Comparison on Salary System for Government between Lao PDR and Japan

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I. General Information of Lao PDR

- Geographical location
- Country’s profile
- Recent Development and the Macroeconomic Situation
- Main macroeconomic Indicators
- National Development Vision to year 2020
- National Development Objectives
- Comparative and Competitive Advantages
- Open Door Policy
- FDI Situation
- Japanese Investment in Lao PDR
- Tourism
Geographical location

- China (505 km in the north)
- Myanmar (236 km in the north west)
- Thailand (1,835 km in the west)
- Vietnam (2,069 km in the east)
- Cambodia (435 km in the south)
Country’ profile

- Capital City: Vientiane
- Land Area: 236,800 sq.km2
- Population: 5.9 Millions (2005)
- Population Density: 25 person/sq km
- Population Growth rate: 2.8%
- Labor force: 2.17 Millions (women 50%)
- Language: Lao language
- Religion: Buddhism
Recent Development and the Macroeconomic Situation

- In November 2004, Laos hosted the 10th ASEAN Summit in Vientiane.
- In July 2005, successful hosting of 38th ASEAN Ministerial Meeting (AMM).
- In September 2005, Hosted the 26th General Assembly of the ASEAN Inter-Parliamentary Organization (AIPO).
Recent Macroeconomic Development

GDP (left axis)

CPI (right axis)
Economic Indicators

- GDP Per Capita: US$491 (2005)
- Minimum Wage: 300,000 kip/month (2005)
- GDP Growth: 7% (2005)
- Inflation Rate: 7.2% (2005)
- Exchange Rate: 10,150 kip/US$ (2006)
<table>
<thead>
<tr>
<th>Indicators</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (million)</td>
<td>5.2</td>
<td>5.9</td>
<td>6.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Population growth rate (%)</td>
<td>2.6</td>
<td>2.5</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>GDP growth rate (%)</td>
<td>5.8</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Agriculture (%)</td>
<td>4.9</td>
<td>4.5</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Industry (%)</td>
<td>8.5</td>
<td>11.5</td>
<td>10.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Service (%)</td>
<td>4.9</td>
<td>7.5</td>
<td>10.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>59</td>
<td>70</td>
<td>67</td>
<td>70.2</td>
</tr>
<tr>
<td>Adult literacy over 15 years (%)</td>
<td>70.2</td>
<td>85</td>
<td>82</td>
<td>530</td>
</tr>
<tr>
<td>Total enrolment rate (%)</td>
<td>70.2</td>
<td>85</td>
<td>82</td>
<td>530</td>
</tr>
<tr>
<td>Infant mortality under 5 (per 1,000 live births)</td>
<td>82</td>
<td>62</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td>Maternal mortality (per 100,000 live births)</td>
<td>530</td>
<td>350</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Access to clean water (% of population)</td>
<td>52</td>
<td>57</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
National Development Vision to year 2020

- To graduate from the status of being a least developed country
- Sustainable development
- Regional Integration
National Development Objectives

- To fundamentally eradicate poverty and stop slash and-burn cultivation by 2010
- To totally eliminate opium production by 2005
- To reduce the existing poverty incidence by more than half in 2010
Comparative and Competitive Advantages

- The country enjoys political stability
- Rich natural resources
- Large fertile land area
- Quality of environment
- Land-link country
- Regional market access (more than 500 millions habitants)
- Low production and labour costs
Open Door Policy

- New Economic Mechanism (NEM):
  1986: shifting from planned economy to a market oriented economy.
- Business environment
- Private sector development
- Open for FDI
<table>
<thead>
<tr>
<th>Approved FDI</th>
<th>Implemented FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75 M US$</td>
<td>$93 M US$</td>
</tr>
<tr>
<td>$155 M US$</td>
<td>$310 M US$</td>
</tr>
<tr>
<td>$42 M US$</td>
<td>$492 M US$</td>
</tr>
<tr>
<td>$155 M US$</td>
<td>$466 M US$</td>
</tr>
<tr>
<td>$310 M US$</td>
<td>$533 M US$</td>
</tr>
<tr>
<td>$450 M US$</td>
<td>$653 M US$</td>
</tr>
<tr>
<td>2004-2005</td>
<td></td>
</tr>
</tbody>
</table>
## Japanese Investment in Lao PDR

