

SECTION B: BASELINE ASSESSMENT

CHAPTER B9: EMPLOYMENT AND LIVELIHOODS

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9. EMPLOYMENT AND LIVELIHOODS

9.1 INTRODUCTION

This Chapter of the ESIA describes the context of the Oyu Tolgoi Project in relation to the overall workforce, employment, labour and working conditions at the national, provincial (*aimag*) and local (*soum*) levels. The Oyu Tolgoi Project is located in Khanbogd *soum* which has a rural nomadic and semi-nomadic herder population engaged predominantly in livestock production, but also *soum* centre residents increasingly engaged in small trade, civil service and mining.

9.2 METHODOLOGY

Primary Data Collection

Several sources were used to develop the employment and livelihoods baseline. Information developed specifically for this Project includes the following surveys and assessments:

- *Omnogovi Aimag Social, Economic and Environmental Baseline Survey in 2008*. Oyu Tolgoi commissioned the survey which was conducted by the Centre for Policy Research Mongolia, and the Population Training and Research Centre. A more detailed analysis of the *soums* neighbouring the Project, entitled the *Oyu Tolgoi Project Social, Economic and Environmental Subset*, was completed in 2009 based on the same data and information. The focus of the main study was Omnogovi *aimag*, and the focus of the subset report was the *soums* of Khanbogd, Manlai, Bayan-ovoo, Tsogttsetsii and also Dalanzadgad, with Omnogovi *aimag* figures provided for comparison. A total of 1,323 households in the *aimag* were sampled, representing 10% of the total number of households; this included 70 households in Khanbogd *soum* centre and 37 rural households. Data of relevance to this Chapter include: total workforce numbers, numbers of employed and unemployed people (by age and gender), income distribution, sectoral employment, working conditions, wages and pension arrangements etc;
- *Oyu Tolgoi Project Socio-economic Impact Assessment, 2009*. Oyu Tolgoi conducted this assessment in consultation with 141 individuals in five *soums*, 29 *soum* officials and 32 other civil society representatives (as defined in *Chapter A6: Community Consultation*). The impact assessment was also conducted by the Centre for Policy Research Mongolia, and the Population Training and Research Centre, Mongolia and includes an assessment of key employment indicators, sources of income, and an analysis of business size, structure and composition within the Project Area of Influence; and
- *Survey of Potentially Affected Herder Households (2010 to 2011)*. This survey was undertaken by Oyu Tolgoi between September 2010 and May 2011. This Survey involved detailed household visits to all affected herder families as well as other herder households in the Khanbogd *soum*. A total of 84 households were involved in this consultation and survey programme. The survey covers household composition, employment levels and sources of income, livestock and other assets, and expenditure patterns.

Secondary Data Sources

Data on employment statistics, agricultural and livestock indicators, wealth indicators, a summary of existing enterprises, businesses and income support measures for Khanbogd *soum* have also been obtained from the Statistical Office of South Gobi, the *aimag* and *soum* Governments. This data has been compiled into a database managed by Oyu Tolgoi and updated on a regular basis. Other sources external to the Project used in this document include, *Ayush Nyam, National Occupational Safety and Health Profile of Mongolia Bangkok, International Labour Office, 2006*. Data has also been collected from other published secondary sources including the Mongolian National Statistics Office (NSO), and the World Bank, and these are referenced as applicable.

9.3 LABOUR AND WORKING CONDITIONS

9.3.1 Mongolian Standards

Framework Laws

Mongolia has had a fairly recent transition from a centralised to a market economy. The reinstatement of private property, following Mongolia's independence, made it necessary to change the system of labour management and control into one that was consistent with a market economy. The *1991 Labour Code of the People's Republic of Mongolia* introduced new regulations aimed to ensure that occupational safety rules were approved by the Government and other rules and labour standards were approved by the public administrative institutions of the central level or ministries.

Previously, these rules and standards were approved only with the participation or consultation of the Central Council of Mongolian Trade Unions and its affiliates. According to the law, employers' responsibilities for Occupational Health and Safety (OHS) basically remained the same, but the procedures for providing compensation to workers affected by industrial accidents or occupational diseases were changed.

A key milestone in the development of Mongolia's organisational structure for its workforce came with the introduction of the Labour Law of Mongolia (which came into force on 1 July 1999). The purpose of this law is to determine the rights and duties of employers and employees including collective agreement, collective bargaining, collective and individual labour disputes, labour conditions, terms and conditions of work, liabilities for breach of the legislation, and to ensure gender equality.

Under this law an employee has the right to be provided with labour conditions that comply with health and safety laws and regulations; to receive payment for work done; to holiday; to freely assemble with other employees for the purpose of protecting his/ her rights and legitimate interests including through representative organisations and collective agreements; to strike in certain circumstances; to receive a pension, an entitlement to social insurance and death in service benefits and to other benefits as may be provided in employment and collective agreements.

Discrimination in the workplace based on nationality, race, sex, social origin or status, wealth, religion, or ideology is prohibited, but women are prevented from undertaking certain forms of work as set out in separate regulations. Women with children are protected from discrimination and are entitled to maternity leave. Parents with children under three years may take child care leave and employers must re-engage such employees on their return to work.

Collective agreements may be concluded within professions or economic sectors and at the region, *soum*, *aimag*, and district or capital city level. All such collective agreements must be registered with the applicable regulator. The Labour arbitration court settles collective labour disputes and a court or commission settles individual labour disputes.

Labour Relations

Regulations for labour relations have been developed within the legal reform process in Mongolia. Amendments made to the Labour Law in 1991 and 1999 that were consistent with the new economic environment and the enactment of a new law on Trade Union Rights were important steps in providing a favourable legal environment for the development of tripartite cooperation in social relations. The Confederation of Mongolian Trade Unions (CMTU) is now the largest national trade union organisation in Mongolia consisting of approximately 450,000 members. It acts to protect the interests of workers in labour relations with employers and the Government.

In addition, in 1998 Mongolia ratified the ILO Convention No. 144 - Concerning Tripartite Consultations to Promote the Implementation of International Labour Standards. As stipulated in Article 138 of the Labour Law of Mongolia, the National Tripartite Committee on Labour and Social Consensus, composed of representatives of the Government, employers' and workers' organisations, was established as the highest national level regulatory mechanism for social dialogue.

In the interests of offering equal employment opportunities, Oyu Tolgoi has been exploring opportunities with the Mongolian government to obtain an exemption from government regulations prohibiting women from working in certain areas of mining (e.g., driving vehicles over 2.5 tonnes, working underground, mine rescue). Oyu Tolgoi is working closely with the Mongolian government in this regard and has been

collecting examples of experience in other countries such as Australia, Canada, and the United States where women have successfully transitioned to all mining-related roles. Given that women in Mongolia represent 50% of the potential workforce, this initiative is a key element of the Oyu Tolgoi human resources and training strategy.

Regulations Related to Minimum Age

Article 109 of the Mongolian Labour Law sets the minimum age of employment at 16 years, although children aged 15 may work with the permission of a parent/guardian, and those aged 14 may be engaged in vocational training/employment with the permission of both the parent/guardian and the Government. The Labour Law prohibits minors under the age of 18 from being required to work overtime or on holidays or weekends and limits the hours of legal employment based on the age of the child. The Oyu Tolgoi Project has put in place a minimum age policy of 18 years for all employment, including with contractors to Oyu Tolgoi.

9.3.2 International Standard and Conventions

IFC Performance Standards (2006) and EBRD Performance Requirements (2008)

International Finance Corporation (IFC) Performance Standard 2 and the European Bank for Reconstruction and Development (EBRD) Performance Requirement 2, set out requirements and recommendations for labour and working conditions. Requirements for both institutions are similar, and key requirements include:

- Adopt a human resources policy appropriate to its size and workforce that sets out the approach to managing employees, and establish and maintain a sound worker-management relationship;
- Provide employees with information regarding their rights under national labour and employment law, including their rights related to wages and benefits. Policies will be clear and understandable to employees and will be explained or made accessible to each employee upon taking employment;
- Document and communicate to all employees/workers directly contracted about their working conditions and terms of employment, including their entitlement to wages and any benefits;
- Comply with national law in countries where national law recognizes workers' rights to form and to join workers' organisations of their choosing. Do not discourage workers from forming or joining workers' organisations of their choosing or from bargaining collectively, and do not discriminate or retaliate against workers who participate, or seek to participate, in such organisations and bargain collectively;
- In countries where national law provides for non-discrimination in employment, comply with national law. Promote the fair treatment, non-discrimination and equal opportunity of workers, and base the employment relationship on these principles. Do not discriminate with respect to any aspects of the employment relationship, including recruitment and hiring, compensation, working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline;
- Develop a plan to mitigate the adverse impacts of retrenchment on employees, if it anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees;
- Provide a grievance mechanism for workers (and their organisations, where they exist) to raise reasonable workplace concerns and inform the workers of the grievance mechanism at the time of hire, and make it easily accessible to them;
- Protect and promote the health of workers, especially by promoting safe and healthy working conditions;
- Do not employ children in a manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. Children below the age of 18 years will not be employed in dangerous work; and
- Do not employ forced labour, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty.

International Labour Conventions

Mongolia ratified the Occupational Safety and Health (OSH) Convention (No.155) of International Labour Organisation (ILO) in 1999. In compliance with the Convention, the country is upgrading legislation and regulating OSH issues within the legal reform process.¹ Overall, there is existing legislation to promote OSH environment in workplaces. However, standards are not at international levels, especially with regard to improving workers' knowledge and awareness of prevention of industrial accidents and occupational diseases.

