

# Towards Equitable Pay and Decent Job Opportunities for Women, Youth and Low-skilled in the Greater Mekong Subregion: A Synthesis

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## Highlights

1. Countries in the Greater Mekong Subregion (GMS) are growing fast, so is job creation. Working women are gaining ground, but most workers are still vulnerable.
2. The GMS countries have some of the lowest indicators of human capital, so young and ill-prepared workers are facing a bleak future in a rapidly evolving world economy where globalisation and international trade are spearheading the rise of skill-biased technologies (i.e. artificial intelligence and robotics).
3. Greater attention to gender perspectives and measures to support gender equality in the workplace remains an urgent policy priority to improve job prospects for girls and young women.
4. Minimum wages are found to help reduce wage inequality and increase the wages of covered formal workers, particularly the low-paid. Research finds little or no evidence of adverse effects of minimum wages on formal employment, possibly due to lack of compliance by firms, which often resort to using informal sector workers, or because the minimum wage remains below the market wage.
5. Women are increasingly willing to work outside the home. Key barriers to women's employment are family-work balance, lack of affordable childcare, abuse-related factors, high transport cost and long commuting time.
6. Gender wage gaps remain persistent. Women are paid less than men on average. The most important determinants contributing to wage differentials are social and cultural norms and workplace discrimination.
7. Skills shortages and mismatches persist in most, if not all, GMS countries. Skills development remains critical for a region needing to boost its basic human capital indicators. Also, reskilling and retraining – an idea that is aligned with lifelong learning – is crucial, particularly for women and youth. Technical or vocational education and training could be a solution, but impacts on employment and income are mixed, at least in the short term.
8. GMS countries need to invest more in their own domestic research capacity to analyse labour issues.

## 1.1 Context and motivation

The future of work can be both rewarding and worrying, particularly for those who cannot keep up with a fast-changing world. *Towards a Reskilling Revolution: A Future of Jobs for All* emphasises how economic growth “is increasingly based on the use of ever higher levels of specialized skills and knowledge, creating unprecedented new opportunities for some while threatening to leave behind a significant share of the workforce” (WEF 2018, 3). The ensuing upheaval is likely to be substantial and many difficult policy questions will need to be resolved. How will technological progress affect jobs? How can labour market institutions improve labour market outcomes for workers? Does employment protection legislation have negative consequences for vulnerable groups in the labour force? How can labour programs or legislation increase employment opportunities and improve youth and women’s employability?

The Greater Mekong Subregion<sup>1</sup> (GMS) is one of the most dynamic regions within Asia. In the last two decades, most GMS countries have sustained robust economic growth, lifting millions of people out of poverty and improving wellbeing across the region. Three of the six GMS members – Thailand, Vietnam and China – belong to the global list of high-growth economies (i.e. those that have sustained an average annual growth rate of more than 7 percent for the last 25 years). Cambodia and Laos, which have grown at a rate of just over 7 percent year-on-year since the late 2000s, are also on track to join what the International Monetary Fund refers to as the dynamic low-income countries whose economic growth take-offs began in the 1990s. Finally, Myanmar, in the wake of a series of liberalising political and economic reforms, is catching up with its GMS neighbours quickly. This once secluded country is slated to achieve GDP growth of 6.8 percent in 2018 and 7.2 percent in 2019 (ADB 2018).

For the GMS, the large youth population and rising presence of women in labour markets present both advantages and challenges. On the one hand, harnessing the potential of a young and enlarged labour force would go a long way to unlocking economic potential in the subregion. On the other, as these countries continue their economic transformation and climb the development ladder, they face the dual challenge of creating not only more but also better jobs – formal sector jobs that are both better paid and less vulnerable.

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<sup>1</sup> The Greater Mekong Subregion (GMS) is a transnational region of the Mekong River Basin in Southeast Asia. The term GMS was coined by the Asian Development Bank in the early 1990s to refer to Cambodia, Laos, Myanmar, Thailand, Vietnam and Yunnan Province of China.

