Three Transformations of Industrial Relations in Laos

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Three Transformations of Industrial Relations in Laos

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Abstract: This article provides an account of industrial relations in Laos, in light of the transformation theory from the industrial relations literature. The scope of the article is limited to employment in the formal, wage-earning sector of the civilian economy. The article argues that the history of industrial relations in Laos can be divided into four eras: the French colonial era (1890s to 1947); the Royal Lao Government era (1947–1975); the first decade or so of the Lao People’s Democratic Republic following the communist revolution in 1975; and the contemporary reform era under the New Economic Mechanism (1986 to the present). Following the transformation literature, the article argues that these four eras were divided by three transformations: the first of these, from the colonial to Royal Lao Government regime, was incremental or gradual; the second and third were cases of discontinuous change. The first and third of the transformations, to some extent, are ‘controversial’.

Keywords: history; industrial relations; labour relations; Laos

Introduction

Since the mid-1980s there have been numerous analyses of the nature and extent of the changes that have occurred to different countries’ industrial relations systems, and whether those changes are sufficiently profound to be properly described as transformational. The conclusions reached have varied widely. As Erickson and Kuruvilla (1998) have noted, there has been neither...
agreement about what constitutes transformation, nor what criteria should be used to determine whether a transformation has occurred.

For example, Kochan et al.’s (1986) view was that by the 1980s the US industrial relations system had been transformed because the New Deal model, which had been stable since the 1930s, was breaking down in the face of union decline and more assertive management strategies, in the context of intensified international economic competition and demands for greater flexibility. By contrast, Block (1990) and Dunlop (1993: 21) argued that the developments of the 1980s constituted mere ‘adaptations’ and the ‘fundamental features … that basically distinguish the US system from other national systems’ remained intact.

In a similar vein, Katz (1993) argued that a range of Organisation for Economic Co-operation and Development (OECD) countries’ systems had been transformed on the basis of findings of decentralization of collective bargaining due to work reorganization. And Locke et al. (1995) found that transformation had occurred in a range of OECD countries on the basis of declining union density and a greater focus on enterprise-based industrial relations and flexibility. By contrast, Crouch (1993) and Hyman’s (1994) studies of a similar range of OECD countries, using different criteria, found that no transformation had taken place.

A watershed in the transformation literature was provided by Erickson and Kuruvilla (1998), who reviewed the findings of the earlier studies and considered the concept of transformation more generally. They highlighted the many different criteria or bases on which writers had assessed whether or not a country had undergone transformation. They considered whether transformation should be defined in terms formal structures and processes, such as legislation and government economic strategies, or alternatively, whether it should be defined in terms of system outcomes such as changes to workplace practices, the diffusion of innovation, organizational compensation practices and the rate of wage dispersion.

Erickson and Kuruvilla then sought to advance through the welter of definitions by borrowing concepts from evolutionary biology. On this basis, they argued: ‘an industrial relations system undergoes a “transformation” to the extent that its “deep structure”, or the network of fundamental, interdependent choices that determine the basic configuration into which its units are organized, has been changed’ (Erickson and Kuruvilla, 1998: 12). On the face of it, this clear definition represents an advance on the hitherto confusing and contradictory claims. But in one sense, it pushes the difficult question back one step, by begging the question of ‘judging exactly what constitutes “deep structure” and whether it has undergone substantial change’ (Erickson and Kuruvilla, 1998: 18). Erickson and Kuruvilla acknowledged that, even in their own work, they had used ‘country-specific’ indicators of deep structure. Clearly, if each country has its own indicators of deep structure, then the contentious nature of the previous, contradictory claims remain.

To this end, Erickson and Kuruvilla suggested that an important question for future industrial relations research is whether more generic or universal
constituents of deep structure could be identified. They suggested ‘some possible universal constituents of “deep structure”’ could include: ‘… (a)ttitudes towards and definitions of property rights in the workplace; ‘employer/employee relative status’; ‘individualism versus collectivism’; ‘the nature of exchange in the labour market’; and ‘Changes in the essence of employer, union, and government strategies’. They acknowledged, however, ‘that further analysis would reveal a broader range of possibly pertinent elements, many of which would be subject to debate’ (Erickson and Kuruvilla, 1998: 18). Erickson and Kuruvilla further identified two types of transformations: incremental, or gradually adaptive, and discontinuous or punctuated equilibrium. They argue that ‘researchers should attempt to distinguish between these’ and ‘be clear as to which type of transformation is occurring in each particular case’ (Erickson and Kuruvilla, 1998: 12).

