

For Swiss Agency for Development and Cooperation (Laos Program)

Lao Labor Migration and Remittance

Trends and economic and livelihood implications

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1. Introduction

International labor migration and remittances have grown increasingly more important in the global economy and in many developing countries, including Laos. More than half a million of Lao migrant workers were employed in many countries around the world in 2010. Top five host countries of Lao migrant workers include Thailand, the United States, France, Canada and Australia. Worldwide, they sent a total of \$204 million - \$258 million to Laos in 2013, accounting for 1.9% - 2.5% of the country's GDP.¹ This report looks into Lao international labor migration, its economic and livelihood aspects, trends and implications.

Worldwide, in 2012, global total of remittances to all nations totaled \$519 billion, and is projected to rise to \$549 billion in 2013 (Ratha, 2013). For some countries, remittances are the sole lifeline of the economy. For instance, in 2012, 48% of Tajikistan's GDP was made up of remittances; 31% for Kyrgyz Republic; 25% for Nepal and Lesotho; 24% for Moldova; 21% for Armenia, Haiti and Samoa; 20% for Liberia and 17% for Lebanon (Ratha, 2013). Remittances exceed the official foreign exchange reserve in at least 14 developing countries, according to Ratha (2013).

World Bank estimated that migrants from developing countries will send home \$414 billion in remittances in 2013, growing 6.3% from previous year. This will continue to grow to \$540 billion by 2016 (Ratha, 2013). Global remittance has surpassed the world's total ODA since the mid-1990s as the main source of foreign exchange flows to developing countries. India, China and Philippines are the world's top three remittance receiving countries, each of which respectively received \$69.4 billion, \$60.2 billion and \$24.5 billion in 2012, according to World Bank (2013b).

Next, global distribution of Lao migrant workers is examined. Lao migrant workers abroad include those who have resettled overseas permanently. Then, remittance and its implications on livelihoods are estimated and analyzed. Particular attention is ascribed to Lao migrant workers in Thailand, as the figures put forth by the World Bank do not seem to reflect what widely believed to-be the "true" figures of Lao migrant workers there; and their remittances as found in a number of survey studies suggest that the World Bank's had significantly underestimated remittance inflows to Laos from Thailand.

¹ All "\$" signs used herein are referred to US dollar.

2. Global distribution of Lao migrant workers

Gauging the number of Lao workers employed in foreign countries is an uneasy task, as the majority left the country to seek employment abroad, mostly in Thailand, through unofficial channels. It is estimated that there were approximately 588,561 Lao workers employed in numerous countries worldwide in 2010, and should increase slightly by 2013. This is a unified estimate based on various sources further explained later.

The majority of them were employed in Thailand (49%), the United States (33%) and France (8%). A sizeable Lao migrant workers were also employed in other advanced economies, including Canada (16,845—3%), Australia 11,352—2%), Japan (2,603), Germany (1,608), Belgium (1,481), New Zealand (981), Switzerland (917), United Kingdom (615), Spain (527), and Sweden (470). These figures of Lao migrant workers include those who migrated as refugees and resettled abroad as permanent residents. See Table 1 and Figure 1 for detailed global distribution of Lao migrant workers. The percent distribution of Lao migrant workers as shown in Figure 1 is based on the "Unified" estimate as presented in Table 1.

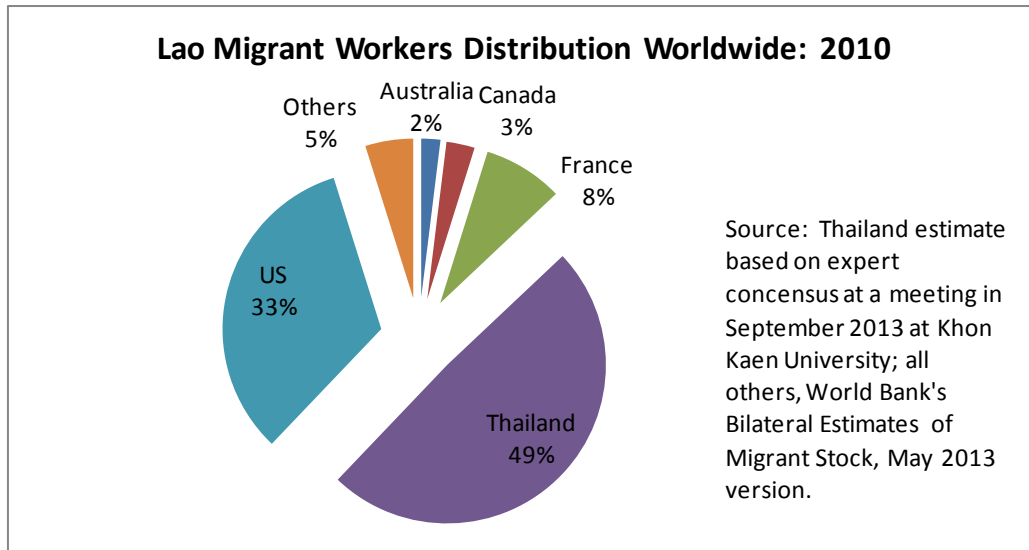
To clarify estimates in Table 1, the World Bank's estimate places the majority of Lao migrant workers in the United States, at 193,000, because it was based on legal and registered workers, including former refugees. Thus, the relatively large numbers of Lao migrant workers in the US, as well as in Australia, Canada and France were overwhelmingly made up of those migrated there as refugees, and their relatives who joined them later, who maintained their Lao citizenship. The WB's estimate for Thailand, with just 77,443 in 2010, is far below the figure experts working in the region familiar with the issue would believe. A concrete proof that the World Bank's figure is far below the true figure is a report by Thailand's Ministry of Labor that there were 110,854 registered Lao workers in the country by December 2009 (Huguet and Chamrathirong, 2011). Registered Lao migrant workers represented only a smaller portion of the total stock of Lao migrant workers in the kingdom. Also, WB's estimates of Lao migrant workers in other GMS countries are clearly too conservative. While it is a certainty that there were Lao migrant workers employed in China and Vietnam, the WB's estimate show zero Lao migrant workers in both of these countries.

