
Prologue: Making Educational Choices

What should be the goal of the Lao PDR educational system? This section describes two major alternatives (among many possible goals):

1. meet the educational needs of the entire population: move toward universal literacy and increase the educational qualifications of those in all sectors of the economy, including agriculture and the informal sector as well as in the modern developing sectors; or
2. meet the needs only of the modern developing sectors, largely the expected growth in the formal sector of the economy.

Current Situation

The stocks of human capital in the labor force are summarized in the top panel of Figure P.1. Of the 2.2 million persons in the labor force, 68 percent have either no education or have never completed primary education, 19 percent have completed primary education, 7 percent have completed lower secondary, 3 percent have completed upper secondary, and 3 percent have some kind of post-secondary education.

Of those persons in the labor force that are working, 1.8 million (84 percent) are in subsistence farming, 146,000 (7 percent) are working in the informal sector, as either own account or unpaid family workers, and 192,000 (9 percent) are working in the formal sector (109,000, or 5 percent, as government employees and 83,000, or 4 percent, in either state or private enterprises). This last group, whose number is expected to grow, is the target of goal #2 above.

The educational qualifications of those leaving school are summarized in the bottom panel of Figure P.1: 60 percent either have no education or have never completed primary education; 21 percent have completed primary education; 10 percent, lower secondary; 5 percent, upper secondary; and, 4 percent, post-secondary education. Since almost all adults work, the educational attainments of those leaving education will largely equal the educational qualifications of new entrants to the labor force.

Flows Out of Education and Needs of the Economy

A broad estimate of the yearly number of new entrants to the labor force and their educational qualifications is shown in the left panel of Table P.1 below. What work will be available for the newcomers to the labor force? Precise answers to this question cannot be made but rough orders of magnitude do provide some idea of what might be expected. The increase in number of government employees is a policy decision. For the rest of the formal sector the size of employment or the increase in employment

will depend on the demand for workers by the various enterprises and firms. This, in turn, is a function of growth in those sectors of the economy along with other factors that will affect manpower needs in the firms. In the rest of the economy, namely agriculture and the informal sector, employment will be largely determined by supply.

The right panel of Table P.1 contains estimated new employment opportunities per year using quite generous estimates of demand in the formal sector. If government employment follows population growth there will be an additional 2,600 jobs each year in government. If economic growth follows the previous pattern of successful growth prior to the existing financial crisis there could be as many as 6,000-7,000 new jobs each year in private sector or state enterprise firms. This is based on a yearly growth of 8 percent in employment in public/private enterprise employment, which is probably a very optimistic projection. Economic growth prior to the financial crisis was fueled by 5.2 percent growth in industry and 12.2 percent growth in services. There is no information on the accompanying growth in employment. It is unlikely that there is a one-to-one correspondence between financial and employment growth.

An optimistic projection is that, at most, 9,600 (about 8 percent) of the newcomers each year could expect to find work in the formal sector. The actual proportion will likely be somewhat, or even substantially, less than 8 percent. It is almost certain that a trainable employee for the formal sector will be required to have completed lower secondary education at a minimum. Since the supply of workers each year with such a qualification (about 22,000) will greatly exceed demand (9,600 jobs maximum), it is likely that new jobs will be rationed out on the basis of a number of factors, such as connections or experience, that will include educational attainment. This shortage of jobs in the formal sector does not mean wide-scale unemployment. Those who do not find work in the formal sector will be absorbed, as indicated in Table P.1, into agriculture or the informal sector.

Goals Being Met

The current system in Lao PDR falls far short of meeting, or even moving rapidly toward, the broad, economy-wide objectives that are a major part of goal #1. Perhaps 80 percent of all children now enter primary school, but only 55 percent complete primary education. Indeed, current outputs from the educational system do little to improve overall levels of educational attainment in the population or in the labor force. Many of the resources are wasted. The system is, nevertheless, providing a flow of trainable workers, in terms of educational qualifications, large enough to meet the needs of the formal sector of the economy for the foreseeable future. There is neither enough information nor clear lines for future development to go beyond educational planning for individuals with general education (reading, writing, and numeracy) to the levels of lower secondary, upper secondary, or higher education. The objective is to educate individuals with the capability of learning more specific job skills on the job or through special training or education as the need arises. Thus the system appears to be meeting goal #2, but at a high cost. Unfortunately, there is no information about how recent graduates from the vari-

ous levels of education have been absorbed into the workforce and whether there has been a payoff to education.

Accepting goal #1 would mean focusing on expanding and improving primary education by: expanding access so that a larger percentage of children enter primary school, particularly children from isolated ethnic communities; and, reducing the number of repeaters and eliminating dropouts so that even larger numbers of children finish primary school in a shorter period of time. Actions taken toward secondary and higher education should focus on improvement of quality and not expansion, since the numbers being produced will meet the needs of the economy for the foreseeable future. Moving toward goal #1 can probably be done with the same level of total spending, but with less foreign funds for investment and more government funds to increase the recurrent budget and put the educational system on a sounder financial basis.