On the basis of this literature (and following Leggett’s [2005] analysis of the four historical transformations in Singaporean industrial relations), this article argues that industrial relations in Laos has undergone three historical transformations or changes to its deep structure. The initial regime was that of the French colonial era and was characterized by extremely low levels of economic development, a miniscule indigenous labour force and labour law in the form of the Indochinese Labour Code. The first transformation, from the colonial to the Royal Lao Government (RLG) model, was a gradual, adaptive transformation that occurred between 1947 and the 1970s, with the development of a small industrial sector and local civil service, the replacement of colonial labour law with local legislation and the emergence of a small union movement. Thus, by the 1970s, the deep structure of the system had been transformed. The second transformation, from the RLG era to the revolutionary era in 1975 was sudden and discontinuous: the former state and all its institutions were abolished under the Lao People’s Democratic Republic (LPDR). The third transformation, to the current reform model, commenced in 1986 with the adoption of a new, more liberal economic strategy, the New Economic Mechanism (NEM), and is ongoing. Following a section about labour statistics in Laos, the following four sections of this article elaborate on the key aspects of the four eras and the three transformations.

**Lao Labour Statistics**

Unfortunately, credible statistical data is unavailable on many basic features of the Lao economy, population, and labour market throughout much of its history. A complete national census was not undertaken until 1985, and many of the surveys and studies that were undertaken were not reliable and often did not use standard international methodologies or definitions (Khan and Lee, 1980; Savada, 1995). Many of the usually reliable international sources to which one would normally turn, such as UNESCO *Statistical Yearbooks* (1963–99) and the International Labour Office’s *Yearbook of Labour Statistics* (1954–2002) are practically barren in relation to employment related information in Laos.
Table 1  Four eras, three transformations of Lao IR

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<td>Industry</td>
<td>Almost nil, except for French tin mines employing 2000 imported Vietnamese during 1920s and 1930s.</td>
<td>Small import-substitution manufacturing industry. 15,000 workers.</td>
<td>All industry nationalized. 15,000 workers.</td>
<td>Privatization. Growth in foreign-owned, export industry: textiles, wood, mining. 100,000 workers.</td>
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These difficulties can be illustrated by examining the data regarding the sectoral composition of the workforce. The World Bank’s *World Development Report* estimated the percentage breakdown in 1960 as follows: agriculture 83, industry 4 and services 13. This was largely unchanged in 1990 at 80, 6 and 14. By contrast other authorities have estimated the ‘subsistence agriculture’ sector at 95 percent in the mid-1960s (Le Bar and Suddard, 1967); and agriculture at 85 percent in 2001 (Asian Development Bank [ADB], 2001) and 2002 (United Nations Integrated Development Organization [UNIDO], 2003).

Notwithstanding the inadequacies of the statistical information, it is safe to say that throughout its history, the level of economic and human resource development in Laos has been very low by international standards and Laos remains a predominantly agrarian society. The World Bank estimated annual GNP per capita at US$90 in 1976. This placed Laos among the bottom three countries in the Bank’s low-income group. By 2003, GNI was US$320 per capita, which was somewhere in the middle of the low income group. Similarly, life expectancy in 1975 was a mere 40 years, which was higher than just a handful of African countries such as Ethiopia and Mali (38 years). By 2002, this had improved to 55 (World Bank, 1978–2004).

**Era 1: The Colonial Era 1893–1947**

The initial regime of industrial relations was that of the French colonial era. By the end of this era, Laos was characterized by extremely low levels of economic development. This was partly because the French never regarded Laos as an independent economic entity worthy of development in its own right, but as a ‘mere hinterland’ or buffer zone for the main French possession in Indochina, Vietnam (Stuart-Fox, 1997: 29). Moreover, because the French regarded the Lao as lazy, unreliable workers, they imported Vietnamese workers for what little administrative or other work there was, including clerical workers and the *Garde indigene*. By the time of the RLG, there were a mere 1,100 civil servants and technical workers in the entire country (Stuart-Fox, 1997: 69).

