

Research Evidence
for Policy

Are commercial investments in land improving wage-labour opportunities and helping to diversify household economies in rural areas?

Workers receiving training on rubber tapping in a demonstration garden established by a Vietnamese investor in Savannakhet Province, 2013
Photo by Vong Nanhthavong

The Government of the Lao PDR promotes commercial investments in land (CILs) as a driving force of economic growth, a source of vital tax income, and a lever for transitioning from a subsistence to a wage-based economy. Assessment of official data shows that the employment creation benefits of CILs are limited and often not fully compensating their negative impacts, such as land dispossession and reduced access to natural resources. The assessment leads to the conclusion that economic development policies should focus on the compliance with regulations, the development of skills and the diversification of rural economies, rather than simply on the transition to a wage-based economy.

Data and method

Between 2014 and 2017, a cross-sectoral task force inventoried 777 CILs in the agriculture and tree plantation sectors in Lao PDR. A subset of 179 CILs were further assessed for the quality of investment. Four dimensions were taken into account for the selection of quality indicators, including social, environmental, and economic impacts, as well as legal compliance. The perspectives from investors, government officials, and local citizens were collected as part of the assessment. Indicators on employment creation through CILs include: absolute number of jobs and number of jobs per hectare, types of jobs and types of contracts (permanent or seasonal), salary levels, origin of workers, percent of village working-age population employed, reasons for employing or not employing local people, reasons given by local people for accepting or refusing employment, job satisfaction, and others.

Key messages

- Jobs created by CILs are limited and often unattractive to local communities, who see them rather as a last resort – for example when they lose access to land and natural resources – than an opportunity. Main reasons mentioned include low wages, insecurity of short-term jobs, and poor working conditions.
- Loss of access to land and natural resources caused by CILs worsens the vulnerability of local people that is not adequately compensated through employment. Secure land use and land tenure rights are essential to ensuring local livelihoods and wellbeing throughout rural economic transitions driven by CILs.
- Ninety percent of the positions filled by local people in CILs are low-skilled and seasonal. They are often taken by women and the poor, who have few alternatives. Skills development is crucial for local communities to better benefit from economic transitions and contribute to improved and diversified rural economies.
- CILs have only limited contribution to the rural economic transition towards wage-employment, while also threatening rural livelihoods and well-being. Policy should rather focus on diversifying rural economies and alternative investment models, such as outgrower schemes and up- and downstream investments, that contribute to immediate livelihoods as well as long term economic development.

Background

For the past twenty years, the Government of the Lao PDR (GoL) has promoted commercial investments in land (CILs) through the 'Turning land into capital' policy. Today, there are more than 1,000 CILs in the agriculture, tree plantation, mining, and hydropower sectors in the Lao PDR. They cover a total area of more than 1,000,000 hectares (roughly 4% of the country's territory) and directly affect people in more than 20% of the country's villages.

The GoL's investment strategy rests upon the assumption that CILs promote national economic growth, local rural development, and transition from subsistence-oriented agriculture towards a wage-based economy in rural areas. The policy supporting CILs is intended to mobilise idle land, transfer technologies, improve skills, and increase the efficiency of the agricultural sector. Employment in CILs projects is considered one of the main avenues for local people to directly benefit from CILs. The purpose of this study is to assess the extent to which CILs contribute to the development goals of the GoL in reality.

Results

The detailed analysis of the investment quality of 179 CILs reveal a complicated reality. Benefits and negative impacts depend greatly on the quality of CILs and on the specificities of the contexts in which they are implemented. Accordingly, there is no single answer to the many open questions relating to the employment creation benefits of CILs. Here, we summarize the results of the assessments to answer some of these questions.

How many jobs do CILs create? CILs in perennial crops generate the greatest absolute number of jobs and they have a higher per capita employment effect (25% of the working-age population in affected villages) than crops and livestock (both around 10%) because of the large size of such investments. However, there is no significant difference in terms of jobs density: ninety percent of all assessed CILs create less than one job per hectare on average (Figure 1). Pig farms, vegetable plantations, and high value crops (e.g. asparagus, mulberry leaves, medicinal plants, and orchids) provide above average numbers of jobs per hectare, while most tree plantations (palm oil, pine, rubber, acacia and eucalyptus), some annual crops (maize, rice, etc.) and some livestock investments (cattle, goat) provide below average numbers of jobs per hectare. Finally and significantly, CILs did not create any local employment in approximately one third of the affected villages.