Research on labour markets in developed economies is not directly transferable to low- and lower-middle-income countries, especially those in the GMS, where labour markets present unique features and policy challenges reflect different stages of socioeconomic development. Indeed, it was the need to generate and support local research on labour and employment that prompted the Cambodia Development Resource Institute (CDRI) to seek financial support from Canada's International Development Research Centre (IDRC) to engage regional thinktanks in a three-year research program on improving job prospects for young, unskilled and women workers in the GMS. CDRI, as coordinator of the Greater Mekong Subregion Research Network (GMS-Net),<sup>2</sup> launched an open competitive grant call for research proposals. The aim was to advance high-quality development research on labour markets in GMS countries to generate concrete evidence-informed policy solutions for the challenges facing workers in the subregion. Of the 20 proposals received, GMS-Net selected and funded eight highly promising research proposals from various institutions and thinktanks in the subregion. Those studies form the core of this report, along with two other papers – one from a regional perspective and the other from Myanmar.

This introductory chapter provides a snapshot of the current labour market conditions for youth, women and the low-skilled in the GMS, reviews important regulations and the institutional factors that influence labour market outcomes, and maps the key findings of the research studies conducted under the current GMS-Net research program. It also presents an overview of selected literature on the issues covered aiming to understand what has been researched and to identify possible academic and policy-practice gaps.

## **1.2 Labour market trends in the Greater Mekong Subregion**

The International Labour Organization (ILO) estimates that there are 134 million workers in Cambodia, Laos, Myanmar, Thailand and Vietnam: more than half (74 million) are vulnerable workers, that is, own-account workers or family workers,<sup>3</sup> 57 million are wage and salaried workers, and 2 million are openly unemployed. Underemployment rather than open unemployment remains a critical feature of labour markets in these low- and middle-income countries. Therefore, improving the prospects for their workers, especially the young, low-skilled and women, constitutes a core policy concern.

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<sup>2</sup> Formerly known as the Greater Mekong Subregion Development Analysis Network (GMS-DAN), founded in 1992 by the Cambodia Development Resource Institute.

<sup>3</sup> We use ILO's definition of vulnerable employment ([www.ilo.org/wesodata/definitions-and-metadata/vulnerable-employment](http://www.ilo.org/wesodata/definitions-and-metadata/vulnerable-employment)).

### ***1.2.1 Young and low-skilled workers***

Youth employability has received growing policy attention from governments, development partners, NGOs and other stakeholders in the GMS countries. A lot of research has focused on youth labour force participation rate, education, competency and the relevance of chosen skills. Young people have a higher probability of being unemployed than their older counterparts and, when employed, they face bleaker job prospects. For instance, finding work in their preferred sector tends to be difficult, resulting in young job seekers accepting low-paid and low-quality employment (Acharya 2004, 6). This phenomenon is, however, not unique for the subregion but a global concern about a shortage of young workers “with critical job skills” (Mourshed, Farrell and Barton 2012).

In 2017, according to ILO estimates, young workers (aged 15 to 24 years old) represented 38 percent of the world’s population. This percentage is much higher in the GMS countries: 75 percent of the population of Cambodia, 60 percent in Laos, 58 percent in Myanmar and 55 percent in Vietnam. A key challenge in the GMS is the overwhelmingly low educational attainment of labour market entrants making skills development and gains difficult. Severe skills mismatches and the employment unreadiness of youth in national markets and in integrated markets like ASEAN are concerns. The World Bank Investment Climate Assessment 2014 identified lack of job skills as a main challenge facing firms in general and special economic zones in particular in Laos (Clarke et al. 2014). According to the World Bank Enterprise Surveys, 13.2 percent of surveyed firms in Laos reported that inadequately educated workforce is a constraint on their growth (World Bank 2016).