The only significant industry that developed during the colonial era was during a brief tin mining boom in the 1920s and 1930s. At one point, the mines employed 6,000 workers, the vast majority of whom were immigrant Vietnamese. Gunn (1988) provides an account of a spate of strikes and other forms of labour agitation by unions and other less-organized groups of employees in Laos during 1936–7. The largest disputes were in the tin mines where Vietnamese ‘coolies’ demanded improved wages and conditions and adherence to the new labour codes. Other disputes involving mostly Vietnamese workers in lumberyards, construction sites, farms and workshops also occurred. Many of these were coordinated by Vietnamese agents of the Indochinese Communist Party. These agents were also able to make common cause with local Laotians on issues of corvee (forced) labour and anti-imperialism. This era of radicalism seems to have rapidly abated and there were no similar periods of labour organization and agitation until 1974–1975.
Labour law during the French era was governed by the French Indochina Labor Code, which was enacted between 1929 and 1937. The Code provided some basic labour protections: it prohibited forced labour, and regulated female work, child labour, working hours, health and safety, daily minimum wages, apprenticeships, individual employment contracts, annual leave, rest days, night work and underground work (Roberts et al., 1967). The Code also provided for a simple conciliation and arbitration board and process for labour disputes. In 1937, a General Inspectorate of Labor and Social Welfare was created by the French colonial authorities to administer and enforce the labour regime in Indochina ‘through local agencies in each of the associated states’. However, no such institution was created in Laos ‘because labor affairs in that territory were of little importance’. During the colonial period labour unions were legally prohibited throughout Indochina (Roberts et al., 1967: 239–42).


The first transformation of Lao industrial relations, from the colonial model to the RLG model, was an ‘adaptive’ transformation that occurred gradually between the late 1940s and the 1970s. The coming of self-government and then independence for Laos at least saw the adoption of a nominal commitment to national economic development. Although most plans remained unachieved, a small industrial sector developed, sheltered by protective tariffs. These mostly small factories and mills utilized rudimentary technology to produce basic foodstuffs and household goods such as nails, candles and barbed wire (Whitaker et al., 1972). The industrial workforce in 1975 had grown to an estimated 15,000 workers (Stuart-Fox, 1986).

There was also some manufacturing in the Pathet Lao controlled areas, despite the extreme difficulties experienced, including being subjected to one of the heaviest aerial bombardments by US forces in the history of warfare. These operations produced basic household products, clothing, farming implements and the like and were often conducted in caves or at night to avoid detection by US bombers (Whitaker et al., 1972). There is little available information on the exact nature of industrial relations in the Pathet Lao areas during this time. But the current Lao Federation of Trade Unions was established by the Politburo in 1966 in Pathet Lao controlled Huaphan province, with an initial membership of 35 (Panysith Thammavongsa, 2006).

Self-rule also saw the creation of a local government administration. Naturally, the Laotian government reversed the preference for Vietnamese and French nationals in public administration; and a much greater commitment was made to education (Whitaker et al., 1972). By 1968 there were about 21,000 public service employees of whom about 40 percent were in the Ministry of Education (Bleecker and Bell, 1970). Public sector employment was not subject to the general labour code (Labour Code 1971, Section 1), but was subject to specific a system of regulation, which bore all the internal labour market hallmarks of a typical public service. Thus, royal ordinances of 1949 and 1957 created general...
conditions of employment, ranking systems, promotions, and the National Pension Service which provided retirement, disability and survivors’ benefits to public sector employees (Whitaker et al., 1972).

The inherited colonial labour laws were not totally replaced until 1967, although the prohibition on unions was removed in 1950. The 1967 legislation mostly consolidated the existing legal provisions, but also provided for the legal foundation for a workers’ compensation system and a Department of Labour (Roberts et al., 1967). A further Act in 1971 was largely a consolidation of the previous legislation, but provided a qualified right to strike.