Table 9.1 shows the current status of Mongolia's ratification of the 'core' ILO Conventions – eight conventions that have been identified by the ILO's Governing Body as fundamental to the human rights of people at work.

Table 9.1: Ratification of the ILO Core Conventions

| ILO Convention Number, Title and Year | Ratification Status |
|--|------------------------|
| 29 "Forced Labour" (1930) | Ratified on 15/03/2005 |
| 87 "Freedom of Association and Protection of the Right to Organise" (1948) | Ratified on 03/06/1969 |
| 98 "Right to Organise and Collective Bargaining" (1949) | Ratified on 03/06/1969 |
| 100 "Equal Remuneration" (1951) | Ratified on 03/06/1969 |
| 105 "Abolition of Forced Labour" (1957) | Ratified on 15/03/2005 |
| 111 "Discrimination (Employment and Occupation)" 1958 | Ratified on 03/06/1969 |
| 138 "Minimum Age" (1973) | Ratified on 16/12/2002 |
| 182 "Elimination of the Worst Forms of Child Labour" (1999) | Ratified on 26/02/2001 |

Source: International Labour Organisation.

9.4 NATIONAL EMPLOYMENT CONTEXT

9.4.1 Total Labour Force

The definition of the economically-active population, according to the National Statistics Office (NSO) of Mongolia is as follows:

"...comprises all employed and unemployed registered in the Department of Labour and Social Welfare as International Labour Organisation methodology requires. The economically active population does not include: - unemployed persons not registered at the Department of Labour and Social Welfare, serving at armed forces, prisoners, pupils and students aged 16 and over. Economically active is defined as usually active, which is measured in relation to a long reference period such as a year."

Effectively, this means that land-based occupations (i.e. herding/crop production) are included in labour force statistics. Employed persons...*"comprise (a) all civilians, who, did work for pay or profit, unpaid workers in a family enterprise, and (b) all civilians who were not working or temporarily absent from jobs or businesses for non-economic reasons (illness, weather conditions, vacations, etc)."*

The country's economically active population totalled 1.137 million in 2010, and the total Labour Force Participation Rate (LFPR)² was 66.8% (Table 9.2). The national LFPR has varied little since 2004 (at between 64.0 and 66.8%). The LFPR for women is similar to the overall national average at 63.2%, as is the proportion of registered unemployed, at 3.2%. The total number of workers increased by 71.5 thousand workers from the 3rd quarter of 2009 to the 3rd quarter of 2010³. Table 9.3 illustrates other key

¹Ayush Nyam, *National Occupational Safety and Health Profile of Mongolia* Bangkok, International Labour Office, 2006.

² The labour force participation rate (LFPR) is the proportion of the population aged 15 and above that is economically active.

³ National Economic Review, Mongolia, National Development and Innovation Committee (NDIC), 2010.

employment trends between 2002 and 2009, including employment numbers disaggregated by gender and by rural and urban residents.

Table 9.2: Employment, National and South Gobi Aimags (2010)

| Location | Economically active population, '000 | Employed, '000 | Percentage of people of working age | Labour participation rate, % | Employment rate, % | Proportion of registered unemployed, % |
|------------------|--------------------------------------|----------------|-------------------------------------|------------------------------|--------------------|--|
| National average | 1,137.9 | 1,006.3 | 62.3 | 66.8 | 88.4 | 3.3 |
| Govisumber | 6.1 | 4.8 | 67.7 | 67.7 | 78.9 | 2.6 |
| Dornogovi | 25.3 | 20.1 | 63.6 | 68.3 | 79.5 | 2.1 |
| Dundgovi | 24.1 | 20.9 | 63.7 | 79.3 | 86.7 | 2.3 |
| Omnogovi | 27.3 | 23.2 | 68.8 | 80.5 | 84.9 | 1.8 |

Source: Statistical Yearbook of Mongolia, 2010, National Statistics Office.,

Table 9.3: National Labour Force Status of Population (15 yrs +)

| Indicators | 2002 - 2003 | 2006 - 2007 | 2009 |
|------------------------------------|--------------|--------------|--------------|
| Currently employed ('000) | 862.5 | 898.9 | 977.4 |
| Male | 448.9 | 435.1 | 516.5 |
| Female | 413.6 | 463.8 | 460.9 |
| Urban | 392.3 | 442.5 | 524.3 |
| Rural | 470.2 | 456.4 | 453.1 |
| Employment status ('000) | - | - | - |
| Paid employee | 338.6 | 336.8 | 395.2 |
| Employer | 5.5 | 6.0 | 21.3 |
| Own account worker | 303.4 | 306.4 | 226.4 |
| Unpaid family worker | 215.0 | 249.7 | 99.5 |
| Secondary occupation ('000) | 23.9 | 18.0 | n/a* |
| Male | 14.6 | 11.2 | n/a |
| Female | 9.3 | 6.8 | n/a |
| Under-employed ('000) | 58.2 | 41.1 | n/a |
| Male | 34.4 | 18.6 | n/a |
| Female | 23.8 | 22.5 | n/a |

* n/a denotes not available in that publication.

Source: Statistical Yearbook of Mongolia, 2008, and the Monthly Bulletin of Statistics, 2010, National Statistics Office. Note: These statistics were not available disaggregated by aimag.

9.4.2 Unemployment

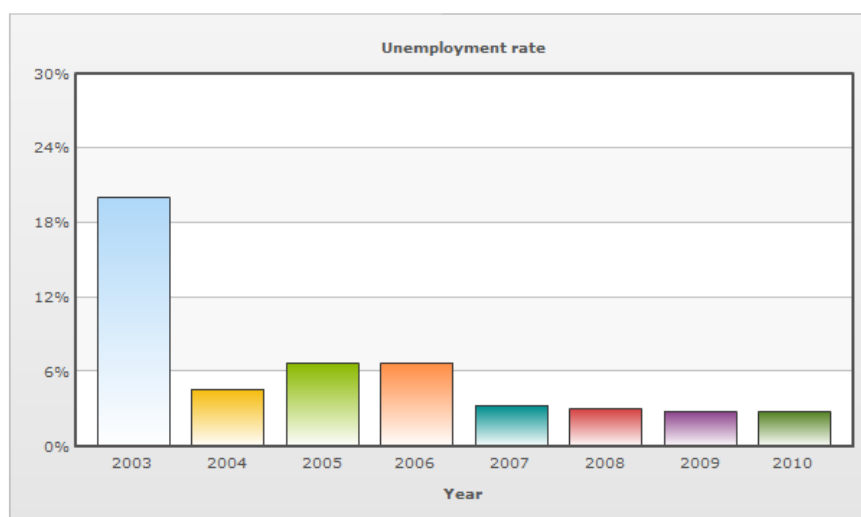
Registered unemployment at a national level has remained stable at around 3.3% over the last 5 years, according to the Statistical Yearbook of Mongolia, 2010 (see *Figure 9.1*). The overall number of registered unemployed has stayed at around 40,000 persons since the second half of 2010.⁴ It is

⁴ Mongolia Quarterly Economic Update, The World Bank, January 2011.

important to note that these unemployment figures only account for those registered with the Labour and Social Welfare Offices in *soums*, *aimags* and the capital city.

According to the Q3 *Labour Force Survey*⁵ of 2010, which also takes into account those who are not officially registered as unemployed, the actual unemployment rate stood at 8.6% (10.5% in urban areas and 6.5% in rural areas), down from 10.5% in September 2009. This equates to some 103,000 people unemployed from the total labour force of 1,193,000.

Figure 9.1: National Unemployment Rate in Mongolia, 2003-2010



Source: CIA⁶, taken from the *Statistical Yearbook of Mongolia, 2010*.

9.4.3 Economic Activity Sector

Agriculture, predominantly livestock production, accounts for about a third of all economic activity in Mongolia. In 2009, an estimated 34%⁷ of the nation's workforce was dependent on herding for a substantial part of their livelihoods and about 63% of rural household assets comprise livestock⁸. The most recent detailed data available for economic activity by sector, both nationally and for the south Gobi, comes from the *Labour Force Survey* conducted by the National Statistics Office in 2006-2007. (see *Table 9.4*).

⁵ NSO has been conducting "Labour Force Surveys" on a quarterly basis since 2000, according to International Labour Organisation methodology.

⁶ US Central Intelligence Agency, *The World Factbook 2010*. As quoted in http://www.indexmundi.com/mongolia/unemployment_rate.html.

⁷ 2008 data. US Central Intelligence Agency, *The World Factbook: Mongolia*. Source URL: www.cia.gov.

⁸ Source URL: <http://blogs.worldbank.org/eastasiapacific/dzud-a-slow-natural-disaster-kills-livestock-and-livelihoods-in-mongolia>.

