
Briefing - The Skills Gap

As Laos grows economically, so too does the demand for skilled workers within the country. But employers are finding it increasingly difficult to find Lao workers to fill those jobs and have had to resort to importing labour from neighbouring countries for even relatively low-skilled positions.

In contrast, Lao job seekers may find it increasingly difficult to find work inside the country because they do not possess the necessary skills required by employers based in Laos. Meanwhile, employers in Laos often need to look outside the country to satisfy their demand for skilled labour.

Part of the cause of this mismatch in the Lao labour market is the lack of professional or vocational qualifications in the population. This is being addressed by the Government of Laos in conjunction with donors and development organizations with special focus on the development of vocational education and the increase in the number of vocational education opportunities (this is thoroughly addressed in the Ministry of Education and Sports' Technical and Vocational Education and Training Development Plan 2016-2020).

But in addition to the efforts in technical and vocational training, disincentives to in-house training by employers should be removed – currently, very little in-house training is provided by employers in Laos as there is a perception that it might be seen as a benefit-in-kind and therefore taxed. Instead, there is a strong case for not only removing this anomaly but also making all bone-fide training costs fully tax-deductible. In some countries, in-house training attracts significant tax incentives to strongly encourage the skills development of workers.

But key to improving skills in Lao PDR and closing the skills gap is improving access to education and skills at all levels and increasing the take-up rate of education at each level, from primary school all the way through to professional and vocational level. Topics such as making the curriculum more relevant and interesting to students, upgrading teacher skills and providing a more flexible approach to education so that students who have already dropped out can rejoin and progress at some later stage are already well under discussion by stakeholders. But there still remains an issue, especially in rural Laos, identified by the World Bank of “a clear intergenerational transmission of low education attainment from parents to children.”(pp XI, WB 2013).

This is by far the toughest part of the skills-gap problem in the country and there is no single “quick-fix.” The World Bank’s suggestion of conditional cash transfers to incentivize uneducated parents to agree to keep their children in formal education for longer can be especially important in the case of vulnerable categories of children, such as girls or the children of the very poor.