These laws were mostly irrelevant to the majority of workers in the private sector, whose wages and conditions were set unilaterally by management in light of prevailing labour market conditions. In the context of chronic shortages of skilled labour in the country, and the minimal conditions stipulated in the law, most ‘wage labor employers of any importance … generally complied with most of the applicable provisions of the Code’ (Roberts et al., 1967: 239). In terms of enforcement, the independent RLG’s efforts were not much better than the French administration. Although a Department of Labor was created in 1965, it had a miniscule budget and a staff of five, which conducted very few inspections (Whitaker et al., 1972).

One account of Lao society from 1967 noted that the liberalization of the laws regarding trade unions from the 1950s ‘had shown few results’ at that point (Roberts et al., 1967) and the only significant union was the Laos Civil Servants’ Union. This union was founded in 1959 and by 1970 it had 16,000 members, which constituted about 80 percent of government employees (Bleecker and Bell, 1970). Up until the 1970s, this was certainly not a militant organization, but rather a moderate one led by senior personnel from the government and its policies tended to support the government of the day. Its activities were confined to acting as a vehicle for the submission of individual members’ grievances to the relevant authorities in Vientiane for resolution and the pursuit of improved salaries and benefits for state employees, although it did not engage in formal collective bargaining (Roberts et al., 1967). According to Roberts et al. (1967), the only other union in 1966 was the Association of Lao Employees in the American Missions. Again, this union’s relations with the agencies were generally harmonious. Its membership was approximately 600 in 1970, out of a total of 3619 eligible employees (Bleecker and Bell, 1970).

By the early 1970s, the Pathet Lao had managed both to infiltrate and control the public service union and to have created several other new unions (Whitaker et al., 1972; Zasloff, 1973). These organizations played a small part in the lead up to the revolution, when the Pathet Lao was applying pressure to the failing Coalition government in 1974 and 1975, through well-orchestrated demonstrations and strikes (Stuart-Fox, 1997). Evans (2002: 171) writes that in 1974, the NLHX (Pathet Lao front organization) ‘used their infiltration of labour organisations in the capital to launch a rash of strikes over July and August, playing on discontent over pay in the deteriorating economic conditions’. The upsurge in industrial disputation that ensued included strikes...
Era 3: The Post-revolutionary Period 1975–86

The second transformation, from the RLG model to the revolutionary model in 1975, was sudden and discontinuous. Following the Pathet Lao victory, the former state was abolished and its constitution and laws became inoperative (Cochran, n.d.). This of course included all labour law. The intention was to transform Laos into a socialist system under the leadership of the Lao People’s Revolutionary Party (LPRP). For the next 10 to 15 or so years, Laos lacked a system of government and laws in the conventional western sense. A new constitution was not promulgated until 1991. In the meantime, the country was a ‘people’s democratic dictatorship’. Real power was vested totally in the LPRP and although there were various state bodies with ostensible administrative and legislative roles, they were subordinate to the Party, whose decisions were effectively law.

It appears there was no such ‘law’ in the area of industrial relations other than various socialist-style rights and obligations such as the right ‘to exercise ownership by means of mass organizations’, while ‘economic rights’ included ‘the right to work’, and the obligation and honour ‘to perform physical labour’ (Cochran, n.d.: 21–4).

The LPRP immediately embarked on establishing an economy based on the Soviet model of central planning and collectivised agriculture. The bulk of industrial and service firms including the banking system were nationalized by 1976. By 1987 there were 257 public sector industrial enterprises, and practically no private industrial operations (Bourdet, 2000: 20), apart from a few small private workshops and handcraft operations. The country suffered an acute economic crisis during this time, particularly during the early years, which saw the virtual collapse of the urban economy, rampant inflation and currency devaluations, falling production in whatever industry remained, and shortages of most key commodities (Chanda, 1982).