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of project</th>
<th>Investment capital (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>9</td>
<td>3,387,000</td>
</tr>
<tr>
<td>Industry &amp; Handicraft</td>
<td>8</td>
<td>5,962,385</td>
</tr>
<tr>
<td>Wood industry</td>
<td>4</td>
<td>4,846,200</td>
</tr>
<tr>
<td>Trading</td>
<td>4</td>
<td>1,525,000</td>
</tr>
<tr>
<td>Hotel &amp; restaurant</td>
<td>2</td>
<td>700,000</td>
</tr>
<tr>
<td>Consultancy</td>
<td>1</td>
<td>162,000</td>
</tr>
<tr>
<td>Service</td>
<td>8</td>
<td>4,825,000</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>5,156,000</td>
</tr>
<tr>
<td>Energy</td>
<td>2</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>41</strong></td>
<td><strong>26,763,585</strong></td>
</tr>
</tbody>
</table>

Overall Japanese investment ranks no. 17. However, for the period 2003-2005, the Japanese investment ranks no. 8, which indicates that Japanese investment has increased substantially for the last few years.
Tourism

- Eco-tourism
- Culture-tourism
- Agro-tourism
II. Civil Service System In Lao PDR

The general structure of public administration
The general Structure of public administration

- Legal basis
  - Constitution
  - Law on government
  - Law on local administration
- Level of Government
  - Central government
  - Local administration
Civil Service System in Lao PDR

Background

Since 1975
- to consolidate the nation-state
- create national unity
- establish the basis for sustainable and equitable development
Civil Service System in Lao PDR (cont.)

- Objectives
  - to achieve a stable and open people’s democracy, people’s rights are guaranteed
  - to ensure stable socio-economic conditions
  - improve living standards of the people
  - create the condition of poverty reduction
  - create a modern, industrial and successful country
  - to build an effective, efficient, well trained, honest and ethical public service
Civil Service System in Lao PDR (cont.)

Current situation

Constitution of 1991:

- improvements to the function of government have taken place on the basis of law and regulations,
- detailing the organization, functions and relations of central and local administrations and guiding the management of the civil servants.
Civil Service System in Lao PDR (cont.)

- In 1993, overall civil service management placed under the Department of Public Administration and Civil Service (DPACS) in the Prime Minister office.
- In 1993, the personnel management regulations was promulgated.
- In 2003, new civil service regulations was issued to replace the former one.
Types and number of civil servants

- Two types: special & regular service
- In 2006, 96,000 civil servants including 40% of female employees.
- Comprise 4.2% of total labor force of 2.3 millions in 2004.
- 13% work for central gov. & 87% in provinces, districts and villages.
Recruitment, promotion and retirement

- Recruitment: must be carried out by the selection and entry examination.
- Must be based on the job descriptions.
- Must be submitted to the probation period.
- Probation period:
  1. 3-6 months for preliminary qualification
  2. 6-12 months for medium qualification
  3. 12-18 months for high qualification
Recruitment (cont)

- Conditions of civil servants:
  - Having Lao citizen;
  - Being at least 18 years old but not exceed than 35 years old;
  - Being devoted to the people democratic regime;
  - Being good citizen, not being dismissed from a State and from a state enterprise because of misdeeds;
  - Being in good health;
  - Having a good morality;
  - Filling with all conditions required by special rules of the concerned body.
Classification of salary schedule

- Be based on the academic degree, profession or the job descriptions.
- There are only six grades:
  1. grade 1: general educations
  2. grade 2: professional school of preliminary qualification
  3. grade 3: certificate from the professional school of medium qualification, certificate of pre-bachelors degree, certificate from school of the high qualification the study period of which less than 3 years.
Classification of salary schedule (cont)

- Grade 4: certificate of PhD, High graduate diploma, Master degree, Graduate diploma, bachelor degree or equivalent and certificate from school of the high qualification the study period more than 3 years.
- Grade 5: persons who ended of the function of high leadership and who surpassed the grade 4.
- Grade 6: high level leadership from deputy minister up to the president of the state.
Promotion & Rotation

 scissors

• Promotion is decided on the merit basis, no examination.
• Rotation:
  - Rotation in high position in 3-4 years.
  - Rotation in Director and Deputy general in 2 years within their own organizations.
  - rotation in director and deputy director of division in 2-3 years within their own organization, but rare.
Retirement