Table 9.4: Economic Activity/Employment by Sector

| Sectors (% Employment) | National total | Govisumber | Dornogovi | Dundgovi | Omnogovi |
|--|----------------|------------|-----------|----------|----------|
| Employed, total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture, forestry and hunting | 38.4 | 10.5 | 40.3 | 71.2 | 63.1 |
| Mining industry | 4.2 | 13.8 | 1.6 | 1.0 | 4.2 |
| Processing industry | 4.6 | 1.2 | 0.6 | 0.5 | 0.3 |
| Electricity, heating and water supply | 3.1 | 16.2 | 1.9 | 0.8 | 1.6 |
| Construction | 5.6 | 2.8 | 6.1 | 0.5 | 0.5 |
| Wholesale and retail sale, households goods | 15.8 | 6.3 | 10.3 | 8.2 | 8.9 |
| Hotel and restaurants | 3.1 | 2.4 | 1.2 | 0.8 | 0.7 |
| Transportation, storage and communication | 4.1 | 9.0 | 11.7 | 1.8 | 2.3 |
| Financial transactions | 1.7 | 4.4 | 1.3 | 1.0 | 0.8 |
| Mortgage, renting and business | 1.2 | 2.5 | 3.6 | 0.5 | 1.8 |
| Public administration and defence, insurance | 4.7 | 7.6 | 10.4 | 5.5 | 8.2 |
| Education | 6.1 | 7.6 | 5.8 | 4.9 | 4.7 |
| Health and social welfare | 3.9 | 6.7 | 3.5 | 2.7 | 2.2 |
| Communal and personal services | 2.3 | 7.3 | 1.7 | 0.4 | 0.4 |
| Off farm family businesses | 0.7 | 0.9 | 0.1 | 0.0 | 0.3 |
| Donor activities | 0.4 | 0.7 | 0.0 | 0.2 | 0.1 |

Source: Information bulletin, Statistical Office of Mongolia, 2010 (from 2006-2007 survey), cited in the Gobi Region Technical & Vocational Skills, Labour & Training Survey, Final Report, 29 Oct 2010, Sustainability East Asia LLC.

9.4.4 Agriculture

Pastoral livestock production is the mainstay of Mongolia's economy and the principal livelihood activity of the rural population. Agriculture still has a significant but declining importance for the Mongolian economy and labour force. At the end of 2009, the livestock sector made up 86% of gross agricultural products (GAP), which is down from 92% in 2005.⁹ The share of the agriculture sector in GDP has gone from 33% in 1995 to 23% in 2009.¹⁰ The labour force in the agricultural sector increased by 46.9 thousand people from the third quarter of 2009 to the third quarter of 2010. The share of agricultural sector workers in the total labor force increased by 2% from 2009 to 2010.¹¹ This is in contrast to a steady decrease in the share of people employed in the agriculture sector between 2005 and 2008 (from 40%, 39%, 38% down 36% each year respectively).

Livestock numbers were recorded at approximately 36 million head in 2006 and 37 million head in 2008. Livestock numbers are projected to have reached 40 million head in 2010 (final results from the most recent census are expected by July 2011). The increase in livestock numbers are found mainly in higher goat, cattle, and horse population, whereas camel numbers have steadily decreased. The yield of crops per hectare, and particularly that of grains, remains low. The amount of grain harvested for the nation from 2004 to 2007 totalled 116.9 thousand tonnes, lower by 26.9 thousand tonnes than the average

⁹ Source: "The development of the Oyu Tolgoi copper mine: an assessment of the macroeconomic consequences for Mongolia", School of Economic Studies, National University of Mongolia/ BAEconomics, 2011.

¹⁰ Ibid, BAEconomics, 2011.

¹¹ National Economic Review, Mongolia, National Development and Innovation Committee (NDIC), 2010.

during 2000 to 2003, hence Mongolia is still reliant on imported food.¹² Unlike the continuous drop in both land harvested and grains grown, harvests increased from fields sown with potatoes and other vegetable varieties. Concerns about food security in Mongolia are real since there are often large inter-annual variations in the country's ability to produce principal food items and import remains the only option (mostly from Russia and China).

9.4.5 Mining

Mongolia is rich in minerals, the most significant being copper, zinc, gold and coal, thus mining operations account for a large part of its industrial production. In 2009, the mining and quarrying sector accounted for 28% of GDP and 86.1% of export earnings (representing a large portion of the country's access to hard currency), compared with 27% of GDP in 2008. With spiking international mineral prices, there has been a surge of international interest to invest in the Mongolian minerals sector.

In five years, the sum of investment in the mines currently operating in the South Gobi will reach a reported 5 billion \$USD. Exploration activities have resulted in a pipeline of potential mineral project developments that are concentrated in the central economic region of the country, and particularly in the South Gobi *aimags*. The *Technical and Vocational Skills, Labour and Training Survey* conducted by Sustainability East Asia LLC in 2010, assessed the large mining enterprises operating and expected to be established in the South Gobi in the next five years, including the known and estimated number of jobs to be created (*Table 9.5*). Given the rapid increase in mining sector labour demand, it is likely that there will be competition for both skilled and unskilled workers between mining companies; access to employment opportunities will favour those workers with appropriate skills for the sector hence the importance of participation in company training schemes. Whilst competition for labour is inevitable, the benefits of the mining sector to the labour pool are likely to be experienced at the national level.

Table 9.5: Large Mining Enterprises Expected to be Established in Gobi Aimags

| Deposits | Mineral | Lifespan, years | Production, ('000 tons/annually) | Jobs to be created | Onset |
|-------------------------|---------------|-----------------|----------------------------------|--------------------|--------------|
| Omnogovi aimag | | | | | |
| Tavan Tolgoi | Coal | 200+ | 15000 | 1500 | 2012 |
| Ukhaa Khudag | Coal | 100 | 10000 | 1000 | 2009 |
| Baruun Naran | Coal | 20 | 6000 | 500 | 2012 |
| Tsagaan Tolgoi | Coal | 20 | 2000 | 150 | 2015 |
| Nariin Sukhait | Coal | 40 | 2000 | 150 | 2003 |
| Ovoot Tolgoi | Coal | 50 | 5000 | 400 | 2008 |
| Oyu Tolgoi | Copper | 50 | 2000 | 4000 | 2012 |
| Govisumber aimag | | | | | |
| Sumber | Coal | 50 | 5000 | 400 | 2015 |
| Shivee Ovoo | Coal | 200+ | 14000 | 600 | 2015 |
| Dornogovi aimag | | | | | |
| Tsagaan Suvraga | Copper | 30 | 500 - 1.3 mln tons copper | 1500 | 2015 |
| Dundogovi aimag | | | | | |
| Tumurtei | Iron | Not obtained | 4.6 | Unknown | Not obtained |
| Kharaat | Iron and Zinc | Not obtained | 15.0-20.0 | 107* | Not obtained |
| Ereen | Iron | Not obtained | 1.0 | 1000 | Not obtained |
| Unst Khudag | Coal | Not obtained | 98.0 | | Not obtained |

*Number of Mongolian workers.

¹² Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

Gobi Region Technical & Vocational Skills, Labour & Training Survey, Final Report, 29 Oct 2010, Sustainability East Asia LLC.

The Oyu Tolgoi employment data (direct and contractor employment as of February 2011) are shown in Table 9.6 below. Out of the total of 5,513 employees (Oyu Tolgoi and its contractors), 3,789 employees (68.7%) are Mongolian nationals, and 31.3% of the workforce is expatriate (1,724 workers).

Table 9.6: Employee Numbers for Oyu Tolgoi Employees and Contractors, February 2011

| Organisation | Number of employees | | |
|--------------|---------------------|---------------------|-------|
| | Mongolian | Expats ¹ | Total |
| Oyu Tolgoi | 620 | 82 | 702 |
| | 88.3% | 11.7% | 100% |
| Contractors | 3,169 | 1,642 | 4,811 |
| | 65.87% | 34.13% | 100% |

Source: Oyu Tolgoi employment database, as at February 2011. 1.

Expatriates employed by Oyu Tolgoi itself are all executive / managerial level or are technical experts. Oyu Tolgoi is investing \$85 million in a five year strategy to train the next generation of employees – through which the proportion of Mongolian managers and technical experts will be increased. The government agreement is that Mongolians and expatriates will be employed in a ratio of 90:10. Reparations are made to the Ministry of Labour when this ratio is breached. The situation with the Contractors is different. During the construction phase the government agreement is that there will be Mongolians and expatriates will be employed in a ratio of 60:40.

Artisanal and Small Scale Mining

Mongolia also has an artisanal and small scale (ASM) mining sector, which includes groups of people throughout the country that participate in small scale, mostly seasonal mining. In May 2007, the Mongolian Government closed down activities in the country. Such activities were deemed illegal as the individuals concerned did not have requisite official registration and authorisation. Due to the illegal status, reliable data is difficult to obtain, but over the past ten years, these activities escalated to year-round livelihoods involving an estimated 30,000 people and, it has been estimated that this number may have increased to 100,000 people during summer (see also Section 9.5.6 below).

9.4.6 Other Sectors

The next most important sector for employment is manufacturing and trade, which steadily increased its share of total employment from 19.5% in 1994 to 24.2 in 2008. Utilities and construction and mining and communications have experienced only marginal increases in their respective shares of total employment while transport and communications and finance and public administration have remained relatively constant over the period from 1994 to date.¹³

The transition to a market-based economy system has provided potential for development of new service-based businesses and Small and Medium Enterprises (SMEs) in Mongolia. New types of businesses emerging in urban and rural areas include trading, catering (restaurants/cafes), lodging and accommodation (hotels/motels), car repair workshops, laundry services, mobile phone repair shops, as well as carpentry and transportation. This is a fast-growing sector.¹⁴

9.4.7 Income

According to the *Labour Force Survey* of Q1 2010, the average monthly household monetary income reached 349,100 MNT (\$233 USD) and showing an increase of 1.6% compared to the same period of previous year. At the end of 2009, the household monthly average monetary expenditure was 368,300 MNT (\$245 USD) an increase of 0.9% compared to the same period of the previous year.