Youth underemployment is a particular challenge for GMS countries, where it takes the form of low pay, unfavourable working conditions, short-term contracts, overqualification, or informal and unpaid work. The World Economic Forum (2018) estimates that in developing countries more than 200 million young people are “working poor”, mostly employed in informal sectors and earning less than USD2 a day. The lack of public and private sector job creation compels young people to accept less than full-time employment or less than expected conditions. Therefore, an important part of the labour agenda is to increase decent job opportunities and to narrow skills mismatches between young job seekers and employers. That demands close collaboration between governments, development partners, the private sector, training and education providers.

Another challenge facing GMS countries is the employability of their populations. The majority of the working age population rely on informal agricultural self-employment or working in the family business, and much of the region's industrial growth still depends on the supply of low-skilled and low-educated workers. Thus, to ensure sustainable growth, GMS countries must address low human capital endowment by investing more aggressively in education in general and higher education in particular, as well as in labour force and skills development.

### ***1.2.2 Female workers***

It is widely recognised that women's labour market participation helps boost GDP. Yet gender differences in participation rates persist across the GMS. In Cambodia, for example, the total labour force participation rate in 2013 stood at 83.0 percent (women 77.8 percent versus men 88.7 percent). Similarly, in Vietnam, the total labour participation rate in 2013 was 77.5 percent (women 71.2 percent and men 82.2 percent). In Myanmar the gender gap was much wider, with a labour force participation rate in 2012 of 66.3 (women 50.3 percent and men 82.7 percent) (ADB 2014a, b). Further, compared to men, women in the GMS are far more likely to be subject to vulnerable employment conditions. ILO (2018) projections show that, in 2019, half of all working women (37.3 million) will be in vulnerable employment (i.e. as self-employed or unpaid family workers), while 32.4 percent (24.2 million) will be wage or salary workers. Despite relatively high rates of women's participation in paid work, women in the GMS are still less likely to be employed than men. The ILO (2018) calls for equal pay and a more workplace-friendly environment for women. Eliminating pay discrimination and unconscious bias would improve productivity and therefore GDP. Banerji et al. (2018, 17) highlight similar challenges constraining women and recommend major policy reforms to address them.

### **1.3 Better policies for better and more equitable job prospects: minimum wages, better training**

Policies for better job prospects and better pay hinge on how the employment effects of labour supply-demand and labour-market institutions are understood. Some scholars argue that skill-biased technological change, international trade and globalisation explain a significant portion of the observed increase in wage and income inequality, at least in advanced countries. Others argue that the erosion of labour market institutions and policies, including

unionisation,<sup>4</sup> minimum wages and social contributions, amplify wage and income inequalities, particularly for the low and middle earners of the income distribution (Farber et al. 2018; Farber 2003; Jaumotte and Buitron 2015). The rise of artificial intelligence and robotics is inevitable, and could negatively affect low-skilled workers, necessitating further institutional and policy support and reforms. Rhee (2018, 11) postulates that ASEAN workers need to work harder to gain quality education and skills to keep up with these advances in technology. The current United States Administration also supports retraining through apprenticeships and other programs to support entry and re-entry into the labour market (Card, Lemieux and Riddell 2018, 104).

Two common policy interventions in the GMS are the re-introduction of or changes to minimum wage legislation, and the use of training programs to integrate youth more effectively into labour markets. There are other policies and institutional arrangements which also have potential impacts on the job prospects of GMS workers. Nonetheless, the current research program under GMS-Net focused on these two policy issues.