Lewis et al (2010) estimated that there were 230,687 Lao out migrant workers employed in the GMS in 2010, including 217,287 in Thailand, 6,600 in Cambodia, 5,400 in GMS area of China (provinces of Guangxi Zhuang and Yunnan), and 1,400 in Vietnam. Appendix Table 1 has details. Even this estimate of Lao migrant workers in Thailand seems conservative, given a report by Changpitikoun (2008) that, in 2004, there were 181,614 registered migrant workers, 100,633 of whom were females, who declared to be Lao citizens in Thailand.² These were the workers who crossed to Thailand both legally and illegally, who were encouraged by Thai

² These figures, explained the author, were the result of verification of 2003 data from Lao Ministry of Labor and Social Welfare and data obtained in September 2005 from Thailand's Office of Foreign Workers Administration, Department of Employment, Ministry of Labor.

authorities to register. An unknown number of workers, but is widely recognized to be large, did not register with the Thai authorities for fear of being arrested and deported. Although the number of registered Lao migrant workers in Thailand failed sharply after that historic high in 2004, there is no credible reason why the total number of Lao migrant workers in Thailand today will be less than that in 2004.

Figure 1



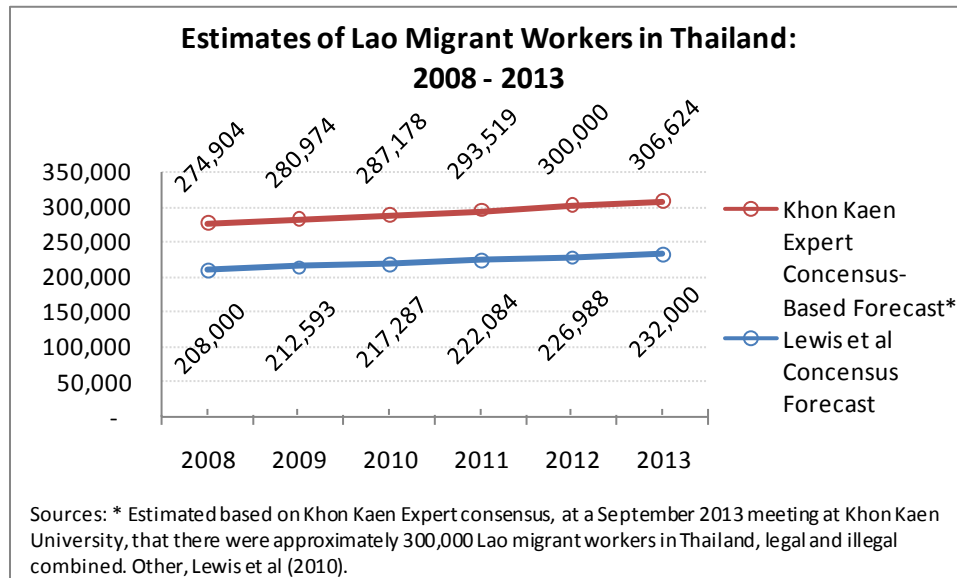
Experts familiar with the issue concerning Lao migrant workers in Thailand believe that the total number of Lao migrant workers in Thailand within any given year, including legal and illegal, long-term and seasonal workers combined, is in the neighborhood of 300,000. This is the figure informally endorsed by an expert panel at a meeting at Khon Kaen University, Thailand, in September 2013. Extrapolating from the Khon Kaen expert consensus, using Lewis et al (2010) estimated annual growth rate of 2.2%, in 2010 the total number of Lao migrant workers would have been around 287,000. Figure 2 compares estimates by Lewis et al (2010) and a new estimate, based on the September 2013 Khon Kaen expert consensus, illustrating changes in the total number of Lao migrant workers in Thailand over 2008 - 2013.

Table 1 Lao Out Migrant Workers Global Distribution in 2010

	WB	Lewis et al*	Khon Kaen**	Unified
Australia	11,352			11,352
Belgium	1,481			1,481
Cambodia	1,235	6,600		6,600
Canada	16,845			16,845
Chile	2			2
China		5,400		5,400
Cyprus	5			5
Czech Republic	9			9
Denmark	36			36
Dominican Republic	36			36
Ecuador	10			10
Finland	10			10
France	47,466			47,466
Germany	1,608			1,608
Greece	6			6
Hungary	41			41
Ireland	76			76
Italy	91			91
Japan	2,603			2,603
Luxembourg	23			23
Mexico	1			1
Netherlands	143			143
New Zealand	981			981
Norway	71			71
Panama	1			1
Peru	1			1
Poland	32			32
Portugal	1			1
Slovak Republic	9			9
Spain	527			527
Sweden	470			470
Switzerland	917			917
Thailand	77,443	217,287	287,178	287,178
Turkey	2			2
United Kingdom	615			615
United States	192,978			192,978
Venezuela	2			2
Vietnam		1,400		1,400
Other South	9,531			9,531
TOTAL	366,661	230,687	287,178	588,561

Sources: * Extrapolated from Lewis et al (2010); ** Estimate based on expert consensus at a September 2013 Meeting at Khon Kaen University; World Bank's Bilateral Estimates of Migrant Stock, May 2013 version.

Figure 2



Lengthy and porous borders together with weak law enforcement in host countries make crossing the borders to any country adjacent with Laos (Thailand, China, Vietnam, Cambodia) for employment purpose without proper official verification a relatively easy task.³ Not only of weak law enforcement in host countries, human connectivity through cultural and language ties also played an important role in facilitating illegal foreign workers trafficking as employers were willing to accept them at convenience. Another and probably the most important reason for the majority of Lao migrant workers to chose the unofficial channels for migrating to Thailand (and other neighboring countries) is cost difference between official and unofficial channels. Chanthavisouk (2006) provides details of costs for a Lao migrant worker to be legally employed in Thailand through the official channel which totaled baht17,767 (USD440 at that time or USD583 at bt30.50/USD), and the cost with unofficial channels of between 14% and 40% of the official channel.⁴ Actual cost to the worker with official channel was likely higher than the stated total cost above, as workers must pay officials undeclared amounts to process legal papers starting from the village. Vasuprasat (2008) indicates that the total actual cost for the worker could be as high as USD783. Sisenglath's (2009) study, using 200 population samples in Khammouan, Savannakhet, Saravan and Champasak provinces, found that only 4% of the Lao migrant workers who returned from Thailand used the official recruitment agencies. With such limited number of population, the finding is subject to biasness, thus this finding is cautiously interpreted. Over an eight year period between 2002, when Lao and Thai governments signed an

³ Myanmar, although shares border with Laos' northwest region, is not included due to transportation difficulty between Laos and Myanmar's economic clusters and a lack of job opportunity there.

