

EFFECT OF TOURISM ON THE LABOUR MARKET IN LUANG PRABANG, LAO PDR

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People in the tourism industry in Luang Prabang have garnered some background, knowledge and experience of the industry. However, they need to improve their abilities in order to keep afloat in a competitive business environment. Developing the labour market in Luang Prabang is difficult, though, because of the lack of an overall development plan, the scarcity of individual motivation, limited budgets, the shortage of qualified people in the tourism management field in either the private or public sectors and limited collaboration for tourism development. Research findings are reported upon concerning these issues and recommendations are provided for rectifying the shortcomings identified and strengthening the sustainable development of the tourism industry of Luang Prabang.

Effect on tourism, labour market, Luang Prabang, Lao PDR

INTRODUCTION

The ancient capital of Luang Prabang was designated by the French colonialists as a centre for religious activities, items and learning (Gunn, 1998:118). Administrative duties and responsibilities were allocated to Vientiane, which was completely rebuilt for the purpose at the end of the nineteenth century. Luang Prabang, both city and province, has remained something of a backwater since then, albeit one which possessed the seat of the royal family and symbols of religious legitimacy for the Lao state. It currently has a population of just over 400,000 people spread across the city and the 855 villages of the province. The population density is low but growing slowly. The city itself had just over 60,000 households in 2005 with an annual population growth rate of 2.4% (Saphakdy, 2005). Economic growth in the city now relies almost entirely upon tourism, which was stimulated by the declaration in 1995 that Luang Prabang was to become a UNESCO World Heritage Property (UNESCO, 2004). A second stimulus has been the Asian Development Bank (ADB)-led efforts to build a transportation infrastructure which would link Laos with the rest of mainland Southeast Asia and to be a crossroads for north-south and east-west routes eventually linking Kunming-Singapore and Hue-Delhi. There are, therefore, opportunities for economic and social development in Luang Prabang. However, a significant obstacle in reaching that development is the low level of capacity in the labour

market. Research is necessary to identify the current labour market situation in Luang Prabang concerning tourism and, hence, to make recommendations to help in enhancing capacity and revenue-earning activities.

METHODOLOGY

This research project used a program of qualitative interviewing to examine the research questions: which sectors of the labour market are mainly affected by tourism? Are there any challenges for tourism labour development? How are those challenges dealt with? What are the strengths and weaknesses for further tourism labour development in Luang Prabang? Personal interviews were conducted with 39 individuals. Respondents included government officials, representatives of accommodation and tourist sectors in Luang Prabang and others with specialist knowledge. A snowball technique was used to identify these respondents: that is, interviewees were asked to nominate other respondents who might have insights or information to add. Interviewing continued until it became clear that no new information was being unearthed. Interviews varied in length but were commonly of one hour each. The interview was subsequently transcribed and translated from the language of research (Lao) into English for subsequent analysis. Qualitative research focuses on natural occurrences and ordinary events and so can provide a strong handle on real life experience (Miles and Huberman, 1994). Results provide a holistic picture which is probed intensively for emergent theory and rich description leading to analysis that has a strong impact on readers (Prongjit, 2006). Interview data was supplemented by secondary data and by the lead researcher's journal, which was used to record personal observations and ideas for subsequent consideration. The research was supported by the School of Management of Shinawatra International University in Bangkok.