### ***Renewed efforts to adopt minimum wage law***

The issue of a minimum wage has generated significant disagreement among researchers and between researchers and policymakers. The literature is voluminous but there is no generally agreed conclusion on its effects. Theoretically, a binding minimum wage implemented under a competitive market framework results in labour surplus, particularly of low-skilled workers, because it sets an above-equilibrium or artificial price that cannot be adjusted by labour market supply and demand. Once it stays above market clearing wages, the theory predicts that minimum wages would be more likely to cause unemployment or dis-employment: they could have negative effects on the employment of youth who have little or no work experience, or of low-skilled workers who are less attractive to employers and find it hard to switch jobs. Evidence from the US and Canada points to

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<sup>4</sup> Empirical evidence has shown that unionised workers earn about 10–20 percent more than similar workers who do not belong to unions (Farber et al. 2018; Farber 2003). Proponents argue for the benefits of having unions to help guard against exploitation and increase workers' voices, wages and working conditions. Jaumotte and Buitron (2015) find that in sample advanced countries, the decline in labour market institutions, such as de-unionisation, is associated with rising inequality, particularly of the top income bracket. Others who find inequality-reducing effects of unionisation include Western and Rosenfeld (2011), Card, Lemieux and Riddell (2004), Dinardo, Fortin and Lemieux (1996), Card (1996), Freeman and Medoff (1984). The decline in unionism is also found to have political implications, particularly negatively affecting voter turnout for the Democratic Party in the US (Feigenbaum, Hertel-Fernandez and Williamson 2018).

the detrimental effects of a rise in minimum wages among younger workers.<sup>5</sup> However, there is another side to the argument – when implemented in non-competitive settings, such as monopsonistic markets, minimum wages could increase employment and reduce wage inequality particularly among young and low-skilled workers.<sup>6</sup>

The empirical literature from emerging economies casts doubt on the robustness of the impact of minimum wages on employment. Shi and Lin (2014), for example, find positive and negative impacts of the increase in minimum wages in China. They postulate that although the minimum wage hike raised workers' incomes and reduced wage inequality, it negatively affected employment of women, youth and low-skilled workers. The authors suggest that policymakers might face a trade-off between equity and efficiency, pointing out that minimum wages should not be used beyond their intended purpose of ensuring reasonable remuneration for basic needs. In India, Menon and Rodgers (2018) conclude that, in urban areas, an increased minimum wage does not result in an increased supply of informal under-age workers. In the ASEAN region, Carpio and Pabon (2014) find mixed evidence for the impacts of increased minimum wages on employment, poverty and inequality. In certain cases, increased minimum wages lead to reduced employment of low-productivity workers; in other cases, the impacts on employment are minimal.

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<sup>5</sup> Analysing a meta-regression on studies of the effects of minimum wages on youth employment in the US, Brown, Gilro and Kohen (1982) find that a 10 percent increase in federal minimum wage results in a 1–3 percent reduction in teenage employment. In the case of Canadian teenagers, Baker, Benjamin and Stanger (1999) find that a 10 percent increase in minimum wages is associated with a 2.5 percent decrease in employment, further reconciling the negligible negative or positive effects of minimum wages on employment found in previous studies.

<sup>6</sup> See O'Neill (2004) for Ireland and Dickens, Machin and Manning (1999) for the UK. Examining the effects of legislated minimum wages under the framework of social cost of labour, Kaufman (2009) finds that a minimum wage often increases both economic efficiency and social fairness, unlike what the neoclassic economists claim. Using payroll data and minimum wage arrangements in the Finnish retail trade sector, Böckerman and Uusitalo (2009) find that a minimum wage reduces “only modestly” average wages of eligible groups of young workers, and that there are no significant effects on employment. Other authors using time-series and cross-sectional data who find practically negligible effects, or sometimes positive relationships, include O'Neill, Nolan and Williams (2002) and Card (1992a, b) for the United States; Katz and Krueger (1992) for Texas, US; Card and Krueger (1994) for New Jersey and Pennsylvania, US; and Machin and Manning (1994) for the UK. Also, there have been a few meta-analysis studies on the impacts of minimum wages on employment. Doucouliagos and Stanley (2009) find little or no negative correlation between increased minimum wages and employment and corroborate the earlier findings of Card and Krueger (1995). De Linde Leonard, Stanley and Doucouliagos (2014) also find no practically adverse effects of minimum wage on employment, except in the residential homecare industry.