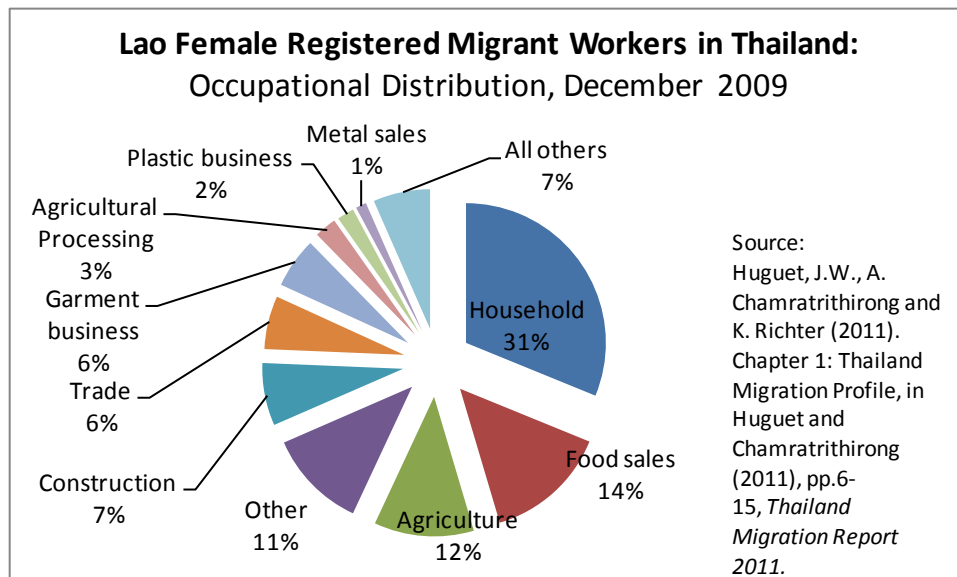
⁴ Costs for a Lao worker going through official channel to be employed in Thailand included (1) in Laos: Passport and exit visa, Medical examination, Thai multiple entry visa, work permit for Lao workers abroad, training, travelling; and (2) in Thailand: Medical check-up, social security (5% of monthly salary for 2 years), and 2-year work permit.

MOU on formal recruitment of workers from Laos, and 2010, there were a total of 25,207 Lao workers in Thailand formally recruited through government approved agencies. Taking into account the flows of migrant workers over this eight years period, this would account for less than 10% of the total.

3. Lao migrant workers' occupation in Thailand

Lao migrant workers engaged in various occupations. Detailed data describing Lao migrant workers' occupational engagement in Thailand is summarized in figures 3 and 4 and Table 2. Hugué et al (2011) reported that the top five occupations the 110,854 registered Lao migrant workers in Thailand engaged in were household work (19.2%), followed by agriculture (16.3%), other and food sales (11.8% each) and construction (11.4%).⁵ Others were trade, garment, agricultural processing, etc. Most females (31%) engaged in household work and food sales (14%), while most males engaged in agriculture (21%) and construction (16%).

Figure 3



⁵ Office of Foreign Workers Administration, Department of Employment, Ministry of Labour, Statistics on Foreigners Obtaining Work Permits during 2009 (Bangkok, Ministry of Labour, 2010).

Figure 4

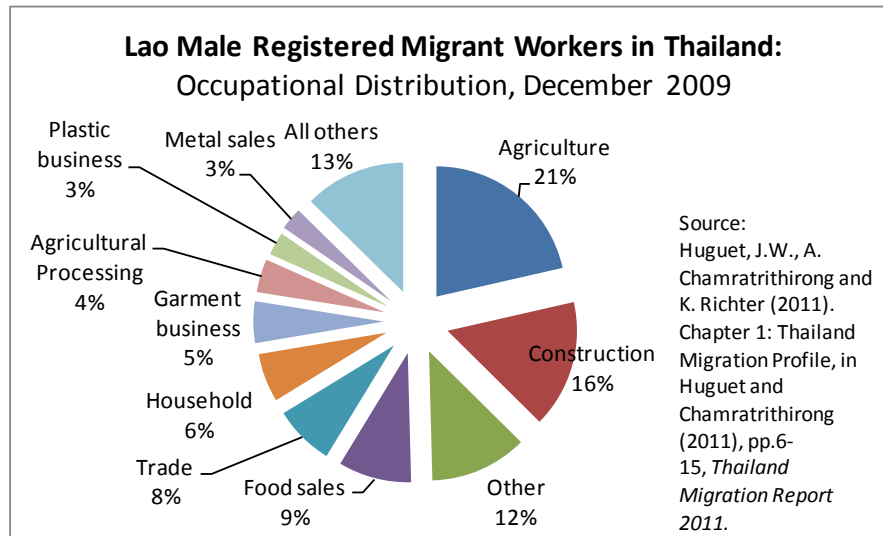


Table 2 Lao Registered Migrant Workers in Thailand, December 2009: Gender and Occupational Distribution

	Male	Female	Total	%Occupation
Household	3,227	18,040	21,267	19.2
Agriculture	11,355	6,680	18,035	16.3
Other	6,446	6,660	13,106	11.8
Food sales	4,833	8,241	13,074	11.8
Construction	8,469	4,166	12,635	11.4
Trade	3,994	3,571	7,565	6.8
Garment business	2,738	3,383	6,121	5.5
Agricultural Processing	2,209	1,468	3,677	3.3
Plastic business	1,534	1,139	2,673	2.4
Metal sales	1,479	712	2,191	2.0
Fishing	1,153	647	1,800	1.6
Recycling	906	454	1,360	1.2
Construction materials	871	425	1,296	1.2
Car repair & service	865	411	1,276	1.2
Seafood processing	629	551	1,180	1.1
Meat Processing	478	314	792	0.7
Fuel and gas	518	259	777	0.7
Transport	393	208	601	0.5
Paper business	239	160	399	0.4
Electronics	198	144	342	0.3
Soil business	212	110	322	0.3
Stone processing	188	75	263	0.2
Edu., Foundation, Assoc.	26	41	67	0.1
Mining, quarrying	20	15	35	0.0
Total	52,980	57,874	110,854	100.0

