

# Labour Migration in the Transitional Economies of South-East Asia

## Evidences on its impact on poverty from Cambodia, Laos and Vietnam\*

This article aims to estimate the magnitude of migration by type of migration, and determine the extent to which migration helps in addressing the problem of poverty in the transitional economies of Southeast Asia. It mainly, though not exclusively, draws on data and studies conducted in the three countries, Cambodia, Laos and Vietnam, under a research network named Development Analysis Network (DAN), in 2000-1 (see DAN 2001).

### Development Pattern in the Region

In all the transitional economies of the region and the other neighbouring countries, human migration has existed since the colonial and pre-colonial times. Migration has continued till today and has in fact intensified in one form or another. It serves to bridge the gap between demand and supply of labour in specific segments of the market, as well as reduces the resource/labour imbalance between different regions. In the process, migration becomes a survival strategy for large sections of the population. With rising demographic pressures, the imperative to move for livelihood is increasing. What makes the transitional economies special is also their history of long wars in the recent past, experimentation with socialism and then a transition to market economy. These factors created prolonged periods of instability, which in turn dampened investments, infrastructure and human development, and thereby adversely affected living standards.

Cambodia has recently emerged from war and civil strife lasting nearly three decades; as a result its civic, financial and governance institutions were severely eroded. They have however started to function again. Serious development efforts were initiated in 1993 and the economy achieved growth rates of 7-8 percent for four years thereafter. This was, however, punctuated again by the resurgence of fighting in 1997. Business as usual has begun only since 1998. In 1999, the proportion of people living below poverty line was estimated at about 36 percent. The large rural-urban gap, high demo-

graphic upsurge and a gross lack of physical and human capital, are the major problems which the country now faces. These problems also create conditions for 'push' migration.

In Laos and Vietnam, the war ended in the mid-1970s, but conditions for rapid growth began to emerge only in the late 1980s. Laos, for a good part of first three development decades, stayed out of the international division of labour in the dualism of agrarian and centrally planned forms of politics and economics. Though still sparsely populated, its physical and human resources are very underdeveloped. Its New Economic Mechanism, adopted in 1986, brought in some economic liberalisation and briefly led to economic growth of about 6 percent in the 1990s. Those living below the poverty line on the aggregate, though, were still at about 46 percent in the 1990s.

Vietnam has shown considerable economic dynamism in the recent years. Its social and civil institutions came out rather intact after the war, which is the reason for high literacy and education there. Vietnam adopted the policy of *Doi Moi* in the late 1980s, through which it initiated a number of market-oriented reforms and hoisted the growth rates to 7-8 percent annually in the early/mid-1990s. Poverty proportions on the aggregate fell from about 51 percent in 1993 to about 37 percent in 1998. However, even as late as 1998, the percentage of

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the labour force employed in subsistence agriculture was as high as 73. Again in the late 1990s, the country had to retrench a large number of workers employed in state enterprises due to low efficiency and non-sustainability of these enterprises, which compounded the effect of demobilisation of the military to worsen an already difficult employment situation (Anh 2001).

Finally, each of these three countries was also affected by the financial crisis of 1997, mainly because of their dependence on other Asian countries for foreign investment.

Hence each of the countries has an increasing number of workers seeking greener pastures for survival or better survival.

### Migratory Streams

#### *Cambodia: Internal Migration*

The Census of 1998 counted 881,400 out-migrants from rural areas within five years prior to the census (recent migrants). Of these, almost one-third had moved within the previous 12 months (very recent migrants). By comparison, the Demographic Survey of 1996 estimated that 634,700 persons had moved from rural areas within five years prior to the survey, of whom 27 percent had moved within the previous 12 months. These figures show a rapid increase in rural out-migration. The average distance travelled by migrants also increased between 1996 and 1998. The census further shows that about 57 per-

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cent of the people who left their villages moved to another rural area, 21 percent moved from a rural to an urban area, 14 percent moved from one urban area to another, and 8 percent moved from urban to rural areas (Desbarats and Sik 2000).

Such proportions of migration raise questions about both, the capacity of urban areas to accommodate newcomers and more critically, the increasing inability of rural areas to provide livelihood.

Youth (aged 15-24 years), who made up 18 percent of the total population accounted for 30 percent of the very recent migrant flows, and young adults (aged 25-29 years), who represented less than 8 percent of the total population made up 13 percent of the migrant flows in 1998. These are the age groups in which people enter labour markets - when they cannot find a berth locally, they move out.

#### ***Cambodian Migration to Thailand***

Cambodia receives migrant workers from Vietnam to meet demands in certain niches of the market, and sends its own to Thailand to work in segments in which Thailand has a labour demand. Little is known about these (unofficial) flows. CDRI carried out two small-scale rapid surveys in 1999 and 2000 to try to learn more about them (Godfrey *et al* 2001).