Of the pre-1975 unions, only the Lao Federation of Trade Unions (LFTU) survived the transition to communism. The nature and role of the LFTU during this time precisely conformed to what is described as the ‘transmission belt’ role of unions in other socialist countries such as China and the Soviet Union. Such unions were not independent worker organizations concerned with advancing the interests of their members against those of the state and employers, but rather, they were an official, bureaucratic element of the party-state system. They were assigned both ‘top down’ and ‘bottom up’ transmission roles; that is, they were to transmit political and production directives from the leadership of the party-state to the workers, as well as transmitting or representing specific worker interests within the forums of the party-state. However, given the reality of a political system in which all sectional interests were subordinated to those of the party-state, the unions’ role was mostly
confined to the former top-down function and they were largely unable to fulfill their role of protecting the rights of workers (Chan and Nørlund, 1998: 173). Thus, as an official ‘mass organisation’, the LFTU’s role was ‘to help mobilize the people to build socialism and defend the nation. In this respect, it shared the same goals as the LPRP and, being controlled by the LPRP, serve[d] as a tool of the party’ (Cochran, n.d.: 9.180.21). The President of the LFTU, along with the heads of other mass organizations and key government ministries, was given membership of the Central Committee of the LPRP. By one estimate, the LFTU ‘probably represented no more than 20,000 workers’ in December 1983 (Stuart-Fox, 1986: 89).

Wage and salary earners, now confined almost entirely to the public service and nationalized enterprises, bore the brunt of the economic crisis after 1975. Inflation and currency devaluations quickly reduced salary levels to a fraction of their former value and even basic foodstuffs were unaffordable or simply unavailable (Stuart-Fox, 1986). Many employees were forced to resort to self-sufficiency in food, which was encouraged by the government. The government also instructed all government departments to establish their own farms and shops to enable employees to have affordable access to essential commodities (Chanda, 1982: 118). The salaries of civil servants were paid, in part, by way of coupons that could be redeemed in the public distribution system. For much of this era, the government’s response to the economic crisis included the operation of a prices and incomes or wages policy, mixing policies of five-fold wage increases, wage freezes, non-payment or delayed payment of salaries, price controls and subsidies on essential goods, all to little avail (Chanda, 1982).

One of the themes in the economic analyses of Laos in this time is that wages, staffing levels and so on were determined by means other than performance, with relatively low levels of wage dispersion (Bourdet, 2000; Radetzki, 1994; Stuart-Fox, 1986).

**Era 4: Contemporary Reform 1986–Present**

The third transformation of Lao industrial relations commenced in 1986 when the LPRP Government, like its counterpart communist governments in China and Vietnam, undertook a radical about-face in economic policy. The new economic strategy, called the New Economic Mechanism, was adopted by the Fourth Congress of the LPRP as part of a wider strategy known as ‘chin tanakan mai’ – that is ‘new line of thinking’ or ‘renovation policy’. A number of factors contributed to the strategic reversal: by 1986 it had become apparent that the attempt to achieve economic development through the Soviet model of socialism had largely failed in Laos; the Soviet Union itself was undergoing its own changes associated with perestrioka (Bogdán, 1991: 104); and the Soviets were also looking to reduce their financial assistance to their socialist allies. Alternative sources of investment and aid were desperately required. The political factors that facilitated the reforms included ‘the surprising
pragmatism of the founding leadership and the legitimizing example of Laos’s mentor, Vietnam’ (Winckler, 1999: 247).

Under the NEM, Laos has sought to achieve economic development through economic liberalization, the creation of an export-oriented market economy and legal reform. The intention was to create an open, market economy, based on private enterprise, international trade, foreign investment, tourism and domestic competition. Most accounts of the policy also emphasize that a key role was assigned to the notion ‘that wages should be determined by performance’ (Bogdan, 1991: 104).

Like its counterparts in China and Vietnam, economic liberalization in Laos has not been accompanied by an equivalent political liberalization and democratization, and the LPRP maintains a monopoly of political power. The system continues to lack free elections, opposition parties, free speech, and an independent media. Laos’ performance on labour rights, including the prohibition on strikes, freedom of association, trade union assembly and collective bargaining is still routinely condemned by a range of international bodies, including the United Nations (2004) and the International Confederation of Free Trade Unions (ICFTU, 2004).