¹³ *Ibid*, BAEconomics, 2011.

¹⁴ Mongolia Quarterly Economic Update, the World Bank, January 2011.

9.5 OMNOGOVI AIMAG

9.5.1 Total Labour Force

According to NSO, the Omnogovi *aimag* LFPR was 67.7% at the end of 2009 rising to 80.5% at the end of 2010 (higher than the national average of 66.8%). In 2009, the number of employed persons in Omnogovi *aimag* aged over 15 years was 22,400 people, while in 2010 it was recorded as 23,200.¹⁵

9.5.2 Unemployment and Underemployment

The unemployment rate for Omnogovi *aimag* was recorded at 1.8% in 2010 (see *Table 9.2* above), lower than the national average of 3.3%. However, unregistered unemployment in Omnogovi *aimag* has been increasing in recent years according to the regular *Labour Force Surveys*, with unemployment registered at 10.2%, 15.6% and 19.3% as at end 2007, 2008, and 2009 respectively.¹⁶

The Oyu Tolgoi Baseline Survey indicated that an estimated 5.5% of the employed population aged 15 and above in the *aimag* is underemployed. Underemployment in Mongolia is defined as people working less than 40 hours a week, people seeking additional work and those already engaged in additional work. It is worth noting that statistics for underemployment are not readily reported by the NSO in their monthly bulletins or yearbooks. According to the Baseline Survey findings, unemployment rates in Omnogovi were highest amongst youths, women, and persons who had not completed secondary education.

9.5.3 Economic Activity by Sector

The majority of Omnogovi *aimag* residents are economically active in the agriculture sector. A total of 63.1% of its workforce is in livestock production. Other sectors of employment are minor in comparison to the agriculture sector, the nearest being wholesale and retail sale (8.9%), then public administration/government (8.2%), followed by education (4.7%) and mining (4.2%). However, it is important to note that these figures do not account for employment trends in the last several years, as employment data by sector is not available disaggregated by *aimag* for 2008 onwards.

9.5.4 Livestock Production

Herders represent a significant proportion of the population of the Omnogovi *aimag*. There are 13,220 households of which 7,305 (55.2%) own livestock and 6,258 (47.3%) are purely engaged in livestock husbandry as their main source of livelihood.¹⁷ Around 14,000 people¹⁸ in the *aimag* participate in livestock herding, and use livestock products for subsistence purposes, as well as deriving income from the sale of animal products.

The estimated total number of livestock has grown by 70% in the *aimag* since 2003. The majority of herders own between 100 and 500 animals (with a high proportion of goats). Herders prefer to keep goats, camels and sheep as compared to horses and cattle – because they bring more income, particularly goats from cashmere sales. The bulk of livestock products generated in the South Gobi are used for subsistence purposes and sold at local markets; cashmere is also sold at the border crossing with China. Products include live animals, cashmere, camel wool, sheep wool, and animal hides/skin. The majority of herders surveyed for the Baseline Survey reported that livestock production is the most dependable source of livelihood.

Herders who are residents of larger settlements (*soum* centres) tend to have additional sources of income that are supplementary to herding, e.g. from commercial activities such as operating shops or participating in seasonal wage labour. Although they are an economically diverse group with wide disparities in levels of wealth and incomes, all herders are vulnerable to a range of external shocks such

¹⁵ Monthly Bulletin of Statistics, Mongolia, National Statistics Office, February 2010.

¹⁶ *Ibid*, National Statistics Office, 2010.

¹⁷ Statistical Department of South Gobi, 2010, obtained by Oyu Tolgoi in 2011.

¹⁸ Calculated from the total employed persons (22.2 thous) and percentage in agriculture sector (63.1%) from 2008 Statistical Yearbook of Mongolia.

as drought, *dzud*¹⁹ (natural risks) and price fluctuations, worsening terms of trade (economic risk) and land use conflicts (including those due to mineral and other concessions). Specific details on herder incomes and other livelihoods data are provided in Section 9.6.4 below for Khanbogd *soum* herders.

9.5.5 Crop Production

Crop production has a significantly lower contribution to local income than livestock, but local production of potatoes and vegetables is important for the subsistence of families. Oyu Tolgoi has recently contributed to increasing the crop production sector in the *aimag* and associated employment by facilitating the expansion of an agricultural cooperative in Dalanzadgad to supply vegetables to the Project (see *Figure 9.2*). Production of animal fodder is also important, but there is reportedly a lack of suitable land which constrains these activities. Between 2003 and 2007, the average quantity of hay prepared (by *soum*) was 316 tonnes, i.e., 0.4-0.9 tonnes per livestock keeping household.

Figure 9.2: Agricultural Cooperative in Dalanzadgad that Supplies Vegetables to Oyu Tolgoi



Source: Oyu Tolgoi, photo taken 2010.

9.5.6 Mining

At the time of the Baseline Survey in Omnogovi *aimag*, there were 42 deposits with proven reserves, including coal, gold and copper. Unfortunately, there are no up to date figures for mining employment. The latest available figures for the *aimag* are from the 2006-2007 *Labour Force Survey*, which indicated that only 4.2% of the employed population were employed in mining and quarrying (which equates to less than 1,000 persons). Mining employment has undoubtedly increased in the *aimag* since that time, as seen from Oyu Tolgoi employment numbers in *Table 9.7* below. As shown, a total of 1,069 people (564 males, 485 females) from the Omnogovi *aimag* had been employed by the Project.

¹⁹ *Dzud* is a Mongolian term for an extremely snowy winter in which livestock are unable to find fodder through the snow cover, and large numbers of animals die due to starvation and the cold.

Table 9.7: Number of People Employed for Oyu Tolgoi Project by Residential Origin, December 2010

| Gender | Khanbogd | Bayan Ovoo | Manlai | Dalanzadgad | South Gobi (other) | Total |
|-------------------|----------|------------|--------|-------------|--------------------|-------|
| Oyu Tolgoi | | | | | | |
| Male | 23 | 5 | 7 | 64 | 14 | 113 |
| Female | 11 | 1 | 5 | 18 | 2 | 37 |
| Sub-total | 34 | 6 | 12 | 82 | 16 | 150 |
| Others | | | | | | |
| Male | 260 | 14 | 28 | 163 | 4 | 469 |
| Female | 335 | 12 | 26 | 77 | – | 450 |
| Sub-total | 595 | 26 | 54 | 240 | 4 | 919 |
| Total | | | | | | |
| Male | 283 | 19 | 35 | 227 | 18 | 582 |
| Female | 346 | 13 | 31 | 95 | 2 | 487 |
| Total | 629 | 32 | 66 | 322 | 20 | 1,069 |

Source: CSP Department, Monthly Report, December 2010, prepared from Oyu Tolgoi employment database.

Artisanal and Small Scale Mining

ASM activities have been present in Omnogovi *aimag*, though not in the vicinity of Oyu Tolgoi as there is no free gold in the sediments or shallow rock which can be collected and processed by artisanal mining methods. The nearest ASM activity to Oyo Tolgoi was at Iraq Hill (135 km away), in Khataanbulag *soum* of Dornogovi *aimag* and also in Nomgon *soum* (to the west of Bayan Ovoo *soum*), which is outside the Oyu Tolgoi Project Area of Influence. There were 19 illegal mills operating in the Iraq Hill area before government intervention which led to the confiscation of machinery and equipment.

The Baseline Survey indicated that illegal gold mining was carried out by over 10% of families in Omnogovi *aimag*. Reportedly, the government ban on illicit mining has affected the income of some entrepreneurs that had been engaged in these activities, however, recent information from the Khanbogd *soum* governor suggests that any economic displacement caused by the government's ban was temporary, and all such informal entrepreneurs have managed to engage in other employment.

9.5.7 Small Businesses

The Baseline Survey in Omnogovi *aimag* included an assessment of family and small businesses, including individual entrepreneurs with activities (both those registered as well as those not registered). Around 40 types of family run and small businesses were identified to operate in rural areas in the *aimag* including trading, motels, eateries, businesses producing wood items, and freight and passenger transport services.

According to the findings of the Baseline Survey, small businesses contribute greatly to household livelihoods and on average across the *aimag*, 12% of residents in *soum* centres and 7% of herders were found to generate their income from small scale businesses. The number of foreign tourists in the Omnogovi *aimag* has been increasing in recent years, and 344 people were reportedly employed in the tourism sector in 2008 (of the total employees, 21.5 % were permanent and 68.5 % were temporary workers).²⁰ In 2008, there were 23 tourist centres with 577 *gers* providing 1,548 beds throughout Omnogovi *aimag*. Of these centres, three are in the Dalanzadgad, and three in Khanbogd.

²⁰ Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

9.5.8 Participation of Women in the Labour Force

The Baseline Survey indicated that the LFPR was 64.5% for females (compared with 67.2% for males) in the *aimag*, of which the majority are engaged in herding and tending of animals, livestock processing activities, selling of products, etc.²¹ In *soum* centres, women take part in small businesses (e.g. tea houses, hairdressers, eateries, bread and pastry shops) and some have paid jobs. Of the 2,414 civil servants employed in Omnogovi in 2007, a total of 1,665 (69%) were women.

It should be noted that attitudes towards working women are reportedly changing with an increasing proportion of women earning incomes and contributing to the overall household economy. In the focus group discussions held during the baseline survey, participants noted the significant contributions made by women to the overall running of households.