Migrants were mostly between the ages of 17 to 35 years implying that the young are not able to find or make a place for themselves in local labour markets. Short-range migrants, (mainly women) commuted daily or for a few weeks at a time to work on farms. Long-range migrants, mainly men, went deep into Thailand. They were usually employed as construction workers, porters, farm workers, garment workers or other unskilled workers.

The field data further suggested a fall in migration of Cambodians to Thailand between 1997 and 1998, owing to the market crash in Thailand. The demand revived in 1999 but was still below that in 1997. These data suggest that while the urge to migrate out is on the rise, the demand for labour varies with peaks and troughs in the host economies.

Cambodian migrants to Thailand can be termed as those who go for short periods with the intention to return home.

#### ***Migration Patterns in Laos***

In Laos, due to urbanisation and industrialisation, particularly in Vientiane Municipality, Savannakhet, Paksé, Thakhek and Louang Prabang, (internal) rural-urban migration of labour has been on the increase in the recent years. Not much discussion on internal migration however, is possible because none of the large surveys has collected sufficient information on this subject.

Unofficial estimates place the numbers of illegal Lao

workers in Thailand at about 95,000. Lao workers migrate to Thailand because they earn more in Thailand than what they would earn in Laos, despite the fact that illegal Lao workers generally earn lower wages than what Thai workers earn in similar activities. Also, availability of work for a longer period of time in a year is an inducement to migrate.

Most, though not all Lao migrants are ones who have no permanent footing in Thailand - they eventually return to their country.

Laos has been permitting a number of foreign workers in the country mainly to perform skilled work. The information about foreign workers employed in Laos from different agencies differs widely. A National Economic Research Institute survey in 2000 found that there were 6,889 foreign *registered* workers, the Ministry of Labour and Social Welfare reported 2,328 foreign workers in 1999, the Laos-Vietnam Co-operation Agency reported about 15,000 Vietnamese workers in Laos in 1999, and so on (NSC and NERI 2001). There are probably many more foreign workers than what the figures here suggest. Most foreign workers are Chinese, Vietnamese or Thai. Illegal immigrants at times replace local workers in specific jobs and also act as dampers to building local capacities. In this sense they could be a deterrent to poverty reduction.

***The Cambodian Census of 1998 shows that about 57 percent of the people who left their villages moved to another rural area, 21 percent moved from a rural to an urban area, 14 percent moved from one urban area to another, and 8 percent moved from urban to rural areas.***

#### ***Internal Migration in Vietnam***

Internal migration in Vietnam has historically been characterised by two major flows: the southward flow - southern provinces of Vietnam are better endowed than those northern - and the rural to urban flow. Data confirm strong rural to urban flows of migrants (Ba *et al*

2001). According to the Vietnam Living Standards Survey of 1998, about one half of urban residents were born in the countryside. The rate of migration from one region to another is also very different: e.g. the Central Highland was found to have the highest rate of immigrants, while migrants were mostly from the south-central coast region, this in turn confirms the uneven endowment distribution.

In contrast to Cambodian migrants, Vietnamese migrants, to a significant extent move with the intention to settle or stay for long periods in the new locations. This can be explained by the fact that they relocate from resource-poor regions to better-endowed ones, and at times invest or work in non-seasonal and skilled activities. The high population density in specific regions also contributes to this.

The migration flows though, have not been able to reduce the large dependence of the populace on subsistence agriculture.

#### ***International out-Migration from Vietnam***

During the 1980s there was considerable out-migration of workers to the former Soviet Union and Eastern Euro-

pean Bloc countries (about 200,000). By the 1990s, most of them had returned to Vietnam. A new wave of migration to Japan, Korea, the Middle East and East Africa began in the 1990s, which numbered about 60-70 thousand. Yet another stream of migration since the early 1980s has been in the direction of Laos and then Cambodia. The main activities of Vietnamese migrants in Laos are in low skilled jobs. Estimates of Vietnamese workers and their work in Cambodia can best be obtained from small sample surveys conducted by CDRI, presented next (So 2001; Chan and So 1999).

During the 1980s, Vietnamese migrants gradually began to return after their repatriation in the 1970s. In the 1990s, more migrants were attracted by opportunities offered by a suddenly opened up market economy in Cambodia. Demographers calculate that in the late 1990s there were a little over one million immigrants in Cambodia, of whom a very large proportion was from Vietnam.

Many are involved in fishing in Cambodia. The Vietnamese have been found to be more dextrous than others are in fishing, and this is one reason why they have been more successful in retaining their hold on it in Cambodia. In Phnom Penh they work as construction workers, traders and skilled workers in machinery and electric repair workshops, wood processing enterprises, etc. About 80 percent of the small contractors and supervisors in construction industry are believed to be of Vietnamese origin. Field studies also show that employers prefer Vietnamese workers because they are better skilled, harder working and patient.