- Retirement age is fixed at 60 for men and 55 for women.
- Employees should have a length of service of 25 years.
- Has contributed monthly to pension fund of 6% of base salary.
- Exceptions for high level position and political appointees.
### Table 3: Lao PDR Salary schedule for the regular service

(2005-06: multiplier=1,800 Kip)

<table>
<thead>
<tr>
<th>Pay step</th>
<th>Grade 1</th>
<th>Grade 2</th>
<th>Grade 3</th>
<th>Grade 4</th>
<th>grade 5</th>
<th>grade 6</th>
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<tbody>
<tr>
<td>15</td>
<td>297,000</td>
<td>369,000</td>
<td>469,800</td>
<td>599,400</td>
<td>757,800</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>291,600</td>
<td>360,000</td>
<td>457,200</td>
<td>583,200</td>
<td>738,000</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>286,200</td>
<td>351,000</td>
<td>444,600</td>
<td>567,000</td>
<td>718,200</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>280,800</td>
<td>342,000</td>
<td>432,000</td>
<td>550,800</td>
<td>698,400</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>275,400</td>
<td>333,000</td>
<td>419,400</td>
<td>534,600</td>
<td>678,600</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>270,000</td>
<td>324,000</td>
<td>406,800</td>
<td>518,400</td>
<td>658,800</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>264,600</td>
<td>315,000</td>
<td>394,200</td>
<td>502,200</td>
<td>639,000</td>
<td></td>
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<tr>
<td>8</td>
<td>259,200</td>
<td>306,000</td>
<td>381,600</td>
<td>486,000</td>
<td>619,200</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>253,800</td>
<td>297,000</td>
<td>369,000</td>
<td>469,800</td>
<td>599,400</td>
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<tr>
<td>6</td>
<td>252,000</td>
<td>291,600</td>
<td>360,000</td>
<td>457,200</td>
<td>583,200</td>
<td>1,170,000</td>
</tr>
<tr>
<td>5</td>
<td>250,200</td>
<td>286,200</td>
<td>351,000</td>
<td>444,600</td>
<td>567,000</td>
<td>1,053,000</td>
</tr>
<tr>
<td>4</td>
<td>248,400</td>
<td>280,800</td>
<td>342,000</td>
<td>432,000</td>
<td>550,800</td>
<td>954,000</td>
</tr>
<tr>
<td>3</td>
<td>246,600</td>
<td>275,400</td>
<td>333,000</td>
<td>419,400</td>
<td>534,600</td>
<td>873,000</td>
</tr>
<tr>
<td>2</td>
<td>244,800</td>
<td>270,000</td>
<td>324,000</td>
<td>406,800</td>
<td>518,400</td>
<td>810,000</td>
</tr>
<tr>
<td>1</td>
<td>243,000</td>
<td>264,600</td>
<td>315,000</td>
<td>394,200</td>
<td>502,200</td>
<td>765,000</td>
</tr>
</tbody>
</table>
Restriction of being civil servant

- No right to run business by being owner, director, manager or counselor in an enterprise.
- The family member of civil servant (husband, wife, son or daughter) are not allowed to run the business relating to the authorization and to the management of the civil servant-member of the family.
Current Situation of Civil Service wage in Lao PDR

![Graphs showing GDP Growth, Wage bill, Expenditure, Revenue, Revenue, and Exchange rate](image)

- **GDP Growth (left axis)**: 7.0, 6.8, 6.9, 7.3, 5.8, 5.8, 6.1, 6.4
- **Wage bill (% of GDP)**: 2.6, 2.7, 3.1, 3.1, 3.5

**Figure 2. CPI (%) & Exchange rate (Kip/US$)**

- **Inflation (left axis)**
- **Exchange rate**

![Graphs showing CPI and Exchange rate](image)
### III. Comparison on the Salary System between Lao PDR and Japan

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Lao PDR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of the economy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (current US$) (billions)</td>
<td>4,622.8</td>
<td>2.5</td>
</tr>
<tr>
<td>GNI per capita, Atlas method (current US$)</td>
<td>37,050.0</td>
<td>390.0</td>
</tr>
<tr>
<td>Life expectancy at birth, total (years)</td>
<td>81.8</td>
<td>55.3</td>
</tr>
<tr>
<td>Population, total (millions)</td>
<td>127.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Population growth (annual %)</td>
<td>0.1</td>
<td>2.3</td>
</tr>
<tr>
<td>School enrollment, primary (%)</td>
<td>99.9</td>
<td>84.4</td>
</tr>
<tr>
<td>Surface area (sq km) (thousands)</td>
<td>377.9</td>
<td>236.8</td>
</tr>
</tbody>
</table>
The General Structure of public Administration

**JAPAN**
- One Prime Minister & 17 Ministers, 12 ministries.
- Public civil service systematically small.
- Low cost, efficient, well-coordinated, and responsive public sector.