RESULTS

The Government of Laos (GoL) has taken various steps to promote tourism in recent years, including the relaxation of visa requirements, the development of infrastructure and the promotion of human resource development (Yamauchi and Lee, 1999). This has resulted in an increase in visitors to the country from 141,569 in 2002 to 261,950 in 2005. Most tourists recorded came from western countries (e.g. France, UK, Germany and the USA) and stayed in Luang Prabang for a short period, with 70% of visitors reporting a stay of three nights or less. Most tourists preferred low cost accommodation (below US\$10 per night) with only 10% of visitors wishing to stay at upscale accommodation which is, in any case, limited in availability ((Lao National Tourism Administration [LNTA], 2006). The sectors of the labour market affected most by tourism development have been providers of accommodation, food and tour services. The value of the tourism trade in the province increased to US\$5,097,742 in 2005. Owing to this, the stock of accommodation has increased both in the guesthouse and hotel sectors. Ownership is most commonly in the hands of Lao private citizens (56%), with State Owned Enterprises (6%), Foreign Owned Businesses (11%) and Joint Ventures (27%) also represented. Of the 134 guesthouses registered at the time of research, 99% were family-owned businesses. The number of restaurants had increased to 102, although only 12 were legitimately registered and the number of tour operators had increased to 24. All sectors had doubled in size from 2002. The higher value-adding actors tended to be under foreign ownership and to operate according to the rule of law. Locally-owned operators tended to be unofficial, offer lower value-adding activities and few reasons to improve the labour market. Accurate statistics are limited by the lack of technical capacity of relevant government agencies. The local transportation sector (taxis and buses) has also increased in

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size but to an unknown extent. Other entrepreneurial opportunities have emerged but are not always being exploited, as tourists complain of lack of personal services and unmet requirements.

Figures showed that 1,809 individuals were employed in the designated tourism industry in 2006 (see Table 1), which represents 33.5% of total registered public sector employment. Gender disparities in employment are obvious. This is likely to apply to the sizeable unregistered sector as well. The indirect tourism labour market includes internet cafes, construction, food production, handicrafts and personal transportation (UNESCO, 2004). It is clear from observation that small scale manufacture and retail of handicraft items represents an income generating activity for ethnic minority people who have migrated from mountainous neighbouring areas. Much of this activity appears to be unofficial, rendering practitioners subject to official harassment or prosecution. It is concentrated on the night market, where numerous Lao-themed souvenirs are available, especially silk and silver products. The GoL has mobilized a number of community-based schemes, in conjunction with international partners, in order to prevent unsustainable labour migration and the dangers to unregistered workers. These are integrated into village level schemes which aim at integrating villagers into larger market structures (Bouapao, 2005).

Table 1.
Direct Tourism Employment in Luang Prabang

Registered Enterprises	Local Number		Expatriate Number		Total
	Female	Male	Female	Male	
Hotels	376	309	7	23	715
Guesthouses	302	374	-	3	679
Restaurants	95	135	-	-	230
Tour Operators	55	130	-	-	185
Total:	828	948	7	26	1,809

Source: Provincial Tourism Office Luang Prabang, 2006.

Job Opportunities and Migrant Labour

Seasonal employment opportunities are available in the Luang Prabang tourism industry, principally from September to May. Hotel managers reported that they looked mostly for English language ability and honesty. Jobs provided were largely at the entry level and helped instill a work ethic in teenagers taking them. High school and vocational school graduates are taken for this purpose. There appears to be little attempt to match supply and demand of skills. Family-owned businesses preferred to hire relatives and discrimination was practiced in favour of job candidates considered good-looking, especially in the restaurant sector. Few resources if any were spent on advertising jobs. A number of workers complained about low level of wages (ranging from US\$20-30 per month with a government mandated minimum-wage of US\$27 per month) and lack of holidays or sickness benefit. Some employees were paid on an hourly basis and it was common for all employees to be stood down for the low season or, without warning, any period of low trade. Inward flows of migrant workers from outlying areas have contributed to suppression of wages overall and reduced working conditions and standards.

Few employers have a concept of differentiation as a business strategy and are prepared to operate on the basis of low-costs sustaining margins on a standard business offering, which can be successful on a short- or medium-term basis because of lack of competition. On the other hand, many of the better-skilled and motivated Luang Prabang residents have already travelled overseas for work. This is especially true of young women (aged 14-24) working primarily in the entertainment industry and garment manufacturing. This further depresses the skill levels in the city's labour market.