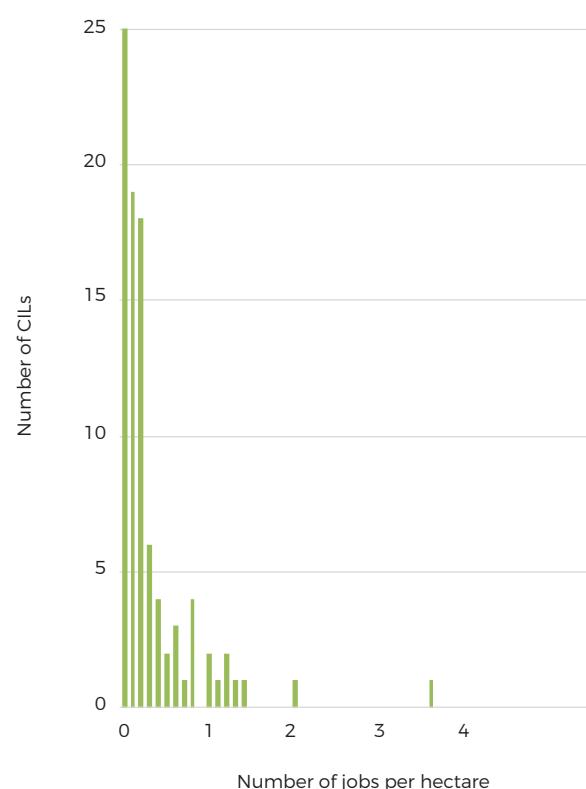


Figure 1: Number of jobs per hectare. The 3 CILs with more than 1.5 jobs per hectare are: a domestic livestock investment (2 jobs/ha), a foreign asparagus plantation (3.6 jobs / ha) and a foreign pig raising (11.7 jobs/ha). Pig raising farm is not shown on the figure because the X-axis was shortened