9.5.9 Youth Employment

The Omnogovi *aimag* has a high proportion of young people compared to the national population. Interviews were conducted with 40 people aged 17-42 years from Khanbogd, Bayan Ovoo, Manlai and Tsogttsetsii *soums* (47.8% males and 52.2% females). According to age groups, 16.8% were between 17-19 years, 36.6% were 20-24 years old, 23.6% were 25-29 years (in other words 77% were under 30 years), 13.0% were between 30-34, and the remainder (10%) were aged 35-42. Of these participants, 26.7 % were engaged in the agricultural sector, particularly livestock herding, 23.6 % were self-employed, 16.1 % were working at state/private organisations, 16.8% were unemployed, and others engaged in the service sector.

9.5.10 Children in Work

According to the Baseline Survey, out of a total of 1,545 children belonging to 1,325 households surveyed in the *aimag*, 4.6% of children in the age range 5 to 17 years were employed, two-thirds of which were male. Nearly 60% of these children were engaged in herding livestock, and other areas of work included industry and construction (7%), petty trade (6.5%), cropping activities (3.6%), tourism (2%), and nearly 3% were engaged in mining (likely to be small-scale illegal mining). The majority of employed children were working in order to contribute to the income of poorer households. It is important to note that the Oyu Tolgoi Project and other international mining projects operating in the region have strict prohibitions against the employment of child labour.

9.5.11 Income and Expenditure

Sources of Income

In 2008, the monthly average total household income in Omnogovi *aimag* was 523,406 (USD \$376) Tugrugs/month. Tsogttsetsii *soum* which has a local economy that is dominated by mining/industry, has the highest average household income of 620,106 (US\$413) Tugrugs/month. *Table 9.8* illustrates sources of household income by percentage, and *Table 9.9* illustrates total income from different sources, as obtained from the Baseline Survey.

Table 9.8: Composition of Monthly Average Household Income (%) of Survey Participants

| Soum | Total Monetary incomes (%) | Incomes as a % of total monetary income | | | | | Other incomes (%) | |
|--------------|----------------------------|---|-------------------------|------------------------|----------------------------------|-----------------------------------|-------------------|-------------------------|
| | | Wages and salaries | Pensions and allowances | Incomes from husbandry | Incomes from cropping activities | Incomes from household businesses | Gifts from others | Subsistence agriculture |
| Bayan-Ovoo | 66.4 | 24.3 | 22.9 | 36.1 | 0.4 | 16.3 | 6.7 | 26.9 |
| Manlai | 69.1 | 24.2 | 23.8 | 43.7 | 0.1 | 8.2 | 1.5 | 29.4 |
| Khanbogd | 77.9 | 38.3 | 18.8 | 29.6 | 0.0 | 13.3 | 2.1 | 20.0 |
| Tsogttsetsii | 74.9 | 37.7 | 23.7 | 29.7 | 0.4 | 8.6 | 2.8 | 22.3 |
| Dalanzadgad | 87.6 | 56.4 | 24.9 | 4.2 | 1.3 | 13.1 | 7.5 | 4.9 |

²¹ *Ibid*, Subset Report, 2009.

| Soum | Total Monetary incomes (%) | Incomes as a % of total monetary income | | | | | Other incomes (%) | |
|----------------------|----------------------------|---|-------------------------|------------------------|----------------------------------|-----------------------------------|-------------------|-------------------------|
| | | Wages and salaries | Pensions and allowances | Incomes from husbandry | Incomes from cropping activities | Incomes from household businesses | Gifts from others | Subsistence agriculture |
| Aimag average | 74.4 | 35.2 | 22.8 | 27.9 | 1.4 | 12.7 | 3.9 | 21.7 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

Table 9.9: Monthly Total and Cash Household Income (Tugrugs) of Survey Participants

| Soum | Total income per household | Total monetary incomes | Components of total monetary incomes | | | | | Other incomes | |
|----------------------|----------------------------|------------------------|--------------------------------------|-------------------------|------------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| | | | Wages and salaries | Pensions and allowances | Incomes from husbandry | Incomes from cropping activities | Incomes from household businesses | Received from others as free gift | Food preparation in own business |
| Bayan-Ovoo | 510,223 | 347,710 | 94,520 | 58,942 | 113,451 | 543 | 80,254 | 17,267 | 145,246 |
| Manlai | 500,799 | 358,657 | 96,642 | 60,266 | 173,298 | 625 | 27,826 | 4,803 | 137,339 |
| Khanbogd | 574,838 | 458,201 | 169,770 | 50,599 | 146,794 | 46 | 90,991 | 6,622 | 110,015 |
| Tsogttsetsii | 620,106 | 510,692 | 189,931 | 55,185 | 100,764 | 2,652 | 162,160 | 10,381 | 99,032 |
| Dalanzadgad | 471,132 | 417,220 | 245,577 | 56,878 | 16,185 | 4,954 | 93,626 | 28,771 | 25,140 |
| Aimag average | 523,406 | 397,729 | 152,791 | 54,747 | 90,589 | 5,764 | 93,837 | 13,888 | 111,789 |

Note: 1,500 Tugrug = US\$1

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

The average income per person from animal husbandry and cropping was 100,766 Tugrugs/month (USD \$67), while the average income from mining and quarrying was over double that amount, recorded at 232,601 Tugrugs/month (USD \$155) (Table 9.10).

Table 9.10: Average Monthly Incomes According to Main Economic Activity of Survey Participants

| Soums | Number of Economically Active People Surveyed | Average monthly incomes (Tugrugs) | | |
|----------------------|---|-----------------------------------|-----------------|----------------------|
| | | Husbandry, forestry and fishing | Crop activities | Mining and quarrying |
| Bayan-Ovoo | 84 | 95,228 | - | 114,660 |
| Manlai | 125 | 125,173 | - | 150,000 |
| Khanbogd | 215 | 132,422 | - | 267,381 |
| Tsogttsetsii | 137 | 79,801 | - | 251,760 |
| Dalanzadgad | 572 | 89,141 | 8,676 | 287,053 |
| Aimag average | 2,288 total | 100,766 | 67,876 | 232,601 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Subset, 2009.

Expenditure

Monthly per capita consumption of Baseline Survey participants in the *aimag* was 146,390 (US\$98) Tugrugs/month in 2008 (Table 9.11).

The data on per capita consumption generally indicates an even split between expenditure on food and non-food items (except for in Bayan Ovoo).

Table 9.11: Per Capita Monthly Consumption of Survey Participants

| Selected Characteristics | Bayan-Ovoo | Manlai | Khanbogd | Tsogttsetsii | Dalanzadgad | Aimag average |
|------------------------------------|------------|---------|----------|--------------|-------------|---------------|
| Consumption (Tugrugs/month) | | | | | | |
| Food | 75,754 | 58,800 | 52,820 | 57,399 | 57,085 | 68,896 |
| Durable goods | 4,297 | 5,670 | 7,183 | 4,882 | 5,747 | 5,848 |
| Heating & housing | 2,278 | 3,823 | 2,987 | 1,503 | 4,341 | 2,673 |
| Other non-food | 49,625 | 60,418 | 83,380 | 57,756 | 75,064 | 68,972 |
| Total | 131,954 | 128,711 | 146,369 | 121,540 | 142,236 | 146,390 |
| Consumption (% of total) | | | | | | |
| Food | 58.2 | 50.8 | 43.9 | 49.4 | 46.0 | 51.6 |
| Durable goods | 3.4 | 4.2 | 4.3 | 3.6 | 3.8 | 3.7 |
| Heating & housing | 2.0 | 2.8 | 2.4 | 1.3 | 2.8 | 1.9 |
| Other non-food | 36.4 | 42.2 | 49.4 | 45.6 | 47.4 | 42.7 |

Note: 1,500 Tugrug = US\$1

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

Focus group discussions (FGDs) which were part of the Baseline Survey indicated that household income is spent equally on each member of the household, depending on needs and at the discretion of the household's head. The feedback indicated that in most households the children have the greatest needs, and much of the household income is spent on children's tuition, educational materials and school clothing. This finding is further supported by findings from consultation between Oyu Tolgoi and Khanbogd *soum* herder households. Herder families potentially affected by land acquisition for the Oyu Tolgoi Project have requested help to pay for the education of their children as one means of livelihood restoration support (see *Chapter D15: Resettlement Action Plan*).

9.5.12 Income Support

The Baseline Survey assessed access to income support and social welfare during times of financial hardship within the *aimag*. Over 93% of households in the Omnogovi *aimag* stated that they were able to get assistance when facing financial difficulties (*Table 9.12*). The survey also identified that over 50% of families in the *aimag* take out a loan at least once per year, about 60% of which are used for household consumption and about 10% for agriculture and livestock purchase. The majority of loans are taken from banks, with less than 5% from private lenders and other sources.

On average in Omnogovi *aimag*, nearly 63% of households claimed that they can seek help from relatives in times of financial difficulties, demonstrating that family relationships and values remain critical. Some households in the *aimag* stated that they find help from friends (22%), from co-workers (14%) or from the local administration (13%). In addition, survey results indicate that the sale of livestock or doing some additional work (e.g. labouring, looking after someone's livestock, driving) were the most common approaches to addressing financial difficulties.

