicated investing in small animals (pigs and poultry) for later sale.

The sources of support in times of financial stress mentioned during the third assessment were mostly informal such as interest-free credit from close relatives, informal community funds mainly to cover funeral expenses, and traditional reciprocity mechanisms such as contributions to major events (e.g. weddings). The Village Fund was widely mentioned as a formal mechanism of low-interest credit.

¹⁰ Participants mentioned as risk: being cheated by employers and not paid, being harassed by police, being sold, and being forced into prostitution.