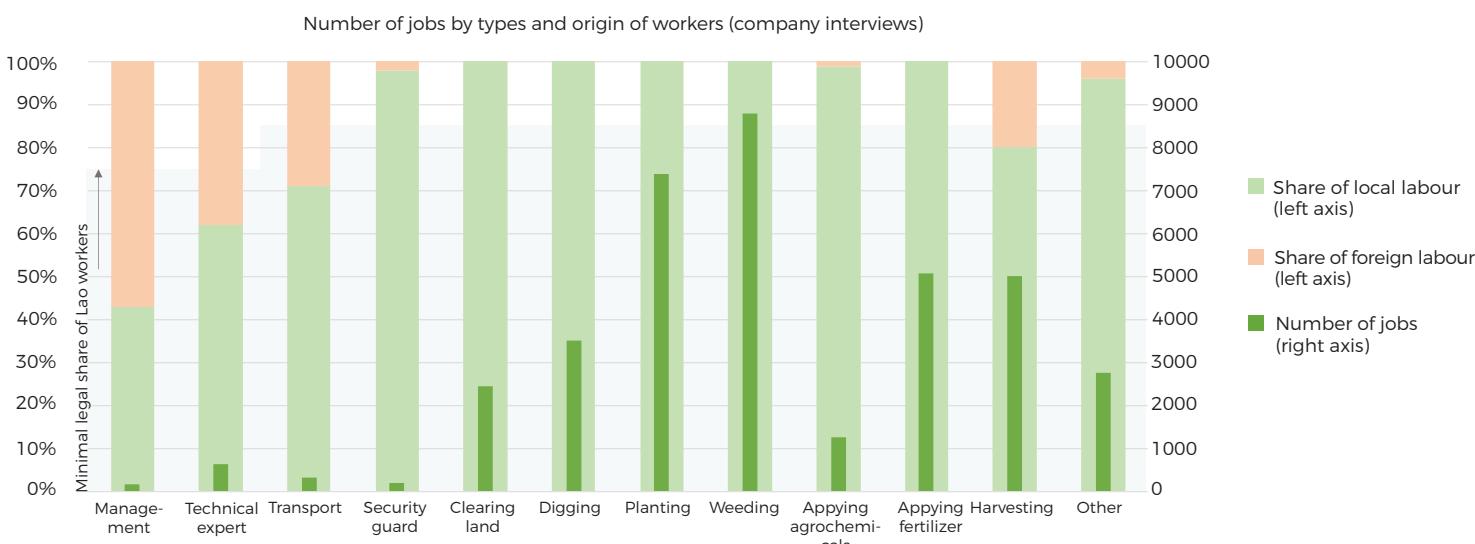


Figure 2: Types of jobs offered by CILs. The shares (in percent) of local and foreign workers are indicated on the left vertical axis. The number of jobs of each type (dark green bars) are indicated in the right vertical axis. The grey background indicates the legal minimum shares of Lao workers per job category (85% for physical labourer and 75% for technical experts).

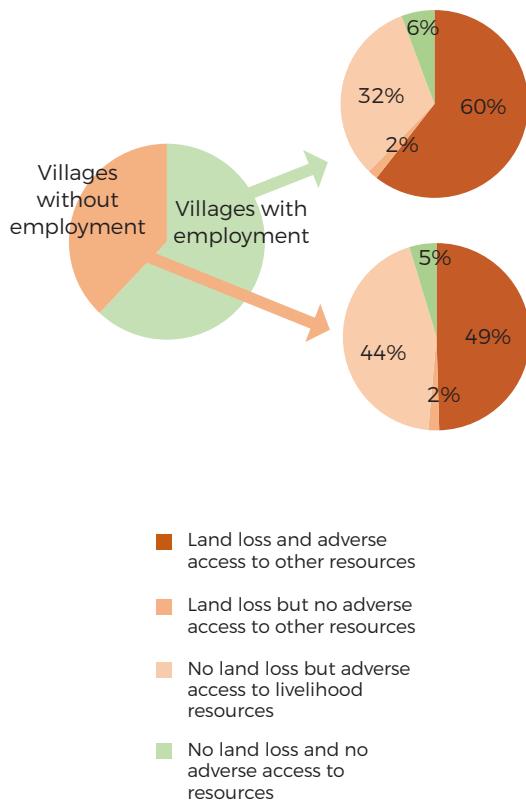


Figure 3: The degree of land and resource dispossession caused by CILs in villages with and without employment creation

Box 1: Extent of land and resource dispossession in affected villages

Two-thirds of assessed villages experienced individual land loss. The large-scale foreign investments, especially in annual and perennial crops, caused more significant land loss compared to other types of investments. On average, approximately one-fourth of households per village lost land to CILs, although there were some villages where every household experienced losses. Local communities also experienced a decrease in access to livelihood resources since the establishment of the CILs. Around 65% of assessed villages reported a decrease in farmland, and an 80% decrease in availability of forest products (including non-timber forest products and wild animals). In 54% of villages, local people had to sell large livestock (e.g., cattle and buffaloes) due to pastureland displacement or conflicts between livestock and the CILs.

What types of jobs do CILs create? CILs mainly create low-skilled and seasonal employment, as well as jobs in the development phase of the investment that are more likely to be short-term and temporary. Figure 2 shows that the vast majority of jobs concern weeding, planting, applying fertilizer, harvesting, digging, and clearing land. There are considerably fewer jobs requiring higher skills that offer security and stability, such as operational phase jobs. Around half of these more secure jobs (almost 60% in the case of management and around 40% in the case of technical expertise) are filled by workers from abroad. Foreign investors are more likely to bring workers from their countries than Lao investors. Local residents often lack the training and required skills to fill these more attractive positions, hindering the benefit local communities gain from these opportunities. On average, the legal minimum shares of Lao workers (grey area in Figure 2) are violated in the case of management, technical expertise, transport, and harvesting.

How attractive are CILs jobs? Interviews in villages reveal that around half the workers are not satisfied with their jobs. The causes for dissatisfaction include delayed payments (50% of all cases of dissatisfaction), deductions from wages, and too short or no breaks during working hours. Failure to pay and denying the right to freedom of association were mentioned as reasons. In most cases, these reasons were reported to have occurred sometimes or often. When it comes to salaries, low-skilled and seasonal jobs are often paid below the 2015 legal minimum wages of 45,000 Lao Kip per day, whereas fixed employments are usually paid above that minimum.