Table 9.12: Places Where Households Go for Financial Help, Coping Strategies, % Survey Participants

| Selected characteristics | Location | | | | | |
|---|------------|--------|----------|--------------|-------------|---------------|
| | Bayan-Ovoo | Manlai | Khanbogd | Tsogttsetsii | Dalanzadgad | Aimag average |
| Places/individuals where households go for help when facing shocks (%) | | | | | | |
| Relatives | 58.7 | 62.5 | 69.7 | 53.0 | 69.8 | 62.8 |
| Friends | 41.3 | 10.9 | 9.2 | 9.1 | 35.6 | 21.5 |

| Selected characteristics | Location | | | | | |
|--|------------|--------|----------|--------------|-------------|---------------|
| | Bayan-Ovoo | Manlai | Khanbogd | Tsogttsetsii | Dalanzadgad | Aimag average |
| Co-workers | 6.5 | 6.3 | 5.5 | 7.6 | 28.8 | 14.2 |
| Local rich and powerful people | 2.2 | 0.0 | 0.0 | 1.5 | 0.5 | 1.1 |
| Administration | 32.6 | 7.8 | 22.9 | 24.2 | 5.1 | 13.4 |
| Project/programme implementation organisations | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | 0.7 |
| Banks | 23.9 | 17.2 | 12.8 | 16.7 | 12.9 | 17.3 |
| Shop/Kiosks | 0.0 | 6.3 | 0.0 | 3.0 | 0.3 | 1.0 |
| Other | 2.2 | 0.0 | 2.8 | 0.0 | 1.1 | 2.5 |
| None | 13.0 | 15.6 | 10.1 | 13.6 | 15.4 | 15.6 |
| Coping strategy households use when facing shocks (%) | | | | | | |
| Sell their livestock | 67.4 | 56.3 | 45.9 | 45.5 | 7.8 | 40.2 |
| Ask help from administration | 15.2 | 4.7 | 9.2 | 10.6 | 4.9 | 7.6 |
| To make small business | 6.5 | 10.9 | 14.7 | 15.2 | 17.3 | 13.8 |
| Mining | 0.0 | 0.0 | 7.3 | 6.1 | 12.4 | 9.9 |
| Work for someone | 28.3 | 29.7 | 33.9 | 30.3 | 48.0 | 30.2 |
| Get loans | 20.0 | 12.1 | 8.6 | 12.3 | 22.1 | 15.8 |
| Other | 3.9 | 2.0 | 3.3 | 4.4 | 10.0 | 5.1 |
| Could households get any assistance when facing shocks? (%) | | | | | | |
| Yes | 92.5 | 98.1 | 99.0 | 96.5 | 94.6 | 93.6 |
| No | 7.5 | 1.9 | 1.0 | 3.5 | 5.4 | 6.4 |
| Type of assistance/help* (%) | | | | | | |
| Money help | 78.4 | 86.8 | 84.5 | 87.3 | 85.2 | 82.4 |
| Material help | 32.4 | 39.6 | 28.9 | 25.5 | 50.8 | 39.6 |
| Encouragement | 29.7 | 13.2 | 35.1 | 18.2 | 56.9 | 42.5 |
| Help to find a job | 16.2 | 3.8 | 3.1 | 1.8 | 0.7 | 3.4 |
| Help to cover the Project/programme | 2.7 | 0.0 | 1.0 | 1.8 | 0.3 | 1.5 |
| Other | 10.8 | 0.0 | 1.0 | 0.0 | 3.7 | 3.3 |
| Whether households need to pay back for money and material help (%) | | | | | | |
| Yes | 45.9 | 7.5 | 20.6 | 10.9 | 32.7 | 31.4 |
| No | 54.1 | 92.5 | 79.4 | 89.1 | 67.3 | 68.6 |
| If yes, how?* (%) | | | | | | |
| Help with herding livestock | 47.1 | 25.0 | 15.0 | 50.0 | 8.2 | 28.7 |
| Help with livestock production | 64.7 | 0.0 | 10.0 | 0.0 | 10.3 | 19.8 |
| Help to prepare hay | 29.4 | 0.0 | 10.0 | 0.0 | 3.1 | 15.9 |
| Preparing dung | 29.4 | 0.0 | 5.0 | 0.0 | 2.1 | 11.9 |
| Help for domestic work | 76.5 | 25.0 | 30.0 | 16.7 | 32.0 | 33.2 |
| Making livestock fence | 17.6 | 0.0 | 10.0 | 0.0 | 5.2 | 10.7 |
| Pay back | 3.0 | 0.0 | 40.0 | 35.0 | 60.0 | 34.4 |
| Other | 2.9 | 0.0 | 10.0 | 15.0 | 8.0 | 10.7 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

* Multiple answers.

9.6 KHANBOGD SOUM

9.6.1 Total Labour Force

In 2008, a total of 48.6% of Khanbogd *soum* residents relied on the agricultural sector (livestock herding) for their livelihoods, according to the Baseline Survey. Within the *soum*, livestock herding was and remains the mainstay of rural employment. The number of herder households registered in Khanbogd in 2010 was 639 out of a total of 1,112 households in the *soum* (see *Chapter B8: Population and Demographics*). Since the Baseline Survey, however, an increasing number of people from the *soum* have become employed in waged labour, particularly in mining and related industries, largely due to the development of the Oyu Tolgoi Project.

According to the Statistical Department of the South Gobi, the number of employed persons in Khanbogd *soum* was 1,455 (721 male; 734 female) (69.4%). By the end of 2010 there was a considerable increase in employment in the *soum* to 1,849 people (965 male; 884 female) however the overall population of the *soum* also grew.

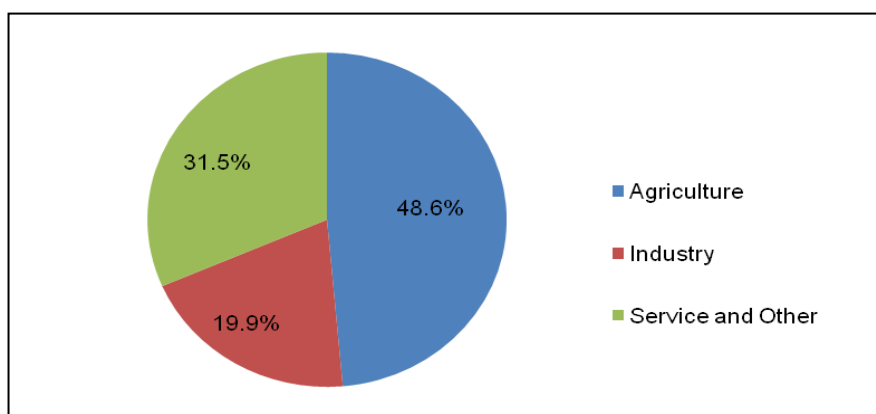
9.6.2 Unemployment

The number of unemployed citizens registered with the Labour and Social Welfare Office in Khanbogd *soum* was 471 as at March 2010.²² It is expected that this figure is now much lower since employment due to Oyu Tolgoi has increased significantly in the *soum* since March 2010. However, updated data is not available from the Labour and Social Welfare Office, and official census data is scheduled for release in July 2011.

9.6.3 Economic Activity by Sector

As shown in *Figure 9.3* below, nearly half of those economically active in Khanbogd in 2007 worked in agriculture (49%), and nearly a third (32%) worked in service and other sectors. One in five people worked in industry (20%) which included mining and quarrying activities. Each of the key sectors of economic activity are described below.

Figure 9.3: Sectoral Distribution of Economic Activity in Khanbogd Soum, 2007



Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

²² This figure represents the total number of people registering as unemployed or underemployed. This registration process was managed by the *soum* government to help identify the potential labour pool for the Oyu Tolgoi Project. This list of unemployed or underemployed people includes both *soum* centre residents as well as some herder households seeking additional or new employment, although a breakdown by herder or *soum* centre resident is not available.

9.6.4 Livestock Production/Subsistence Pastoralism

There are a total of approximately 650 households in Khanbogd that keep livestock. This includes those herders families that are nomadic, as well as those families who have livestock but live either part or full time in the *soum* centre (see also *Chapter B8: Population and Demographics*).

Oyu Tolgoi conducted detailed surveys and interviews with 84 herder households in Khanbogd, to gather data and information on sources of income, expenditure patterns and demographics of the potentially affected herder group. *Table 9.13* shows the key livelihoods data that has been gathered for the surveyed households. A total of 100 herder families, comprising 387 people make up the 84 households involved in this survey.²³

As can be seen below, the average annual monetary income of herder households was 5,900,000 Tugrugs (US\$3,944). This equates to an average of 493,034 Tugrugs (US\$329) per month for herder households, which is slightly less than the *soum* average, but greater than the national average household monetary income. The annual income of the households surveyed varies considerably, with the lowest household income recorded at 1,000,000 Tugrugs (\$666 USD) and the highest at 20,000,000 Tugrugs (\$13,300 USD). This is in part attributed to the fact that an increasing number of herders supplement their incomes from livestock production with wage based employment and small businesses. It should also be noted that this data is derived from a household survey and is based on what herders reported, which may mean that some income goes unreported or underreported.

The focus in Khanbogd is on raising goats, camels and sheep. Livestock herds in Khanbogd have grown considerably between 2003 to 2010, from 53,000 to over 116,000 head. The Statistical Department of South Gobi records the type of livestock held in Khanbogd, and in 2010 around half of these were goats, a quarter were sheep, an eighth were camels and the remainder horses and cows.