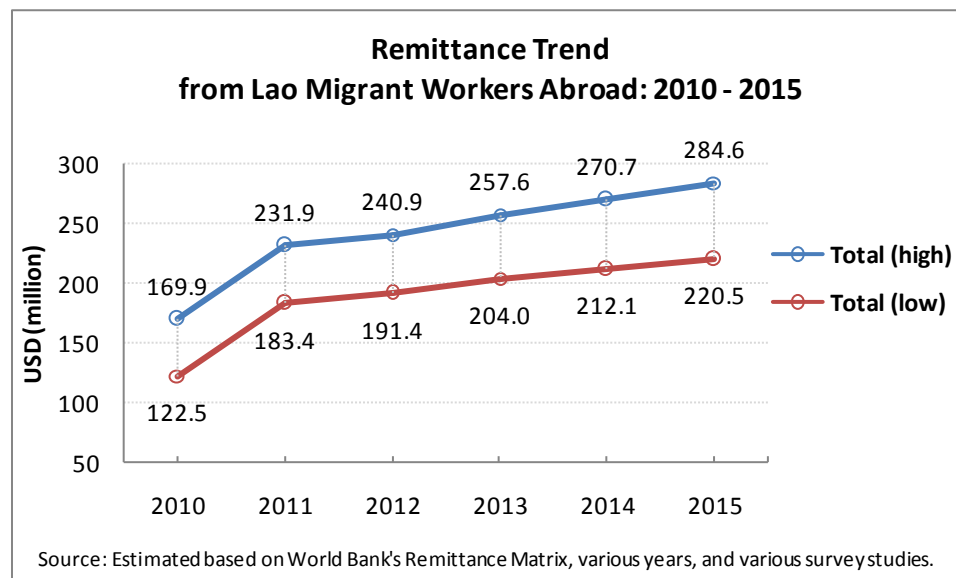
Source: Huguet, J. W., A. Chamratrithirong and K. Richter (2011). Chapter 1: Thailand Migration Profile, in Huguet, J. W. and A. Chamratrithirong eds. (2011), pp. 6-15, *Thailand Migration Report 2011, Migration for development in Thailand: Overview and tools for policy makers*.

4. Remittance trends and its economic importance

Remittance flows into Laos have been on the rise. Total remittance from all origins grew from an estimated amount of \$122.5 - \$169.9 million in 2010 to \$204 - \$257.6 million in 2013 (Figure 5). Remittance over 2010 - 2013, as shown in a complementary Table 3, is a unified estimate, combining the World Bank's estimate for the "United States" and "Elsewhere" with improved estimates for Thailand. Estimates for Thailand show a range of possible and likely "true" value of remittance amounts for each year. Appendix 2 provides details of remittance estimation for Thailand.

A considerable increase of total remittance in 2011, 31% - 40%, which is clearly visible in a complementing Figure 5, was the result of a change in estimation method of the World Bank, causing remittance from the "United States" and "Elsewhere" to increase 97% each, as illustrated in Table 3.⁶ In 2011, remittances from the "United States" and "Elsewhere" account for between 39% and 52% of the total remittance flows into Laos. Remittance inflows to Laos is forecasted to grow between 3.9% (low estimate) and 5% (high estimate) up to 2015 as illustrated in Figure 5.

Figure 5



Thailand is Laos' major source of remittance, accounting for 48% - 59% of the 2013 total estimate, followed by the US, with 29% - 37% share. This finding is in contrast to that of the World Bank's estimate, which depicts the US as the major source of remittance inflows to Laos.⁷ Three key factors differentiating this finding from that of the World Bank include:

⁶ The WB probably underestimated remittance from the US in 2010, accounting for the economic conditions there.

⁷ The World Bank's Remittance Matrix 2012 indicates that Laos' total remittance inflow in 2012 was \$117.2 million, with remittance from the US (\$71 million) accounting for nearly 61% of the total.

(1) While the World Bank estimated that there were 77,443 Lao migrant workers in Thailand in 2010, the more likely "true" figure and widely acceptable by experts in Laos and Thailand in that same year is estimated at 287,178.

(2) The average amounts of remittance per migrant worker who sent or carried remittance home found in various surveys are substantially larger than that of the Bank's estimate. While the Bank's average remittance amount of \$208 per migrant worker in Thailand in 2012, which is much lower than those from developed economies (see Table A7 in Appendix 2), might seem reasonable when relative wage is considered, it is counterfactual. An improved estimate suggests that remittance flows from Thailand into Laos per Lao migrant worker there (total remittance divided by total number of migrant workers) ranges from \$301 to \$466. When those that did not send remittance home were excluded, the annual average amount of remittance sent home by Lao migrant workers in Thailand found in various surveys ranges between \$557 and \$907 (Table A2 in Appendix 2).

(3) The motive to save and send remittance home by Lao migrant workers in Thailand is significantly stronger than those in developed economies. Their major goal for seeking employment in Thailand is to improve the economic conditions at home in Laos. Most Lao migrant workers in developed economies do not intend to return to Laos, so they were less interested in sending remittance to Laos. As well, because the Lao economy has been growing quite rapidly in recent years, creating more opportunities for their relatives in Laos to earn higher incomes, thus there was less demand from relatives in Laos for assistance. In contrast, a great majority of Lao migrant workers in Thailand were from poor households and have immediate family members at home to look after. Thus, although their monthly earnings were many times less than those in advanced economies, their incentive to save as much money as possible and return home is considerably higher than those in the US, for instance, whose main concern is long term settlement there. The \$553 lower bound and \$624 upper bound of the average remittance from Thailand used for estimating total remittance from Thailand are in the range of 18% - 30.5% savings rate, which is considered realistic for individual workers with a strong motive to save.

See Appendix 2 for detailed explanation why the World Bank has significantly underestimated remittance inflows to Laos from Thailand.