Who chooses to work for CILs? Local people tend to accept jobs in CILs because of lack of alternatives. Three observations illustrate this tendency: (1) when seeking employment, men are more likely to migrate in search of better opportunities. Thus, more women than men accept jobs with CILs, particularly in livestock investments where 96% of the local employees are women. Perennial crop investments are the most gender-balanced, with similar shares of men and women; (2) two-thirds of the villages where CILs created employment experienced land dispossession (Figure 3), and in villages where land dispossession and access to resources is not an issue, people tend to maintain subsistence agriculture; (3) a larger share of people work for CILs in remote locations, where there is a more significant lack of alternatives.

Conclusions

Employment is one of the few and possibly the most important way for local communities to benefit directly from CILs. However, primarily only low-skilled and seasonal employment is available to local communities and employment is usually taken up out of lack of alternatives, rather than as an opportunity to improve livelihoods. Therefore, the development of local capacities is an important mid- to long-term strategy to enhance the benefits of CILs for local residents.

The loss of access to natural resources, particularly to land as a production basis, is one of the main negative impacts of CILs on local populations. It is important to note that the benefits of job opportunities offered by CILs do not adequately compensate for this loss where it is significantly felt. Additionally, an important loss of access to natural resources forces local communities into a precarious wage-based economy while also disrupting household resilience strategies.

As a consequence, a key priority of rural investment strategies should be to favour a mix of household agricultural production and wage-based income from different agricultural and non-agricultural economic activities. The formalisation of land tenure and land use rights is an important accompanying measure of such a strategy, which would help residents to claim and receive adequate compensation. Such a diversified strategy is the most promising avenue for livelihood stability in rural contexts exposed to CILs.

Implications for policy and practice

Aim for a diversified rural economy. Focusing solely on transitioning to a wage-based economy neglects the significant and often negative impacts of the transition on local livelihoods and wellbeing. A diversified approach is needed to develop a stable multi-sectoral economy in rural areas. Key elements of such an approach are: skills development, diversified investment models, and an appropriate legal framework with adequate enforcement capacities. These elements are detailed below.

Develop relevant skills. The development of skills among local community members in areas where CILs are planned or already implemented is highly beneficial for both the investors and the local population. We propose two complementary approaches towards skills development:

- Concession application processes should include a skills development strategy and the improvement of skills among local communities must become an indicator for monitoring and for the assessment of investment quality.
- Vocational training programs need to be integrated into the national and provincial socioeconomic development plans and subsequently implemented. Cross-sectoral coordination is essential to identify required skills and develop appropriate training services.

Promote a mix of investment models. Leases and concessions are dominant in the CILs landscape of the Lao PDR. Other models, such as outgrower schemes and other forms of contract farming might be interesting alternatives, possibly with lower impacts on land dispossession and the possibility for local land users to be more in control of their livelihood strategy. Rural development strategies should aim for a variety of engagement and income opportunities for rural populations.

Address the issue of land use rights. Land use and land tenure rights are crucial aspects for secure livelihoods in rural areas of the Lao PDR. The government should refrain from granting concessions to investors in areas with unclear land tenure security, or unsecure land use and resource use rights. These aspects need to be clarified through participatory land use planning processes and formal land titling prior to granting land concessions in such areas.

Enforce labour regulations and benefit sharing. The violation of foreign labour limits and wages below the minimum wage are two elements that negatively affect employment and income creation. Enhanced enforcement of these regulations is crucial to local benefit from CILs. Further, as CILs contribute significantly to national economic growth, but with little benefit for impacted communities, national benefit sharing strategies are needed. For instance, a specific share of national earnings through revenues could be earmarked for poverty reduction and skills development programs in impacted areas.

Knowledge for Development (K4D)

The K4D project is a collaborative initiative of the governments of the Lao PDR and Switzerland, implemented with the technical support of the Centre for Development and Environment (CDE) of the University of Bern, Switzerland and with financial support from the Swiss Agency for Development Cooperation (SDC). K4D promotes data and information availability and sharing among sectors and administrative levels to foster evidence-based planning and decision-making for sustainable development (www.decide.la).

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Further reading

Nanhthavong et al. (in review). Poletarianization and gateways to precarization in the context of land-based investments for agricultural commercialization in Lao PDR. *World Development*.



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