Goats are preferentially reared in Khanbogd due to cashmere production and this is unlikely to decline in the future, given the proximity to the border with China, one of the main international markets for cashmere, and the increasing openness of the border between Mongolia and China. An average of 46% of total herder incomes are derived from cashmere, followed by 25% from salary or pension, 20% from wool, 6% from meat and 3% from milk. Cashmere and wool are the most important income sources for herder families. Of the 100 surveyed, nearly all (97%) reported to derive some portion of their income from cashmere, 81% from wool, 37% from salary or pension²⁴, 29% from meat, and 24% from milk. The majority of wool, milk and meat are used for subsistence purposes, with other products sold at local markets. Low prices and small markets are reportedly the main difficulties encountered in selling agricultural products in Khanbogd. Further details on herder lifestyles, land use and land-based livelihoods are provided in *Chapter B10: Land Use*.

Table 9.13: Key Livelihoods Data for Khanbogd Soum Herders, 2011

| Category | Amount | Unit | % of total |
|-----------------------------------|--------|--------|------------|
| Demographics | | | |
| HH size (average) | 4.6 | People | – |
| Family size (average) | 3.9 | People | – |
| Large HHs (6+ people) | 18 | HH | 21% |
| Single person HHs | 8 | HH | 10% |
| Annual Income (household)* | | | |

²³ Note: Some households included more than one family living in them, for example a husband and wife with children living close to their parents or with a sibling and their children. The total number of families is therefore larger than the total number of households. The number of households in Khanbogd can vary somewhat between different surveys as households and families can be counted in slightly different ways. Also, family members who are living elsewhere are often counted in household numbers, as students for example are usually counted even if they are mature age and living elsewhere, because the family is still supporting them.

²⁴ Note: At the time of writing the breakdown of other income sources, between salary and pension, was not available.

| Category | Amount | Unit | % of total |
|--|------------|-----------|------------------|
| Average | 5,900,000 | MNT | – |
| Highest | 20,000,000 | MNT | – |
| Lowest | 1,000,000 | MNT | – |
| Annual Levels of Income (household)¹ | | | |
| Up to 2,000,000 (MNT) | 13 | HH | 18% |
| 2,000,001 to 5,000,000 (MNT) | 27 | HH | 38% |
| 5,000,001 plus (MNT) | 32 | HH | 44% |
| All incomes | 72 | HH | 100% |
| Income Sources (average) | | | |
| Cashmere | 46 | % | – |
| Wool | 20 | % | – |
| Milk | 3 | % | – |
| Meat | 6 | % | – |
| Other (salary/pension) | 25 | % | – |
| Livestock (per household) | | | |
| Average per household | 274 | Livestock | – |
| Highest (recorded) | 903 | Livestock | – |
| Lowest (recorded) | 3 | Livestock | – |
| Employment/Economic Activity | | | |
| Population 18 years and above | 256 | People | 68% ² |
| Unemployed ³ | 79 | People | 31% ⁴ |
| Over 65 years/Retired | 8 | People | 2% |
| Students 18 years and over | 28 | People | 11% ² |

Source: Survey on potentially affected herders, Oyu Tolgoi, 2011.

Notes: HH = Household

1. A total of 72 households out of 84 households provided reliable income data.
2. The population base is all those with age data (376)
3. The number of Unemployed people is those herder family members who identified themselves as unemployed during the survey. It includes wives of herders and some older people (e.g. 60-65 years) who do not count themselves as economically active even if they help with herding duties.
4. The percentage unemployed is taken from the number recorded unemployed out of the total surveyed population 18 years and above.

9.6.5 Crop Production

Crop production contributes a very small amount to the livelihoods of people in Khanbogd *soum*. In 2007 the total cultivated land (potatoes and other vegetables) was 1.5 hectares (ha), but by 2009 cultivated land was only 0.5 ha.²⁵ This decrease in the amount of cultivated land is attributable to the harsh winter of 2009 and 2010.

9.6.6 Small Businesses

Registered Small Businesses

In 2010 a total of 95 people were employed in registered small businesses in Khanbogd. Only Khan diesel with 15 staff and Khaan Bank with 7 staff employ more than a few people (Table 9.14). These businesses are located within the *soum* centre.

²⁵ Khanbogd *Soum* Governor's Office, obtained by Oyu Tolgoi in March 2010.

Table 9.14: Number of Registered Small Businesses and Employees, 2010

| No | Organisation name | Type of service and operation | No. of employees |
|----------------------------------|------------------------------|---|------------------|
| 1 | Khaan bank | Bank-financial service | 7 |
| 2 | Mongol post bank | Bank-financial service | 3 |
| 3 | Khas bank | Bank-financial service | 5 |
| 4 | Bayan Baraat gas station | Burning and oil material sales | 2 |
| 5 | NIC gas station | Burning and oil material sales | 2 |
| 6 | Khan Javkhlant veterinary | Veterinary | 1 |
| 7 | Turulkh nomgon | Veterinary and drug sales | 1 |
| 8 | Orgil dorj shug | Drug sales | 2 |
| 9 | Khan diesel | Khan diesel | 15 |
| 10 | Branch of Telecom Mongolia | Communications | 2 |
| 11 | Branch of Mongolian network | Fiber optic cable service | 1 |
| 12 | Degjikh Gobi | Driving course | 2 |
| 13 | Administrative hotel | Hotel | 2 |
| 14 | Centre point of world energy | Tourist camp | 6 |
| 15 | Oyut | Milk, milk product production and sales | 4 |
| 16 | Gurvan totgo | Felt production | 2 |
| 17 | Byanbogd | Bakery production and grocery store | 4 |
| 18 | Khanbogd development | Sales & service, importing | 6 |
| 19 | Ikh-Ulziit Tsagaan-Uul | Grocery & goods store | 3 |
| 20 | Khanbulag | Grocery & goods store, distributor of Mobicom | 4 |
| 21 | Gobi | Grocery & goods store, whole sales, distributor of Unitel | 3 |
| 22 | Bayan-Erdene | Grocery & goods store, hotel, distributor of Skytel | 1 |
| 23 | Uujim-od | Grocery store, cafeteria and hotel | 6 |
| 24 | Tulugiin tal | Household goods store | 2 |
| 25 | Orgil | Grocery & goods store | 3 |
| 26 | Gurvan bumat | Grocery & goods store | 1 |
| 27 | Itgel buyan | Grocery & goods store | 1 |
| 28 | Ikh bulag | Grocery & goods store and construction materials | 2 |
| 29 | Dalain duulga | Grocery & goods store | 1 |
| 30 | Undrakh | Grocery & goods store | 1 |
| 31 | Darkhan undur bogd | Drug & hospital service | 1 |
| 32 | Shuren temee | Construction & service | 1 |
| 33 | Gobi sod trans | Coal transport, import | 1 |
| 34 | Ulziit munkh ovoo | Tailoring, transportation and dry cleaning | 3 |
| 35 | Khan teekh | Transportation, service | 1 |
| Total number of Employees | | | 95 |

Source: Statistical Department of South Gobi, 2010, obtained by Oyu Tolgoi.

Self Employed/Informal Businesses

In addition to the registered small businesses, there were a total of 50 self-employed people (or informal businesses) in 2010 in Khanbogd. *Table 9.15* shows the type of operations in which these people are engaged, and also highlights that these individuals employ a total labour force of 66 people. The self-employed are usually individuals and one or more family members operating an informal and often seasonal business. Informal businesses active in Khanbogd are largely engaged in trade, restaurants, hotels, carpentry and transportation. Informal businesses contribute significantly to household incomes, although these are often not reported.

The main difficulties reported by *soum* residents in starting small businesses, include a lack of financial resources and access to credit, inadequate support from local authorities, a lack of energy supplies, and availability of location/premises for operation. Three-quarters of small businesses reported that they do not earn sufficient revenue to invest in expansion or other ventures. Herders have more investment potential than *soum* centre citizens because of livestock assets (in other words they can sell livestock to obtain capital for new business venture, e.g. an additional *ger* to use as a seasonal café).²⁶

Table 9.15: Self Employed People and their Operations in Khanbogd Soum, March 2010

| Types of Operation | Number of Operations in Khanbogd | Labour Force |
|-----------------------------|----------------------------------|--------------|
| Block factories | 3 | 6 |
| Vegetable plantation | 3 | 7 |
| Bread and bakery | 2 | 4 |
| Construction work | 4 | 7 |
| Mongolian <i>ger</i> repair | 4 | 5 |
| Iron products | 1 | 1 |
| Welding | 6 | 6 |
| Automatic repair | 3 | 3 |
| Pigs and chicken farm | 3 | 5 |
| Others | 5 | 6 |
| Transportation of goods | 6 | 6 |
| Shoe repair | 1 | 1 |
| Tire repair | 2 | 2 |
| Transportation of people | 6 | 6 |
| Hairdresser | 2 | 2 |
| Beautician | 1 | 1 |
| Total Labour Force | | 66 |

Source: Khanbogd Soum Governor's Office, obtained by Oyu Tolgoi in 2010.

A number of herders operate informal businesses at the Tsagaan Khad truck stop (Table 9.16), and there are also a few seasonal cafes/grocery shops at the Javkhlant *bagh* centre. Many Khanbogd residents also conduct border trading at Gashuun Sukhait or travel across the border into China to purchase construction materials or goods to sell on their return to Mongolia.

Table 9.16: Shops/Businesses Outside Khanbogd Soum Centre, 2011

| Shops/businesses outside Khanbogd <i>soum</i> centre | Total | Grocery Shop (Huns baraanii delguur) | Cafe (Tsainii gazar) |
|--|-------|--------------------------------------|----------------------|
| Tsagaan khad (Truck stop near border post) | 5 | 3 | 2 |

Source: Statistics and Treasury Officer, Khanbogd Soum Governor's Office, obtained by Oyu Tolgoi 2011.