The inconclusive empirical results point to the fact that the effects of a minimum wage, whether on wages and the employment of youth and low-skilled workers, or on the economy, are heterogeneous depending on country context and sector specificity. The effects might also depend on the type of labour markets in which the minimum wage is implemented. Lack of compliance with minimum wages or the existence of large informal labour markets will tend to weaken any clear response to increases in minimum wages. This points to the need for in-depth exploration of such issues, particularly within the labour markets of developing countries where legal enforcement or monitoring is generally weak and insufficient. For example, recent empirical literature from Central America examining the effects of legal minimum wages<sup>7</sup> illustrates the difficulties of enforcement, and finds that employers sometimes only partially comply with minimum wages, and, in some cases, minimum wage hikes can even increase non-compliance.

Probably the most interesting finding of all the studies on minimum wages is that there is no robust evidence or consensus that minimum wages alone can help reduce overall extreme or moderate poverty. For most countries, raising the minimum wage has long been considered a way to protect poor workers and their families. In fact, this active labour market intervention represents a common social protection policy in many middle-income countries, such as those in Latin America. But how effective are minimum wages in protecting the poor? This is a timely question for GMS countries as the debate heats up over whether minimum wages help avoid “the race to the bottom” or serve as a major impediment to greater labour market flexibility and competitiveness. The results from the empirical literature show that minimum wages could boost the wages of some workers and that higher minimum wages could reduce poverty rates. However, the evidence also suggests that minimum wages alone are a blunt and inefficient way to curb overall poverty and income inequality. More and better investments in the human capital of the poor, and especially women, can permanently reduce poverty and inequality and improve productivity among younger workers.

#### **1.4 An overview**

This compilation of papers is the first ever undertaking by GMS-Net on the nature of work, and makes an important contribution to policymaking in the subregion. Grounded in scientifically based research, the papers are organised under three broad labour market issues.

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<sup>7</sup> Ham (2018) shows results for Honduras and Gindling et al. (forthcoming) have results from a recent government campaign to increase compliance in Costa Rica.

Part 1 touches on one of the most debated and sometimes controversial topics in labour economics – the minimum wage and its impacts on employment, wages and wage distribution. It contains three chapters corresponding to separate studies from Thailand, Vietnam and Myanmar that make compelling cases both for and against a national minimum wage. The empirical findings remain inconclusive on the consequences of minimum wages for labour market outcomes, whether in advanced or developing countries. This underscores the need for more evidence-based research and knowledge on GMS countries to help stakeholders make better and more informed decisions. Indeed, Panpiemras, Boonwara and Ruttiya (Chapter 2) point to the lack of rigorous empirical research on the potential impacts of the recent minimum wage hike in Thailand. However, their study does not focus on Thai employees, but on migrant workers from Cambodia, Laos and Myanmar. Combining secondary data (e.g. from the Informal Employment Survey) and primary data from qualitative interviews with migrant workers and firms in Bangkok, Samut Sakhon, Samut Prakan and Tak, the authors find that the minimum wage hike has increased the wages of migrant workers, and that non-compliance is still an issue in implementing and enforcing the minimum wage, particularly in areas farther away from Bangkok. They also find that the 300 baht (about USD9) minimum wage seemed to have a small and temporary dis-employment effect.