Table 3 Total Remittance Inflows to Laos: 2010 - 2013

<i>High Estimate</i>				
<i>USD Million</i>	2010	2011	2012	2013
Thailand (high)	133.8	136.8	139.8	151.2
United States*	25.4	66.8	71.0	74.6**
Elsewhere*	10.7	28.3	30.1	31.7**
Total (high)	169.9	231.9	240.9	257.6
<i>Percent Share</i>				
Thailand (high)	78.8	59.0	58.0	58.7
United States	14.9	28.8	29.5	29.0
Elsewhere	6.3	12.2	12.5	12.3
<i>Low Estimate</i>				
<i>USD Million</i>	2010	2011	2012	2013
Thailand (low)	86.4	88.3	90.3	97.6
United States*	25.4	66.8	71.0	74.6**
Elsewhere*	10.7	28.3	30.1	31.7**
Total (low)	122.5	183.4	191.4	204.0
<i>Percent Share</i>				
Thailand (low)	70.5	48.2	47.2	47.9
United States	20.7	36.4	37.1	36.6
Elsewhere	8.8	15.4	15.7	15.6

* From WB's Remittance Matrix; ** Estimates based on WB's Remittance Matrix 2012.

On average, remittance roughly accounts for 2% - 2.6% of Laos' annual GDP over 2010-2013 and 24% - 31% of the country's foreign exchange reserve over this period (Table 4). This remittance helped finance Laos' sustained trade deficits, reducing pressure on the country's Central Bank to raise foreign exchange reserve.

In comparison to other ASEAN countries, in 2012, Lao migrant workers worldwide sent home remittance the least per worker amount of \$325 - \$409.⁸ In the same year, workers from the Philippines and Thailand sent home the highest amounts of remittance per person on average, at \$5,689 and \$5,058, respectively. See Table 5 for details. Part of the explanation to this has been discussed in the previous paragraph, that most of Lao migrant workers (more correctly, Lao immigrants) in advanced economies did not have the intention to return to Laos and demand for assistance by relatives in Laos has declined. In addition, most Lao migrant workers in Thailand, which accounted for 49% of all Lao migrant workers abroad, were low-skilled with very little education, thus they earned low wages. Most Lao migrant workers in Thailand were young, aged between 16 and 24, cited in Chanthavysouk (2006). A study by ILO in 2003 using 709 samples, reported in Chanthavysouk (2006), indicates that 64% of them had at most only primary

⁸ World Bank's estimate of remittance inflows per Lao migrant worker is \$320 in 2012 (with \$117.2 million total and 366,661 migrant workers worldwide). Our estimate is based on \$216.1 million total remittance (average of \$240.9 million (high estimate) and \$191.4 million (low estimate)) and 588,561 total migrant workers.

education, and 99% had at most secondary education. The average level of education of Lao migrant workers in Thailand today may be slightly higher than that in 2003, but it is certainly still relatively low.

Table 4 **Laos' Remittance in Comparison to GDP and FXR: 2010 - 2013**

	2010	2011	2012	2013 (proj.)
Total (high)	169.9	231.9	240.9	257.6
Total (low)	122.5	183.4	191.4	204.0
GDP (USD mil.)	7,181	8,227	9,366	10,504
FXR (USD mil.)	730	679	740	807
%GDP (high)	2.4	2.8	2.6	2.5
%GDP (low)	1.7	2.2	2.0	1.9
%FXR (high)	23.3	34.2	32.6	31.9
%FXR (low)	16.8	27.0	25.9	25.3

Sources: GDP and foreign exchange reserve (FXR), World Bank; remittance, author's estimate.

Table 5 **Remittance Received by SE Asian Countries in 2012**

	World Bank/IFAD		Alternative		
	Million USD	Percent of GDP	Million USD	Remit. per Worker (USD)	Percent of GDP
Brunei Darussalem	75	0.5	75	3,081	
Cambodia	256	1.8	256	730	
Indonesia	7,180	0.8	7,180	2,867	
Laos*	117	1.3	191-241	325-409	2-2.6
Malaysia	1,363	0.4	1,363	920	
Myanmar	566	1.1	566	1,100	
Philippines	24,325	10.7	24,325	5,689	
Singapore	874	0.3	874	2,940	
Thailand	4,103	1.1	4,103	5,058	
Timor-Leste	82	2.0	82	4,878	
Vietnam	9,052	6.6	9,052	4,066	
Total	47,993		47,876		

Sources: * Author's estimates, except for the total remittance figure (117) under "World Bank/IFAD" column. All others, IFAD (2013) and World Bank (2013b).

At around 2% of GDP, remittance remained much less significant for Laos than for some countries in SE Asia. The Philippines, which is the world's third largest remittance receiving country and ASEAN's largest, with nearly 4.3 million migrant workers worldwide (in 2010), received \$24.3 billion of remittance in 2012, accounting for 10.7% of the country's GDP. Vietnam, with 2.2 million migrant workers worldwide, received \$9 billion in the same year,

accounting for 6.6% of the country's GDP. Indonesia, Thailand and Malaysia were among other ASEAN countries with large amounts of remittance. However, other than the Philippines and Vietnam, there was no other ASEAN country with remittance accounts for more than 2% of the country's GDP.

5. International labor migration and its implications on livelihood

To understand how has international labor migration affected livelihoods and wellbeing of those who took part in it and of their family members, the question of why did they migrate to seek employment abroad must first be understood. A study by ILO (2003), cited in Chanthavysouk (2006), found that the majority of Lao migrant workers in Thailand were among the bottom 20% of the socioeconomic status. This study took place following the Asian financial crisis, with the value of the kip rapidly plunging, inflation sky-rocketing, and many households falling into poverty.

A baseline survey by International Organization for Migration (2011) in eight villages in Saravan and Champasak provinces in the south with relatively high rates of migration-to-Thailand by job seekers found that the most common reasons for migration were a lack of job opportunity at home and poverty. Debt and natural disasters were also reported as among reasons for migration. In these villages of 12,046 residents, 13% of them have been to Thailand for work. Additionally, under-employment was one among the factors encouraging seasonal cross-border migration for work. As the majority of the Lao labor force (roughly 70%) engaged in agriculture, seasonal under-employment is widespread.