Moving solely toward goal #2 would be much cheaper. Current levels of budget would be satisfactory for a much smaller educational system. That money could be redirected and used to develop a small high-quality system of general education to meet the needs of the government and the other parts of the formal sector. Later, when better information and experience is available, the system could begin to tailor educational programs to the particular development needs of the economy. However, by confining itself to the narrow objectives in goal #2, the country would be missing the really important investment opportunities that widespread effective education provides. These include: productivity improvements in agriculture, lower birthrates, improved child care, and more widespread distribution of benefits of development.

Recommendation of this Report

This report recommends goal #1 as the objective: moving toward an educational system that meets the needs of the entire population, not just the formal sector of the economy. It will be more costly than the present system. As described in section 12, the estimated recurrent budget would be substantially larger than at present. Along with more money, substantial changes will have to be made in the system. With the current structure of education moving toward the general objectives in goal #1, the narrower objectives in goal #2 would take care of themselves. In particular, there would be no need to increase the size of lower secondary, upper secondary or higher education, but only the quality. Indeed, a key issue for government regarding lower secondary and higher levels of education will be how to withstand demands for expansion. The fact that jobs in the formal sector will be scarce, and largely rationed on the basis of educational attainment, will no doubt mean pressure from families for increases in the size of secondary and university education far faster than is necessary for the growth of the economy.

Figure P.1
Educational Qualifications of Labor Force and
of Yearly Additions to the Labor Force

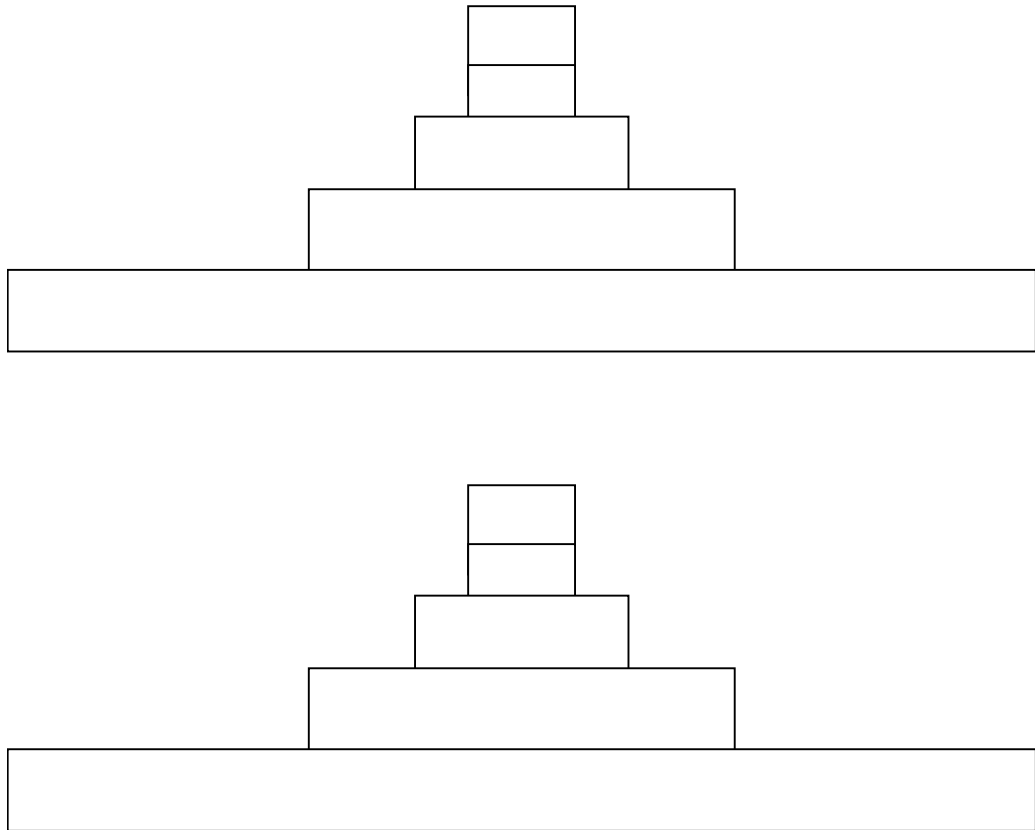


Table P.1 Number of Yearly Entrants to Labor Force and Likely Employment

Educational Qualifications		Estimated Employment	
Yearly entrants to labor force		Yearly entrants to labor force	
Higher Education	4,800	Formal sector	
Upper Secondary	6,000	Government	2,600
Lower Secondary	12,000	Public or private firm at most:	7,000
Primary	25,200	Informal sector and agriculture at least:	110,400
Less than Primary	72,000		
Total persons	120,000	Total jobs	120,000

Notes: Educational qualifications: See Table 11.14.

Government employees: projected to grow at 2.4% per year.

Public or private firm employees: projected to grow at 8% per year.

Informal sector and agriculture: a residual category which includes all those entering the labor force not absorbed either into government or other parts of the formal sector.