The evidence on the effects of minimum wages in Thailand is complemented by a more quantitative study of the situation in Vietnam by Dat, Pham and La in Chapter 3. Analysis of longitudinal data on labour market outcomes and individuals' employment dynamics between 2010 and 2014, and micro-econometric modelling allow the authors to answer two important questions about the impact of minimum wage hikes (averaging 15 percent a year since 2008) on employment and wage distribution. The authors also examine the effect of gender and age differences. They find a negative but statistically insignificant impact on employment of the whole sample and subsamples (male/female, younger/older workers). This finding is contrary to that of most previous similar research in Vietnam, mainly because of the current study's inclusion of trends.<sup>8</sup> As for wage distribution, the minimum wage hikes are found to have helped narrow the wage gap between employees in the lower percentiles and those in the 80th percentile. This wage compression is also found for the female, young and older worker subgroups. Zaw Oo and co-authors at the Centre for Economic and Social Development (CESD), together with the Yangon University of Economics (YUE), conducted a survey to

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<sup>8</sup> The interaction between location and time trends, which was captured by multiplying location dummy variables and the general linear time trend.

understand the effects of a minimum wage increase in Myanmar, focusing on wages, working conditions and income distribution, as well as workers' perceptions and attitudes towards the minimum wage (Chapter 4). The survey covered employers and employees in labour-intensive manufacturing industries in Hlaing Tharyar Industrial Zone in Yangon. Overall, the findings indicate a positive impact on wages, particularly after policy enforcement. The majority of respondents had positive attitudes towards the minimum wage increase and its enforcement. The authors recommend that, in addition to minimum wage legislation, the government pay greater attention to productivity improvement and industrial relations. Myanmar needs to create a better enabling environment for firms to assure their long-term growth and profitability. Policymakers in the region currently debating minimum wages and other labour laws could learn from Myanmar's contemporary experience.

**Part 2**, containing four chapters, delves into the current situation of women's labour market participation in the GMS. It also examines gender wage inequality and institutional policies such as mandatory social insurance, which could affect the supply of and demand for female and male labour. Betcherman and Haque provide a snapshot of women's employment in the GMS using the newly available Gallup-ILO World Poll (Chapter 5). The tabulated and correlated quantitative information offers state policymakers significant insights into the status of women in the labour market, and their characteristics and perspectives when it comes to paid work. Women's labour participation and women-friendly workplaces are beneficial for the economy. Nonetheless, little is known about women's willingness to work and the problems and challenges they face in the workplace. Betcherman and Haque address these questions by describing the employment status of women in the GMS and examine the barriers to women's participation in the labour force. What makes the 2016 version of the Gallop World Poll unique is a series of questions added by the ILO about the attitudes of women and men towards women and work. The vast majority of women expressed a preference to work outside the home and only a minority of men indicated that their preference would be for women in their household to stay at home. The survey data also offered no evidence that women (or men) saw limited opportunities in the labour market as a barrier to female employment. Barriers to women's employment that were raised most frequently concern family-work balance, lack of affordable childcare, abuse-related factors, high transport cost and long commuting time. These call for policy interventions that are well outside the traditional labour market interventions considered by policymakers, and suggest that maximising job opportunities for GMS women will require a broad approach to public policy.

Gender wage gaps, a topic of importance and policy relevance, are explored in Chapter 6 (by Cheng and co-authors) and Chapter 7 (by Siliphong and Phoumphon), further disentangling the observed and unobserved determinants affecting how women are paid and treated in the workplace compared to their male counterparts.

Cheng and co-authors investigate gender wage gaps in Cambodia. They use the nationally representative Cambodia Socio-Economic Survey to decompose important factors, both observed and unobserved, determining wage differentials between female and male workers. The decomposition was disaggregated by industry and skill classification to better understand the differences. The results of an extended Oaxaca-Blinder decomposition indicate that men earn more than women on average, and the difference is attributable to unobserved factors such as discrimination and institutional arrangements. Women are also found to have lower levels of education and less work experience than men, particularly in high-paid management and professional positions. The lack of opportunities for women in those jobs could further widen the gender wage gap.

Gender pay gaps are also evident in Laos. Siliphong and Phoumphon interviewed 902 of 4,022 employees from 183 private firms in four major provinces. The predicted gender wage gap is 15.3 percent, and the wage differential is attributable to both observed and unobserved factors. Observed factors, which capture the differences in workers' characteristics (e.g. education, work experience, ethnicity and marital status), contributed 3.8 percent of the gender wage gap. Even with identical characteristics (except for gender), men earned 11.2 percent more than women, a clear advantage for men in the Lao labour market. This is attributable to unobserved factors (e.g. culture, social norms, workplace discrimination).