Other than a lack of job at home and poverty, wage differential is among the most important attractions for mostly unskilled, relatively uneducated, young Lao migrant workers to migrate to Thailand for employment. Unskilled workers in Thailand were normally paid around bt200-bt 250 a day (about \$6.67 - \$8.33), before the daily minimum wage was raised to bt300 (about \$10) in late 2012. A month of labor, with an average of 26 work days, would pay \$173 - \$217 equivalent, before the minimum daily wage was raised to make a minimum monthly earning of \$260 equivalent. In Laos, the current minimum wage, which was raised in 2012, today is \$82 equivalent for 26 work days per month. Social and economic development gaps between Laos and Thailand are also among the factors pulling young Lao workers to migrate to Thailand. These gaps also played a role in allowing traffickers to lure especially young women, with deceptive recruitment campaigns, to falling into prostitution, often by force at the destination (Changpitikoun, 2008).

As the majority of Lao migrant workers, especially those in Thailand, were from poor rural households, the remittance thus benefited mainly poor rural households and communities. According to a report of the International Fund for Agricultural Development (2013), of all

remittance sent to Laos, 56% went to rural area.⁹ About half of Lao total migrant workers abroad employed in advanced economies. Proportionally, more of them have families in urban areas compared to Lao migrant workers in Thailand. Thus, proportionally, more remittance from this segment of migrant workers would have gone to benefit urban households, poor and non-poor.

Table 6 offers a more concrete picture of how remittance impact poverty. To reflect the fact that not all Lao migrant workers abroad were not from poor households, although there is strong evidence from survey studies suggesting that a great majority of them were from poor households, and that not all remittance directly went to benefit the poor, an array of possible proportion of remittance that went directly to poor households (50% - 75%) was calculated and summarized in Table 6 for high and low estimates. Had 50% of total remittance went directly to poor households, \$102 million - \$129 million would have gone to alleviate poverty, affecting the lives of approximately 1.4 million individuals in 2013.¹⁰ If the proportion of remittance that went to poor households directly increases to 75% (Table 6), the total amount of additional income for the poor would have increased to between \$153 million - \$ 193 million.

Looking at how remittance impact poverty from a more micro perspective, had 50% of total remittance went directly to poor households, this would have increased their daily income by between \$0.20 and \$0.25 per person, and a greater share of remittance going to poor households would directly increase their daily income as illustrated in Table 6. Compared to the \$1.25 a day international poverty line and the current \$0.79 a day equivalent national poverty line, the 20-38 cents a day of additional income from remittance, as illustrated in Table 6, can make a difference for poor households.¹¹ Each percentage increase in the share of remittance going directly to poor households, an additional \$2 million - \$2.6 million in cash (or about half a cent of additional daily income per person) would go to relieve poverty in Laos.

Table 6 Remittance Impact on Poverty in Laos, 2013

Share of Remittance to Poor Households	50%	55%	60%	65%	70%	75%
Remittance to Poor (High, \$ Million)*	128.8	141.7	154.6	167.4	180.3	193.2
Remittance to Poor (Low, \$ Million)*	102.0	112.2	122.4	132.6	142.8	153.0
Number of Poor (x1,000; 21.5%Population)**	1,400					
Remittance to Poor (High, \$/Person/Day)	0.25	0.28	0.30	0.33	0.35	0.38
Remittance to Poor (Low, \$/Person/Day)	0.20	0.22	0.24	0.26	0.28	0.30

* High - high estimate; Low - low estimate. ** The poverty rate of 21.5% in 2013 is a projection based on the 2008 official estimate of national poverty rate of 27.6% and other estimates going back 15 years; population in 2013 was slightly more than 6.5 million.

⁹ According to Manuel Orozco (2013), *The Market for Money Transfers in Asia: Scorecard Report*, cited in IFAD (2013).

¹⁰ An equivalent of 21.5%, a poverty rate projected based on previous estimates going back to 1993, of the population in 2013.

¹¹ Lao official national poverty line is kip192,000/month/person. This is an equivalent of \$0.79/day/person, at kip8,000/1\$.

For most poor rural households, daily basic food requirements were commonly met by subsistence farming, since most of them own farmland. Cash income from domestic sources and additional income from remittance were commonly used for personal and household necessities that cannot be self-produced, home improvement, health and education for children. Various studies reveal that remittances were most commonly used for home improvement, daily needs, education, and purchasing means of transportation and agricultural inputs.

Other than the financial benefit gained from abroad, a survey conducted in Thailand revealed that more than 60% of Lao migrant workers also gained occupational skills, from "moderately" to "very much" (Jampaklay and Kittisuksathit, 2009). Some returnees were able to start a micro-small business with savings earned from working, and ideas and skills learned, in Thailand. Many of those migrant workers and their family members experienced improved economic conditions and livelihoods.

However, a smaller proportion of them were not as fortunate. A study by UNICEF in 2003, cited in Canthavysouk (2006) revealed that some unfortunate Lao migrant workers in Thailand suffered work-related injuries and long-term health problems caused by physical and/or psychological abuse, and other suffered malnutrition. IOM (2011), Changpitikoun (2008) and several other studies cited incidents of young women were tricked or forced into prostitution, suffered physical and sexual abuses, extortion for money by police, and HIV/AIDS.

6. Conclusion

International labor migration and remittance, and their social and economic impacts, have been growing in importance globally and as well as for Laos. In 2010, there were more than 588,000 Lao migrant workers abroad, with the majority of them in Thailand (49%) and the United States (33%). In Thailand, female Lao migrant workers outnumbered the male counterpart. Female overwhelmingly engaged in household work, "food sale," agriculture and, though not listed in the occupational list of registered migrant workers, restaurants and bars. Males mostly employed in agriculture and construction, also in "food sale," trade and household work.

Remittance sent by Lao migrant workers has been rising and becoming more important source of foreign exchange inflows. In 2013, Lao migrant workers sent a total of between \$204 million and \$258 million of remittance to Laos, accounting for 1.9% - 2.5% of GDP and 25% - 32% of the country's official foreign exchange reserve. Since 2011, remittance inflows to Laos was growing at a rate (considered to be normal) of approximately 5.3% annually and is expected to maintain this growth rate for the next several years.