The economic reform measures have met with not inconsiderable success. The Lao economy grew at an average rate of 6.3 percent per annum throughout the 1990s, and exports grew by 15 percent per year over the same period (World Bank, 2004). Growth in output in industry averaged 10.7 percent from 1990 to 2003; and growth in manufacturing output averaged 11.1 percent from 1990 to 2003 (World Bank, 2005). In 2001, manufacturing employment in the formal sector totalled around 100,000 persons, or about 4 percent of the total workforce. Two manufacturing sub-sectors dominate the output of the sector: wood and wood products, with a 32 percent share of gross output; and garments, with 31 percent of total output (UNIDO, 2003). There were virtually no manufactured exports prior to 1989, but by around 1999 the export garment industry alone employed 22,000 workers and generated around US$100 million in export revenue (UNIDO, 2003). Between 1992 and 2001, the agricultural sector’s share of GDP declined from 61.9 to 51.3 percent; while the industrial sector (including mining, manufacturing, construction and electricity) grew from 17.8 to 23.6 percent. Manufacturing alone grew from 13.4 to 17.9 and services grew from 20.4 to 25 percent (UNIDO, 2003).

Laos’ extremely low labour costs, even relative to other developing countries, have been instrumental in the development of much of the Lao manufacturing sector. In 1999, the average annual labour cost for Laos was US$400, which put it in the same bracket as Nepal and Sri Lanka, but well below other Southeast Asian countries such as Thailand (US$2400) and Malaysia (US$4800). Gross output per Lao employee was proportionately low (UNIDO, 2003).

If export-oriented manufacturing represents the low-wage end of the new industrial sector, then the mining sector, dominated by a handful of large foreign operations represents the other end of the spectrum. The gold and copper mines in Sepon, owned by Australian company Oxiana are the largest.
Oxiana employs around 1500 Laotian workers on relatively good wages and conditions, provides extensive training and even has an employee share ownership incentive scheme for its workers (Trounsen, 2005).

Following the adoption of the NEM, it quickly became clear, with the urging of world financial bodies, that the country’s socialist legal system was a key impediment to attracting foreign investors: the process of creating and disseminating laws was unclear; laws were simply not available on key issues such as foreign investment, corporations, contracts, private property and so on because they previously were not needed in the socialist economy; there was not an adequately functioning, independent judicial system to resolve disputes that arose; and there were insufficient personnel with legal training because many lawyers had left after 1975 and the only college of legal education was closed. All of these factors made Laos an unsafe and unattractive destination in the eyes of foreign investors.

Within a few years, several new business laws had been passed; among the first was the Labour Law of 1990. It had application in all organizations, both public and private. It established the right for employers to employ workers and set out the responsibilities and functions of the parties: employers were to take responsibility for the living standards of their workers and were given authority over the ‘internal administration of the workers’ and the ‘rule[s] of work’ – all reassuring for any prospective investor in Laos. It prohibited forced labour, stipulated the form of labour contracts, and set rules for probation, working hours, overtime, holidays, female and minor labour, form of payment of wages, health and safety, compensation for industrial accidents and diseases and retirement benefits. It also set the legal basis for a government agency to regulate and monitor labour.

Some provisions were a response to the wider economic changes underway. For example, Article 13 attempted to liberalize or extend employers’ rights to terminate redundant employees, while at the same time clarifying and extending the requirements on employers seeking to lay off redundant employees. Article 39 granted ‘privilege to salary and or wage’ debts in the event of corporate failure. The law also gave legal sanction to the ‘transmission belt’ status and role of the monopoly union, emphasizing its political and production roles as well as its role in ‘settling down the dispute in labour activities’ (sic.) (Article 7). The Act provided for a legally determined minimum wage; and a simple arbitration mechanism for solution of labour disputes – a committee of the employer’s representative, the workers or trade union and the representative of the Labour agency – or failing that, resolution by the Labour Agency or courts.

The goal of establishing a legal basis for the market economy was further emphasized by the new Constitution, which was finally adopted in 1991. It stated Laos protects and promotes all forms of state and individual ownership of both domestic investors and foreigners; and, that ‘economic management is carried out according to the mechanisms of the market with the adjustment by the state’ (Article 16). Employees were required ‘to implement labour discipline’ (Article 34). Few of the economic rights from the mid 1970s made
it in. The Constitution also enshrined the role of the LFTU, which was empowered, along with other official ‘mass organizations’ and the president, the government and the Supreme Court, with ‘the right to propose and draft laws’ (Article 46).