The last chapter in Part 2 (Chapter 8, by Dung, Ngo and Do) examines how mandatory social insurance contributions by employers affect wages and the propensity to hire in Vietnam. Using panel data from Vietnam Enterprise Surveys/Censuses, the authors find a negative but small impact of an increase in social insurance contributions: a 1 percent increase in social insurance to total wage fund would reduce by 0.16 percent the average wage per firm. The authors recommend that social insurance contributions will have to be increased as Vietnam's population ages. Nonetheless, the effects of such public policy intervention need to be monitored more closely.

**Part 3** contains three chapters focusing on skills and training. Reskilling and retraining are increasingly important to keep up with the fast-changing world of work and to prevent lags in occupational advancement. Ouch investigates how vocational training programs could help prepare economically disadvantaged

young adults in Cambodia for entry into the labour market (Chapter 9). Not only is the research topic interesting, its practical relevance adds value. The author finds a positive but statistically insignificant impact of participating in the training on employment outcomes. One of the main contributions of the paper is the use of randomisation to examine the causal links between vocational training, labour market transition and trainee outcomes. Randomised control trials, a simple but powerful research tool believed to be superior in dealing with endogeneity and in ensuring internal validity, have received growing attention from development and labour economists. The lessons learned from the experiment provide important inputs for researchers and practitioners thinking of using randomisation in their work.

Peou, Chhorn, Heng and Yi investigate the labour market transition of young people in Cambodia, and how they see and seize opportunities in the labour market (Chapter 10). Their analysis relies on quantitative secondary data from ILO's School-to-Work Transition Survey supplemented by primary qualitative data gathered from interviews with young people, university and training centre representatives, and policymakers. The results indicate that young Cambodians are gradually moving from family farming to urban wage jobs. They are also highly motivated to seek better paid jobs offering better working conditions and new experiences.

Chen, Wen and Deng examine skills shortage and mismatch in Laos (Chapter 11). Their main purpose was to diagnose the issue and provide feedback for Chinese firms operating in Laos, affording them a better understanding of the opportunities and challenges of investing in a low-income country. The findings are important for Lao policymakers concerned with resolving skills mismatches and shortages to improve labour productivity and foreign firm profitability. The authors find that Chinese firms try to employ more local labour, but the productivity of underskilled Lao workers is often low, resulting in higher-than-expected Chinese labour costs. The distribution of skills shows that workers' cognitive abilities (reading, writing and numeracy) contribute more to skills shortages than their non-cognitive abilities. The chapter underscores the difficulty of improving these skills solely through on-the-job training within firms.

### **1.5 Looking ahead – what next for GMS-Net?**

Throughout its 25 years, GMS-Net has made significant contributions to collaborative research, networking and mutual understanding. The high degree of collegiality maintained through the network has leveraged a better and more impactful commitment to policy-relevant research that addresses priority issues defined from within the GMS, and that engages policymakers in consultation

and knowledge exchange. We will continue our commitment to building research capacities in the GMS, especially of early career researchers. This will have wide implications not only for the professional growth of individual researchers in the network but also for the growth of their institutions. Further, national policymakers will have the benefit of learning from the experience of neighbouring GMS countries. We strongly hope to maintain the network and to deepen research collaboration and other knowledge sharing activities.