Human Resource Quality and Development

The research indicated that Lao workers were often criticized for lack of initiative, for reluctance to interact with tourists, with lack of punctuality and with general lack of service-mindedness. These features are consistent with a casual labour market in which employment depends on willingness to accept low wages and with low levels of trust and commitment between employers and employees and vice versa. In family-owned businesses in particular, managers had only limited power to make important business decisions and little incentive to try to develop human resources for potentially higher profits. Some training was provided in-house by foreign-owned hotels and these tended to look on their employees as potentially long-term members of a team. The GoL, in conjunction with NGO partners, has been able to provide a small number of training programs and these are generally well-received. However, there are problems with the low level of access, with reports of discrimination concerning access to programs and because of lack of follow up activities. The lack of communication between training providers and recipients led to the latter not appreciating the value of the activities and instead viewing it as an avoidable cost rather than a useful investment.

Analysis of Findings

It is not surprising that Luang Prabang suffers from a deficit of skills. Low population density, a history of migration of skilled and professional people and the very limited resources of the state have combined to create a situation in which an overwhelmingly subsistence agricultural society remains in that same state. A small number of vocational schools and training programs do exist, as previously stated, yet they are not only inadequate in terms of stock of seats available but also suffers from a lack of information about skills desired in the market place. The more skilled graduates of these institutions are often attracted elsewhere for better paying employment, especially when existing jobs in Luang Prabang offer low wages and prospects. Lack of technical capacity in obtaining statistics and maintaining an updated database of jobs available and skills required also contribute to the problem. Since the rule of law does not extend effectively into the informal labour market, many workers find themselves without adequate protection and without the ability to negotiate for better working terms and conditions. As a Communist regime, the Pathet Lao party's stance with respect to labour market organization is that since the government represents the interests of the people and is ruled by a Lao-specific version of the dictatorship of the proletariat, then there is no need for a separate labour union to represent the interests of workers vis-à-vis employers, who have been representatives of the government. The adoption of the New Economic Mechanism in 1986, which permitted the creation of private sector businesses, did not address the needs of labour in terms of collective bargaining or provision of working conditions. In those business sectors in which family-owned businesses predominate, the situation is made more acute as professional managers are unable to make rational decisions about human resource development in firms in which they are not owners. Instead, existing business owners seem unprepared to consider added value activities for their firms

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or, more likely, are unaware of the need or benefit in doing so. For a generation of people brought up under Communist rule, any innate sense of entrepreneurialism, certainly present in Lao people within the country and across the border in Laos (e.g. Walker, 1999), is hampered by lack of basic business knowledge and training. It would be counter-productive to force business owners into government-approved schemes because owners would consider increased costs as a tax on their competitiveness and may decide to remain outside officialdom rather than risk bankruptcy. Consequently, any attempt to bring workers under the rule of labour market regulations should be accompanied by business education to help employers understand different and more sustainable means of competing. In some cases, a period of subsidization of wages might be necessary, although it is clear that the government has very limited resources for this. It may be more productive to identify private sector businesses willing to enter into public-private partnerships in which apprenticeships are provided for workers who commit to working for the venture for a designated period of time, underwritten by the government if required. This is a system that has worked on both a formal and informal basis in neighbouring Thailand in the case of Japanese investment in manufacturing industries. However, attracting this sort of investment to Laos has to date proved difficult.

There is a further need to appropriate planning of the tourist industry in Luang Prabang and an alignment of educational goals in line with the skills and competencies required. As a designated UNESCO heritage site of considerable historical importance but small geographical size, Luang Prabang currently draws mostly cultural tourists for a few nights on a multi-destination tour, together with backpacker travelers. The most likely way of extending the length of stays in the city would be further development of the eco-tourism and ethnic minority-based adventure tourism familiar to visitors to Chiang Mai and Chiang Rai.

It is somewhat paradoxical to find a lack of effective planning inside a Socialist economy, in which planning of all activities is considered a high priority. The problem, of course, is the lack of capacity (not limited to the GoL by any means) in planning for market-based activities. Supply and demand conditions render many political assumptions void. For example, language skills are accorded a low priority in Communist states because of an apparent lack of utility and may even be suppressed because of the possibility they may be used to obtain or distribute information considered subversive. Further, an important part of education is concerned with inculcating various cultural and political values which are to be considered axiomatic and not to be questioned. Such an educational system provides graduates with skills almost diametrically opposite those expected from customers who are part of the international tourism industry. This is problematic, particularly for those already having completed education and without resources to retrain or obtain further study. Those still in the educational system may have slightly better prospects, although only if teachers are able and willing to re-target education goals and have the skills and resources to do so effectively. Self-help systems, in which employees of multinational companies are able to pass on their skills to colleagues, might be useful. The provision of support for entrepreneurs and perhaps enhanced provision of micro-finance schemes may be useful here. Generally, given the low level of government resources, greater use of private-public partnerships seems unavoidable and government and NGOs need to focus not on whether these will be relevant in the economy but how they are best to be monitored and regulated.