A revised Labour law, promulgated in 1994, mostly consolidated the previous 1991 law, but it did have some significant changes, particularly in liberalizing and clarifying the law regarding hiring and termination of employment. The new law also made more explicit the roles and rights of trade unions. The two-way transmission belt role in politics and production were clear. It stated that union representatives ‘shall be responsible within their labour unit for promoting solidarity, training and mobilization of workers with regard to labour discipline; work performance according to production plans established by the labour unit’. They were also responsible for the more conventional advocacy roles of unions. This included, ‘presentation of any claims regarding compliance with labour regulations and contracts of employment by the employer’; undertaking ‘negotiations with the employer on matters relating to salaries, hours of work, working conditions, and the social security system’; and participation in the settlement of labour disputes. A new section, ‘prohibition of work stoppages’, rendered industrial action illegal in almost every conceivable circumstance and subject to legal sanction.

Significant changes have also occurred in public sector employment since 1986. One of the initial steps of the NEM was the commercialization of many state enterprises (SOEs) followed by a policy of privatization. By 1992, there were 6000 workers employed in privatized SOEs, with 10,000 employees in the remaining SOEs (World Bank, 2004). In addition, between 1987 and 1992 the civil service was significantly downsized, with the number of non-military public servants declining by 23 percent (Bourdet, 2000) from around 96,000 to 74,000. However, civil service numbers had climbed back to 90,070 by 2003 (Lao PDR, 2003).

The civil service was included in the jurisdiction of the initial Labour Law of 1989, but was excluded from the subsequent 1994 law. Instead, other specific laws and measures were introduced from the early 1990s to regulate the civil service with the intention of bringing the management of the state under the rule of law, centralizing the management of government staff (Lao PDR, 2003), and modernizing and improving the efficiency and professionalism of the service. The Department of Public Administration and Civil Service was created by decree in 1992. In 1992, a job classification system based on education and comprising 6 ranks and 15 steps within each rank was introduced (United Nations Public Administration Network [UNPAN], 1996). Moreover, ‘[i]n 1993, a system of pay and allowances for civil servants was developed in order to move away from the previous system of benefits in kind’ (Lao PDR, 2003: 11). Other changes included: the devolution of responsibility for hiring and promotion to departments; facilitation of interdepartmental transfers; and introduction of formal disciplinary procedures.

Further reforms were wrought by new civil service decrees of 2003 (No. 124/
The role of the Central Committee of Organisation and Personnel of the ruling LPRP in closely monitoring all personnel management affairs in the civil service was removed, except for oversight of the high leadership of the government, thereby achieving some separation of the party from the government (Lao PDR, 2003). The new law also attempted to enshrine concepts of performance management and accountability in the public sector, ‘including provisions to curb nepotism and corrupt practices and output-based performance evaluations’ (Lao PDR et al., 2004: 4).

The most significant change to occur to the LFTU during this time was an enormous increase in membership, to around 100,000 in 2006 (Panysith Thammavongsa, 2006). Prior to 2000, membership was restricted to civil servants and employees of SOEs, but the 2000 Congress extended eligibility to private sector employees. To date, the union has made few inroads into private sector recruitment. For example, in the garment sector, only 21 of 54 foreign-owned factories have an LFTU union (ICFTU, 2004).

Otherwise, as noted, the role and status of the union remains unchanged: it is not an independent union, but rather a subordinate element of the state apparatus; it is the sole legal union body in Laos; it is financed by the state and its officials are civil servants; its congresses and leadership elections all take place with the authorization of the LPRP; LFTU representatives are usually LPRP members or part of the management of state-run companies; and it has a number of top-down political and production functions.

In terms of traditional trade union activities, unions may only ‘present claims’ and ‘negotiate’ and have no right to conduct collective bargaining. It seems there are no reports of collective bargaining in Laos. However, the LFTU claims that it is active in pursuing grievance cases on behalf of its membership (ILO, 2001) and even referring cases to the Labour Court in 2004. The LFTU also represents workers in tripartite structures such as the Social Security Board (Fessopore, 2004) and in consultations with the Minister of Finance and representatives of employers over increases in the minimum wage to reflect changes in prices (Bourdet, 2000).