GMS-Net has undertaken a series of multi-country research studies on a wide range of topics, from the impact of the Asian financial crises on transitional economies to cross-border migration and trade. Research works, the findings of which were drawn on as inputs for the current research program, include:

Health and Education in the Mekong Subregion: Policies, Institutions and Practices (2015)

Inclusive Development in the Greater Mekong Subregion: An Assessment (2014)

Cost and Benefits of Cross-County Labour Migration in the GMS (2012)

The Cross-border Economies of Cambodia, Laos, Thailand and Vietnam (2005)

Off-farm and Non-farm Employment in Southeast Asian Transitional Economies and Thailand (2003)

Labour Markets in Transitional Economies in Southeast Asia and Thailand: A Study in Four Countries (2001)

This volume on labour is the latest contribution of GMS-Net. Despite the wide array of research questions explored, further studies on labour will continue to be relevant for all GMS stakeholders. Questions we should ask include: What are the implications of the ASEAN Economic Community for labour market policies and institutions for GMS countries and ASEAN? What kinds of job creation and skills development programs are suitable for female, youth and low-skilled workers? And how can those programs be scaled up? Tackling these and other critical research questions that influence labour market policy will require a deeper look into the existing and changing landscape of research in the GMS.

Professional and credible research is beneficial to society at large, but the scope and ultimate quality of future research will depend on having more researchers, more access to data and more funding. The subregion still needs to tap into emerging communities of thinktanks and universities capable of undertaking rigorous research, and GMS-Net is constantly seeking

opportunities to collaborate with like-minded institutions. Regarding the data gap, the good news is that greater attention to the need for reliable, clean data has led GMS governments to invest in datasets that allow researchers and policymakers to analyse and address labour market issues in a comprehensive and disaggregated fashion.<sup>9</sup> However, such datasets are not always readily accessible to local researchers due to cost, technical formatting or institutional permissions.

Finding funding to support research is perhaps the biggest challenge facing independent researchers. GMS countries need to open more spaces for dialogue among policymakers, researchers, development partners, trade unions and the private sector to drive a new research agenda on the future of work and employment. In turn, this dialogue would generate demand for more research on labour policies and ultimately trigger more support for high-quality research. Efforts to promote the demand and supply of labour research have been uneven across the GMS. There is a lot to be done. Domestic or international funding is needed to invest in more technical training on labour issues in universities and thinktanks, in dedicated time from researchers to conduct research, in improving the quality of labour data as well as data collection and access. More needs to be done so that researchers can construct, for instance, panel databases on workers or have better access to gender-disaggregated data to help them understand labour market dynamics or use newer and better research techniques such as randomised experiments. In this collection, the randomised controlled trial for Cambodia represents an example of the latter, but more similar studies are required to build up a body of evidence on whether or not some programs could work better. The GMS has to develop its own capacity to analyse the status, gauge the progress and

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<sup>9</sup> For instance, Cambodia has a number of survey datasets readily available for quantitative analysis: Labour Force and Child Labour Survey (2014), and the Cambodia Socio-Economic Surveys conducted every five years for 15,000 households and yearly for 3,500 households. The World Bank has released its 2013 round of Cambodia enterprise surveys. The first round was in 2007, and other GMS countries are part of this World Bank exercise (Enterprise Surveys). Laos also has a good stock of micro household and firm survey data – Expenditure and Consumption Surveys (2002–03, 2007–08, 2012–13), Multiple Indicator Cluster Survey (2006), Social Indicator Survey (2011–12), Labour Force and Child Labour Survey (2010) and Employment and Livelihoods Survey (2009). In Vietnam, Labour and Employment surveys (conducted annually since 1996), Population and Housing Census (every 10 years), and Vietnam Household Living Standards surveys (every two years) are all important sources of data. In Myanmar, World Bank Enterprise Surveys (2014 and 2017), ILO Labour Force Survey (2015) repeated by the government in 2017, Census 2014, UNDP’s Integrated Household Survey (2009–10), and the latest Living Conditions Survey by the World Bank, Central Statistics Office and international partners help overcome the lack of data for research.

overcome the challenges of its own human capital so that the region can fulfil the potential of present and future generations.

We hope you will join us in sharing our aspirations while you enjoy reading the next chapters.

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