9.6.7 Government Employees

A total of 145 people (42 male and 103 female) from Khanbogd *soum* were working as government employees (civil servants) at the end 2010 (Table 9.17); two greater than in 2009. These people were employed in 13 government organisations operating within the *soum*.

²⁶ Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

Table 9.17: Government Organisations and Staffing, Khanbogd Soum, 2009 and 2010

| Government Organisations & Staffing by Gender | 2009 | | | 2010 | | |
|---|------------|-----------|-----------|------------|-----------|------------|
| | total | male | female | total | male | female |
| Soum Governor's Office | 18 | 7 | 11 | 18 | 7 | 11 |
| High and Secondary Schools | 50 | 10 | 40 | 53 | 7 | 46 |
| 21-st Kindergarten | 18 | 1 | 17 | 18 | 1 | 17 |
| Hospital | 22 | 1 | 21 | 22 | 1 | 21 |
| Culture Centre | 6 | 2 | 4 | 5 | 2 | 3 |
| Citizens Representative Conference | 2 | 1 | 1 | 2 | 1 | 1 |
| Weather Forecasting Agency | 5 | 1 | 4 | 5 | 1 | 4 |
| Special Protected Areas | 4 | 4 | 0 | 4 | 4 | 0 |
| Police Department | 6 | 6 | 0 | 6 | 6 | 0 |
| Bayan <i>bagh</i> Governor's Office | 3 | 3 | 0 | 3 | 3 | 0 |
| Nomgon <i>bagh</i> Governor's Office | 3 | 3 | 0 | 3 | 3 | 0 |
| Javkhlant <i>bagh</i> Governor's Office | 3 | 3 | 0 | 3 | 3 | 0 |
| Gaviluud <i>bagh</i> Governor's Office | 3 | 3 | 0 | 3 | 3 | 0 |
| Total | 143 | 45 | 98 | 145 | 42 | 103 |

Source: Statistical Department of South Gobi, 2010, obtained by Oyu Tolgoi.

9.6.8 Mining Sector Employment

Oyu Tolgoi is the only mining project in construction in Khanbogd *soum*. At the end of 2010, 629 people from Khanbogd *soum*²⁷ had been employed by Oyu Tolgoi or its contractors, of whom 346 were women and 283 were men. The average salary for male employees employed at Oyu Tolgoi was US\$438 pcm and for women US\$453 (taken from a sample of 71 men and 31 women).²⁸

Women from Khanbogd *soum* are mostly employed by Oyu Tolgoi contractors, providing catering services to the camp mess facilities on site, and in administration. Men are mostly employed as drivers, labourers and security guards. A number of Khanbogd residents are in professional employment with Oyu Tolgoi.

9.6.9 Income and Expenditure

Khanbogd residents²⁹ had an average household monthly income of 574,837 Tugrugs (US\$383)³⁰ in 2008 according to the Baseline Survey (Table 9.18). This was above the *aimag* average of 523,406 Tugrugs (US\$349). The actual monetary income was recorded at 458,200 Tugrugs (US\$305). Wages and salaries were the largest component, followed by income from livestock/animal husbandry and then income from other household businesses. Although the main employment opportunities in the countryside are husbandry activities, those who worked in the mining industry had much higher salaries. Individuals who worked in mining in Khanbogd earned on average (267,000 Tugrugs/month), double the amount of those who worked in husbandry, forestry and fishing (132,000 Tugrugs/month).

Khanbogd *soum* residents spend around 44% of their monthly expenditure on food which was lower than other *soums* in the Project Area of Influence. Small proportions were spent on durable goods (4.3% of monthly income) and heating and housing (2.4%), and the remaining 49% was spent on other non-food

²⁷ These are figures for people of Khanbogd origin, and does not include people now residing in Khanbogd that have actually come from elsewhere in Mongolia.

²⁸ Data supplied by Oyu Tolgoi HR Department.

²⁹ This data includes Khanbogd *soum* centre and herder residents.

³⁰ Exchange rate is estimated at 1,500 Tugrugs per \$USD.

items. Many people from Khanbogd (93%) buy goods from local markets. A third (33%) buy their goods from border points with China, and 8% buy goods from China. Herders in Khanbogd buy goods at border trade points considerably more frequently than the *aimag* average, due to its shared border with China.

Table 9.18: Household Income Breakdown in Khanbogd Soum (Monthly), 2008

| Indicators | Unit/MNT |
|--|--------------------|
| Total income per household (monthly), MNT | 574,837 |
| Monetary | 458,200 |
| Wages and salaries | 169,770 |
| Pensions and allowances | 50,599 |
| Livestock husbandry | 146,794 |
| Cropping activities | 46 |
| Household businesses | 90,991 |
| Non-monetary Free gift/ Food consumed from own business | 116,637 |
| Income from own business | % (average) |
| Average | 13.3 |
| <i>Soum</i> centre | 17.7 |
| Rural areas | 6.3 |
| Total consumption per person (monthly), MNT | 146,370 |
| Food | 52,820 |
| Durable goods | 7,183 |
| Heating and housing | 2,987 |
| Non-food | 83,380 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009.

9.6.10 Income Supplements

According to the Baseline Survey, 62.4% of the Khanbogd population has borrowed money at some stage. Included in this total, 59.7% of the population in the *soum* centre and 66.7% of herders took bank loans in the previous year (2007). People were also surveyed about their purposes for taking loans (Table 9.19).

Table 9.19: Loan Uses, % Survey Respondents, 2008

| Soums | Agriculture | Livestock | Trade | Household production | Building houses | Household consumption | Other |
|----------------------|-------------|-------------|-------------|----------------------|-----------------|-----------------------|------------|
| Bayan-Ovoo | 0.0 | 22.7 | 9.1 | 4.5 | 0.0 | 40.9 | 45.5 |
| Manlai | 0.0 | 0.0 | 11.4 | 8.6 | 2.9 | 77.1 | 2.9 |
| Khanbogd | 0.0 | 11.8 | 16.2 | 11.8 | 7.4 | 54.4 | 0.0 |
| Tsogttsetsii | 4.8 | 2.4 | 11.9 | 4.8 | 0.0 | 76.2 | 0.0 |
| Dalanzadgad | 0.6 | 3.4 | 18.0 | 10.1 | 9.6 | 64.6 | 7.3 |
| Aimag average | 3.3 | 9.6 | 13.3 | 8.2 | 5.1 | 62.5 | 8.2 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009

The majority of the Khanbogd population borrow from commercial banks, which is consistent with other *soums* in the Project Area of Influence (Table 9.20). Other lenders include private lenders and family.

Table 9.20: Types of Lenders, % Survey Respondents, 2008

| Soums | Commercial banks | Other |
|----------------------|-------------------------|--------------|
| Bayan-Ovoo | 100.0 | 0.0 |
| Manlai | 94.3 | 5.7 |
| Khanbogd | 98.5 | 1.5 |
| Tsogttsetsii | 88.1 | 11.9 |
| Dalanzadgad | 91.0 | 9.0 |
| Aimag average | 92.9 | 7.1 |

Source: Oyu Tolgoi Project Social, Economic and Environmental Baseline Survey (Subset), 2009

The highest number of loans is given to herders, as they do not have a permanent income. More than half the people surveyed in *soum* and *aimag* centres responded that their collateral does not meet bank requirements, many that interest rates are high and the period of loan maturity was short. Herders said they could not design good investments and that there are limited creditors.

Other sources of supplementary income include social pensions (elderly and disability), carers allowances, and remittances. According to the Statistical Department of the South Gobi, 37 citizens in Khanbogd *soum* were receiving a social pension from the State as of March 2010.

9.6.11 Economic Vulnerability

As of 2011 the *soum* government had identified 81 households (283 people) as being below the poverty line in Khanbogd³¹. Within this group, the Labour & Social Welfare Office identified 15 households (73 people) as being most vulnerable. Oyu Tolgoi is working with the government to support these most vulnerable people, and ensure they are involved in consultation and have access to benefits from the Project. An assessment of other households below the poverty line, and determination of vulnerable individuals within the affected herder group is still being undertaken by CSP with the results due in June 2011.

9.7 PLANNED FURTHER WORK

Over the course of 2011, additional survey work was conducted within Khanbogd *soum* to supplement existing data on the social baseline. Specifically, this work has included further definition of vulnerable people within the *soum*. Results of this survey work are available and 55 HH have been identified as vulnerable (of which 14 HH fall within the directly impacted herder group).

In addition, a detailed survey of the 84 impacted households has been undertaken, representing 7.5% of all households. A skills survey has been conducted in the labour registry of job seekers.

CSP will continue to gather income-related and other socio-economic data about the *soum* residents. Data will be gathered on at least the following:

- Trend data in relation to herder families moving to the *soum* centre, including detailed information on the number of unoccupied winter shelters within the *soum*;

- Percentage of people in land-based (unpaid) versus waged employment in the *soum*;

- Income levels from different livelihood activities, including both herder and non-herder population;

- The number and types of livelihood activities for individuals/households, both rural and urban, including those in mining, mining-related and non-mining based employment; and

- Percentage of households with livestock from the *soum* centre, including details on raising of livestock by other families.

Most of this additional work is income-related. As far as possible, any future data gathering will provide disaggregated data (by age, income and gender etc) to enable CSP to assess the participation of women and any potentially vulnerable groups in the economic activities undertaken by Oyu Tolgoi.

³¹ Labour & Social Welfare Officer, June 2011, obtained by Oyu Tolgoi.