**Lao PDR**
- One Prime Minister & 27 ministers, 22 ministries and equivalent agencies.
- Compare to population is bigger public civil service.
- High cost, not sufficiently served the people, weak coordinated, and weak capacity in job description writing.
National and local administration relations

Japan

- Laws and regulations clearly stipulate the responsibility between national and local government.

Lao PDR

- There is a lack of adequate legal and regulatory frameworks & there are poor reporting, monitoring & control systems.
- The government center has weak control over its central government revenue.
Number and type of public employees

Japan
- Has been structured civil census in the last third of 19th century.
- Comprehensive, well-organized, well-developed, completely and systematically collected.

Lao PDR
- Weak capacity in the personnel information management system.
- Data on employees not yet systematically collected.
- There is no data on the military and police and state owned enterprises employment.
Remuneration principle

Japan

- National and local public employees are regulated by different laws and regulations.
- Actual salary scales and amount and the conditions on the payment of allowances are left to the local government discretion.

Lao PDR

- Basic pay and allowances for both central and local levels are regulated by the same regulations.
Salary and allowances

Japan

- There is 17 salary scales for different type of service.
- Wage increase-decrease correspond to wage revision in the private sector.
- There is bonus two times a year.

Lao PDR

- There is only one salary scale for all type of service.
- There is no city, housing and commuter allowances.
- There is no bonus.
Average base salary

Japan
- Average monthly salary in 2005 is app. US$2,800.

Lao PDR
- Average monthly salary in 2005 is app. US$36.
Retirement

Japan
- Retirement age is fixed at 60 for both men and women.

Laos
- Retirement age is fixed at 60 for men and 55 for women.
Gender-equal society within the public service

**Japan**
- Women comprises 51% of total population, but only 17% were hired in government agencies and ministries.
- Japan ranked 38th on women’s participation in political and economic decision-making. Female constitute only 9% of managerial positions.

**Lao PDR**
- Women comprises 50% of population, women includes 40% of total number of civil servants.
- In Laos women’s participation in political and economic decision-making is about 20% of managerial positions. Women in NA comprises 8% of total member.
Gender-equal society within the public service

Japan
- There is equal opportunity between gender.
- In the past women in the Japanese workforce found it difficult to achieve professional growth and promotion in a traditionally male-dominated culture, but presently the situation is improving.

Lao PDR
- There is fair treatment between gender. Performing work of the same quantity, quality and value shall receive the same salary or same payment without distinction as to sex, age, nationality or ethnic origin.
- The constitution of 1991 ensures Lao citizen both sexes enjoy equal rights in political, economic, culture, social and family affairs. Gender equality is also stipulates in the family and labour laws of Lao PDR.
Gender-equal society within the public service

Japan
- There is a law preventing pregnant employees from undergoing a job change or other types of unfair treatment.

Lao PDR
- There are constitution, Laws & regulations to protect women from other types of unfair treatment. In addition, the GOL has established the National for the Advancement of Women (NCAW) to promote gender mainstreaming in Lao PDR.
IV. Lessons learned from the Japanese experiences

- Small & less cost, but efficient, well-coordinated and responsive public service.
- Good legal system for public administration.
- Best use of human resources.
- Excellent working environment.
- Competitive and motivating remuneration.
- Good opportunities for capacity building.
- Hard working, honest, capable, dedicated & enduring government officials.
Challenges of public improvement in Lao PDR

- Development of a cost effective and people’s centred public administration.
- Modernization of civil service personnel management.
- Development of a productive and highly motivated public service.
- Development of a honest and ethical public service.
- Enhanced professionalism in the public service through training and development.
- Improving ITC to enhance transparency and productivity.
Thank You