Vietnam presents the paradox of a country having relatively high skills, and yet a low capacity to fully utilise them.

### Reasons to Move, Earnings, Working Conditions and Poverty

According to the Census of 1998, internal migrants in Cambodia stated that their principal reason for moving was the need to search for employment (29 percent of the total), while the second reason given was the need to follow their families (25 percent). Family reasons in many cases are also related to employment, since spouses move with migrants in search of work. There were few differences in the reasons reported by male and female migrants.

The wage difference between agricultural work and unskilled work in Phnom Penh is significant: workers in paddy fields earn about 4,000 riels per day (about US \$1), while the prevailing wage rate for unskilled/semi-skilled workers in the city can be 6,000-10,000 riels (Pon and Acharya 2001). Garment factory workers, most of whom are migrants, can net US\$60-75 monthly (Sok *et al* 2001). Additionally, in rural areas work is not available for more than a few months, while in the city work

availability has no apparent seasonality. Larger number of days of work translates into higher incomes. Even in rural to rural migration, people move from single-crop regions to double-crop ones, or to fish, log or work on construction sites.

For Cambodian workers in Thailand the differential wage rate is the main attraction: wages in Thailand can be 2-6 times higher for similar jobs (So 2001).

Life for Cambodian migrants in Thailand, though, is not easy. Since most are illegal migrants they face harassment, and pay high bribes and extortion money. Respondents in CDRI surveys further stated that migration could cause difficulties for those left behind; for example, older parents are left behind with no help. There could also be theft or land grabbing by others. Yet, workers choose to migrate and most actually manage to make money as well as acquire some skills/trade.

CDRI surveys as well as research done in Vietnam reveal that the overwhelming motives for movement of Vietnamese immigrants have been economic. In Cambodia, better opportunities to earn money were cited by almost all of them. The lack of skilled workers has provided opportunities for immigrant Vietnamese to work as construction foremen, wood processors, machine repairers, etc. Weak immigration controls and favours granted for unofficial fees in Cambodia also facilitate the in-flow of workers.

Small and medium Vietnamese fishermen earn on average around 10,000 riels per day: more than US\$2,

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the World Bank's mild poverty line wages. Informants reported much higher earnings from medium and large-scale fishing dominated by Vietnamese migrants. Vietnamese fishing contractors compete for

fishing concessions and often succeed in getting them because of their superior prowess in technology and business. On the downside however, unofficial checkpoints levying fees have proliferated. To meet these excessive demands, fishermen use harmful and illegal fishing methods, much to the detriment of the fish stock. Respondents reported that the catch in the survey areas fell by about 40 percent in the late 1990s compared to the 1980s.

To what extent have such movements affected poverty? Evidences suggest that in most cases there is a wage difference between the home location and the host location. In other cases jobs are available or available for longer periods, and in yet other cases there is a learning process, which in turn makes people more employable in higher paying jobs. More people are becoming mobile overtime, they are willing to travel longer distances and they are also willing to take more risks. To this extent migration is a useful tool to combat poverty.

In terms of indirect effects, data from varied sources show that in most cases, whether the move is within the country or out of it, people remit money. Remittances

help in stabilising household food security back home and help in some capital formation. In a few instances there is a path formed for future migrants to enter the job market outside. Next, expenditures of remittance monies help create local jobs for those poor who may not have succeeded to migrate. Indirect effects extend to also filling gaps in certain segments in host labour markets, which in turn improve the economy. Of course there are negative implications as well, but migrants, at least on their part, take the negative effects to be more than offset by the positive ones mentioned above.

The descriptions in this article further suggest that while all workers move with the same motive - of maximising their incomes and standards of living - there is heterogeneity in their composition, employment conditions and social security. Human capital, social networks and identification of niches in labour markets play a critical role in ensuring a better bargaining position for the migrants. Thus the impact of migration is not linear.

### On Policy

Both Cambodia and Laos have not taken steps that would pro-actively promote or control migration – in the same way as Thailand, Philippines or Bangladesh have – for either internal or international migration. The only visible policy in Cambodia appears to be of discouraging rural-urban migration and providing land to the landless in rural areas so that they can earn a living locally. Vietnam on the other hand has explicit policy only on international migration. As in 2000, both public and private sector companies were permitted to participate in exporting labour. No official stand on internal migration or cross-border migration, though is presently available.

Geographic mobility of labour helps to reduce poverty; this has been the world over. However, normatively migration requires being demand-led, in order to optimally deploy power to the larger interests of the society. To this extent there is need to promote a rational migration policy. At the same time, it is equally important to

put in place policies that would advance regionally balanced development, encourage labour-intensive industries and activities, and help rapid human capital formation so as to provide opportunities for people locally as well.

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