Between 48% and 59% of all remittance inflows to Laos was sent or carried home by Lao migrant workers in Thailand. For those who sent or carried home remittance, between 54.4% and 74.7% of all Lao migrant workers in Thailand, sent an average amount of \$553 - \$624 equivalent

(at bt30.5/\$1) a year. With those that did not send remittance included, overall, Lao migrant workers in Thailand send home \$318 - \$493 equivalent per worker on average per year, comparable with that sent by Lao migrant workers in the US (US368/worker). Although this may seem counterintuitive, considering wage differences, there are several explanations to this. First of all, Lao migrant workers in Thailand have a relatively strong incentive to save and send home remittance, as their main goal to be in Thailand was to earn cash income and return home. In contrast, those in the United States and in other developed countries, who were former refugees with migratory purpose to resettle abroad permanently, had very little incentive to send remittance to Laos except for helping relatives in urgent needs or, though much less common, for investments. Secondly, with recent continual economic growth in Laos, demand for assistance from relatives in Laos has considerably declined.

Lao migrant workers were mostly unskilled and with little level of education, with 64% of them having at most only primary education and 99% having only at most secondary level education. Thus, they earned less and sent home less remittance than migrant workers from any other ASEAN countries.

The majority of Lao migrant workers were from poor rural households. Thus, remittances, especially from Thailand, mostly benefited poor rural households. The majority of migrant workers and their family members experienced improvement in economic conditions and livelihoods. However, a minority of them suffered a misfortune, work related injuries, and long-term health problems caused by physical and/or psychological abuse. Had 50% of total remittance went directly to poor households, \$102 million - \$129 million in cash would have gone to alleviate poverty of approximately 1.4 million poor population in Laos. This translates into \$0.20 - \$0.25 of additional daily income per person among the poor, which is one-fifth of international poverty line (\$1.25/day/person). Each percentage increase in the share of remittance going directly to poor households, an additional \$2 million - \$2.6 million in cash (or about half a cent of additional daily income per person) would go to relieve poverty in Laos.

Although Lao economy has been growing rapidly recently, little new jobs have been created in the non-agricultural sectors, due to the country's resource-dependent growth policy and inadequate work by the government to encourage investment in the non-resource sectors. The country's failure in education is part of the problem, as investment in a diversified, non-resource sector has also been limited by the characterization of Lao labor force with low level of educational attainment. Nearly half of the total labor force (48.7%) had only primary school education, and 36.5% had secondary education; only 7.2% had technical school education and 5.4% had at least college education. Thus, unskilled and uneducated, young Lao workers must seek job in Thailand to earn a living while a relatively large number of more skilled foreign workers must be imported to fill the domestic skill shortage.

With an appropriate policy, international labor migration can be an effective mean for alleviating poverty. However, Lao migrant workers mostly earned only a minimum wage, due to their lack

of skills and education. Thus, to improve Lao migrant workers' earning and, hence, remittance, investment in basic education and labor skills training is a relevant course of action.

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Appendices

Appendix 1: Lewis et al (2010) Estimation of Lao Out Migrant Workers in GMS

Table A1 Lao Out Migrant Workers in GMS Countries (Consensus Forecast)

	2003	2008	2009*	2010*	2011*	2012*	2013	2018
Cambodia	2,000	3,000	4,800	6,600	8,400	10,200	12,000	16,000
China (GMS Area)**	5,000	5,000	5,200	5,400	5,600	5,800	6,000	6,000
Thailand	199,000	208,000	212,593	217,287	222,084	226,988	232,000	240,000
Vietnam	-	1,000	1,200	1,400	1,600	1,800	2,000	3,000
TOTAL in GMS	206,000	217,000	223,793	230,687	237,684	244,788	252,000	265,000

* Extrapolated from Lewis et al (2010); others, from Lewis et al (2010), as reported; ** Provinces of Guangxi Zhuang and Yunnan.

Appendix 2: Remittance Estimation

The World Bank has been estimating remittance sent to Laos by Lao migrant workers abroad for several years. Although it is quite comprehensive, accounting for essentially every country around the world with Lao migrant workers, there is a strong evidence suggesting that the Bank's estimate for Thailand, at least, is extremely low. It does not reflect the size of Lao migrant workers in the country, and the Bank's average annual amount of remittance per migrant worker is very low compared with survey findings. Thus, to obtain a better estimate, it is necessary to revise the estimate for Thailand, the biggest and most important host country for Lao migrant workers. Table A2 compares various survey findings of the average annual amount of remittance inflows to Laos from Thailand.

Table A2 Lao Annual Remittances from Thailand

	USD/Person
WB (2012 Extrapolated)*	278
Deelen & Vasuprasat (2010)	557
Chanthavisouk (2006)	689
Jampaklay & Kittisuksathit (2009)	689
Sisenglath (2009)	907
Average (all above)	624
Average (Excl. Sisenglath)	553

* With 74.7% of estimated number of workers sent remittances.

Several surveys of Lao migrant workers' remittance from Thailand found that between 54.4% and 95% of Lao workers in Thailand sent money home. The mean amount that they sent home or carried home ranges from \$557 to \$907 a year (Deelen & Vasuprasat, 2010; Chanthavysouk, 2006; Jampaklay & Kittisuksathit, 2009; Sisenglath, 2009). Extrapolating from the 2012 World

Bank estimate suggests that an average migrant worker sent \$278 each that year, if 74.7% of migrant workers in Thailand sent remittances.¹²

A survey also found that there was a difference in earning between registered and unregistered migrant workers, with the former earning bt6,000 and the latter earning bt5,500 on average (Deelen & Vasuprasat, 2010). A study by the ILO, cited in Chanthavysouk (2006), found that workers with higher earning tended to send more remittance than those with lower earning, although the evidence is statistically insignificant. Males tended to send home more remittance than females did, although more females tended to send home remittance than their male counterpart (Sisenglath, 2009). Sisenglath also found that the 20s-30s age-group tended to send remittance more than the age groups below mid-20s and above mid-30s.

These findings were used to estimate a range of likely "true" average amount of remittances from Thailand in 2012, and the results are summarized in Table A3. Since it is unclear to which percentage of Lao migrant workers in Thailand sent or carried home remittances, estimates were made for three different levels: 95% (high estimate), 74.7% (medium, or average, estimate), and 54.4% (low estimate).