In 1989, an official employer association, the Lao National Chamber of Commerce and Industry was established through legal decree and is officially charged with representing business and industry interests in Lao PDR. The LNCCI also has 17 industry groups and five sub-associations for handicrafts, hotels, restaurants, coffee and textiles (Lao National Chamber of Commerce and Industry [LNCCI], 2001). These organizations do not engage in collective bargaining and the LNCCI ‘still does not have a significant role in social policy’ (ILO, 2001). However, at least one of the sectorial associations, the Textile and Garment Industry Association, has been lobbying the government for amendments to labour law (Pansivongsay, 2005).

In 1993, a state agency, the Department of Labour, was created with responsibility for labour administration, although according to the ILO its effectiveness is limited (ILO, 2001).

An indication of the extent to which Laos has moved towards a market-
based wages system during the contemporary era was provided by a recent UN analysis of 19 key characteristics of centrally planned and advanced market economies: the only item on which Laos scored a perfect 10 out of 10 for being ‘market based’ was ‘wages’ (UNIDO, 2003: 13).

Conclusion

This article has emphasized the key changes that have occurred over time to employment relations in Laos and has argued that three transformations have occurred. However, there have been significant elements of continuity in industrial relations over both the whole of the period in question and between particular eras. Thus, despite over one hundred years of change, Laos remains a poor, predominantly agrarian society in which waged workers comprise a minority of the labour force. At no stage in its history has there been free, collective bargaining.

There can be little doubt, however, even using the most stringent definitions and criteria of ‘transformation’, such as that of Dunlop, that the transition to socialism in 1975 resulted in the transformation of Lao industrial relations. The nature, identity and strategies of all the parties changed. The other two transformations are somewhat more controversial. It could be said that there was no transformation from colonial model to RLG model because the former system was insufficiently developed to constitute a system at all and that subsequent developments during the RLG era were mere adaptations of the former system. However, the lack of development in the colonial period was at least partly due to a strategy of the leading party, the state. Once the nature of the state changed, with self-rule, so too did the state strategy and the nature of the system. The third transformation is also somewhat controversial. There have been significant developments, to be sure, but some key aspects remain unchanged: the authoritarian nature of the state regime; the lack of free trade unionism; and the absence of collective bargaining. However, using the criteria of Erickson and Kuruvilla, it must be said that on each of the transitions, the deep structure of the Lao industrial relations system has been changed. This is particularly so in relation to the attitudes towards and definitions of property rights in the workplace; the relative status of employer and employees; and changes in the essence of employer, union and government strategies.

The developments that have occurred in Laos associated with the renovation strategy have paralleled similar economic liberalizations in its neighbouring socialist states: China, Vietnam and Cambodia. A comparison of anything more than a perfunctory nature is beyond the scope of this article. But according to Winckler (1999: 246), in terms of economic reforms, ‘Laos is to its mentor Vietnam as Vietnam is to China – parallel in transition but faster in tempo and lower in both economic development and state capacity’. However, in terms of industrial relations and labour issues, Laos seems to be lagging behind Vietnam and more closely following the more conservative Chinese approach. Scholars who have compared the Chinese and Vietnamese transformations have
concluded that in terms of industrial relations the two countries are increasingly diverging. According to Chan and Nørlund (1998: 173), ‘[t]he Vietnamese government has been more willing to grant trade unions some space to defend workers’ interests, whereas the Chinese government has chosen to keep unions under a tight rein’; and Chang–Hee Lee (2006: 415), ‘[i]ndustrial relations in Viet Nam are characterised by more vibrant associational dynamism’.

But in any event, even these lesser changes associated with the more conservative Chinese regime are generally deemed to be transformational. As Kuravilla and Erickson (2002: 218) note: ‘As far as the Chinese system is concerned, it is relatively easy to make a judgement in favour of transformation.’ And the changes in Laos are at least as extensive as those of China.

References


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