Government resources should perhaps be focused on:

- Enhancing technical capacity in collecting labour statistics and in matching supply and demand for jobs and skills;
- Establishing vocational school curricula on the basis of skills required in the marketplace and helping to liaise with employers for changes in levels and numbers of skills demanded;

- Considering ways in which the rule of law can be extended throughout the tourism labour market while enhancing added value production and productivity to prevent employer flight;
- Enhancing support for present and potential entrepreneurs and SMEs, providing necessary resources of knowledge and finances.

Inevitably, the tourism industry will, like most others, benefit from being part of a stable macro-economic situation with improving relations with neighbours, particularly with those countries providing large numbers of tourists. The relationship with China will be particularly important here since evidence suggest that, just as has happened in Thailand, an increasing number of tourists will come from that country. Chinese people are just as interested in cultural artifacts as anyone else but may not have the power to structure their package holidays to reflect that fact. Instead, they may be inveigled into low-cost package tours which feature mostly retail opportunities and rapid shuttling between different sites (Walsh and Techavimol, 2007). It is possible that a poorly managed industry in Laos will lead to a similar situation, in which low levels of customer satisfaction are countered primarily by low cost tourist traps. This is not a sustainable form of industry.

The role of ethnic minority people is also important. Currently, they become involved in tourism either because of travelling to Luang Prabang to sell themed souvenirs (which may or may not have been manufactured locally), as tour guides for ethnic minority-based tourism because of possession of suitable language and cultural skills or as the subject of such tourism. Some individuals also enter employment in the city on a generally unskilled and often informal basis which means they are unable to obtain protection in terms of health and security issues or of employment security. They are both particularly vulnerable to employment abuse and also act as a suppressant on overall wages and as a disincentive to innovative business formation because they are part of an as yet untapped low-cost labour market sector. If the tourism sector continues to increase and the amount of trained and motivated individuals able to enter the sector to deal with demand remains limited, then either more untrained individuals will enter the labour market or the demand for internal migrants will become stronger. This represents a possible constraint to growth of the industry and a reason for poor performance that will need to be addressed. The most promising solution is to increase significantly the number of local vocational school and college places aimed at meeting the expected demand. However, resources for providing these are also limited.

CONCLUSIONS

Research in Laos remains at a low level and the collection of baseline information and statistics is an area in great need of improvement. NGOs and donor organizations have played important roles in trying to fill the gaps but the contrasting goals and mandates each possess inevitably lead to only partial coverage of the relevant areas. Consequently, while it is hoped that the current project represents a small contribution towards the overall understanding of the labour market and of tourism in the Luang Prabang area, it is clear that much further research will be required to delineate the issues as a whole. Further research might be aimed at both broadening and deepening the insights reported on here, particularly with respect to identifying other industrial sectors with which comparisons may be usefully made. It will also be helpful to identify how labour markets work in other sectors and how planning for labour can be improved through identifying possible synergies and complementarities.

While tourism may develop in a fairly predictable manner, assuming that the segmentation of tourists according to country of origin remains broadly consistent, the impact of the ADB crossroads

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transportation infrastructure program is less predictable. It is not clear that the building of roads or railway in itself adds to aggregate economic activities in a region or does more than divert existing production and trade. Those jobs likely to be created by truck stops and similar waystations appear to offer little in the way of incentive to improve the labour market. In any case, the development of Luang Prabang's labour market is likely to remain a slow and difficult one, with limited resources and incentives available. Outside assistance from NGOs and international donors would seem to be essential for the foreseeable future.

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