Table A3 **Remittance Estimates for Thailand (2012)***

Estimate Degree	Percent of Migrant Workers and Average Amount of Remittance Sent per Worker	Total Remit. (\$mil)	Remark
High-High:	95% workers sent \$624 each	177.8	Outlier
High-Low:	95% workers sent \$553 each	157.7	
Med-High:	74.7% workers sent \$624 each	139.8	Reasonable high estimate
Med-Low:	74.7% workers sent \$553 each	124.0	
Low-High:	54.4% workers sent \$624 each	101.8	
Low-Low:	54.4% workers sent \$553 each	90.3	Reasonable low estimate

* Based on expert consensus of 300,000 migrant workers in Thailand.

Similarly, because the "true" average amount of remittance sent is unknown, it is mathematically reasonable to use an average of averages found in various studies ranging from \$278 to \$907. Instead of using these lowest and highest averages respectively as lower and higher bounds, which would create a very wide range for the likely "true" average, taking an average of these various averages would technically reduce the possibility of having a sample bias problem and increase the likelihood of obtaining a "true" average since it technically includes a much larger number of samples than either one of these studies. In addition, two different averages of remittance amount were used for comparison, to prevent under- and overestimation. The first average is an average of all the estimated averages in these available studies. This would

¹² An average of 95% (high estimate) and 54.4% (low estimate) is 74.7%. The WB estimated that remittance from Thailand in 2012 was \$16.1 million in total and that there were 77,443 Lao migrant workers in the country in 2010 (which the Bank based on for its 2012 remittance estimate). If 54.4% of them sent remittance, it would have been \$382 each on average.

effectively be an average deriving from the largest possible samples, since samples from all survey studies are included. The second average of remittance amount is calculated with an exclusion of the highest average of \$907 found in Sisenglath (2009) in order to prevent overestimation causing by a possible sample bias with a high average remittance.

In Table A3, the row marked "High-High" indicates a high percentage of migrant workers (95%) with the higher average amount of remittance (\$624). The row marked with "High-Low" indicates a high percentage of migrant workers with the lower average amount of remittance (\$553). Similar interpretation is applied for rows marked with "Med-High" (for medium-high), "Med-Low", "Low-High" and "Low-Low".

Given such uncertainties explained earlier, the estimation produced a range of what can be considered reasonable total amount of remittance of \$90.3 million and \$139.8 million sent or carried home by Lao migrant workers in Thailand in 2012.

Is a \$553 - \$624 range of average annual remittance amount per worker that did sent or carried remittance home reasonable?

Based on recent studies of Lao migrant workers in Thailand, prior to the minimum daily wage was increased to baht300 in 2013, a typical daily wage for low-skilled workers were between baht200 for "non-regularized" workers and baht250 for "regularized workers." Normally, workers work 26 days monthly. Some employers paid workers on a monthly salary basis, other paid based on days of work performed each month. Whichever way workers were paid, it typically comes down to an average of baht200 - baht250 daily and 26 days monthly. When these figures were translated into an annual income range, the range of average remittance accounts for between 18% and 30.5% of annual income. Table A4 provides a detailed summary of wage-remittance relationship for low-skilled Lao migrant workers in Thailand.

Table A4 Wage-Remittance Relationship for Low Skilled Lao Migrant Workers in Thailand

Daily Wage		Monthly Wage*		Yearly Wage		Remit. % Yr Wage	
baht	\$	baht	\$	baht	\$	\$624	\$553
200	6.56	5,200	170.49	62,400	2,045.90	30.5%	27.0%
250	8.20	6,500	213.11	78,000	2,557.38	24.4%	21.6%
300	9.84	7,800	255.74	93,600	3,068.85	20.3%	18.0%

* Based on 26 days of work monthly, at bt30.50/USD.

A savings rate of 18% - 30.5% is considered high, especially at a low income level. However, this is within a typical range of savings rate in Asia. Also, the majority, if not all, of these migrant workers migrated to Thailand with one single goal in mind--to get a job and save as much money as possible to send home in Laos. These workers did not intend to settle in Thailand, but to return home. Thus, unlike Lao migrant workers in the United States, France, Canada, Australia and in other developed economies who were mostly former refugees with a long-term resettlement plan in these countries, an incentive to save for remittance among Lao migrant workers in Thailand was relatively very high. In addition, the remittance calculation

considers only incomes of low-skilled and low-paid migrant workers. A minority of relatively educated and experienced Lao migrant workers in Thailand held technical or supervisory positions at various levels and earned much above the minimum wage. Thus, had the remittance from this minority Lao migrant workers factored into the estimate, it would have slightly raised the average range of remittance.

Remittance estimation for other years (2010, 2011, 2013) for Thailand uses 2012 (in Table A3) as benchmark. For 2010 and 2011, a growth rate of 2.2% in Lewis et al (2010) was used. However, for 2013, Thailand raised minimum wage to baht300/day, but only about a third of Lao migrant workers in Thailand benefited from the minimum wage increase because most of them were there illegally. Thus, remittance grew at 2.2% for two-third of the Lao migrant workers who did sent or carried remittance home, while a third of them had remittance increased 18.2% as a result of the minimum wage increase, which bumped up remittance from Thailand in 2013. New estimates for remittance from Thailand are compared, in Table A5, with those reported in the World Bank Remittance Matrix.

Table A5 **Estimates of Remittance from Lao Migrant Workers in Thailand**

	2010	2011	2012	2013
High Estimate	133.8	136.8	139.8	151.2
Low Estimate	86.4	88.3	90.3	97.6
WB*	5.7	15.2	16.1	

* From World Bank Remittance Matrix 2012.

Table A6 **WB's Estimate of Laos' Remittance Inflows**
(Million of US Dollar)

	2010	2011	2012
Australia	1.3	3.5	3.8
Canada	2.0	5.3	5.7
France	5.5	14.5	15.4
Germany	0.2	0.5	0.5
Japan	0.3	0.8	0.8
Thailand	5.7	15.2	16.1
USA	25.4	66.8	71.0
Others	1.4	3.7	3.9
Total*	41.8	110.3	117.2
Remit. %GDP	0.6	1.3	1.3
Remit. %FXR	5.7	16.2	15.8

Source: * WB's Remittance Matrix, various years.

Table A7 **WB's Remittance Sent per Worker in 2012**

Country	USD
Australia	331
Canada	337
France	324
Germany	339
Japan	322
Thailand	208
USA	368
Others	413
Overall Average	320

Source: World Bank (2013b).