

# **Lao PDR.**

## **Lao Social Security Organisation**

### **1. BACKGROUND**

Since the Lao PDR was formally established in 1975, the new state granted social security benefits to all public employees, including civil servants, workers in state-owned enterprises, and other state employees with permanently employment status. Healthcare, sickness, maternity, death, and retirement benefits were granted on a non-contributory basis as part of the conditions of service in the public sector. As social security benefits became an increasing burden on the state budget, contributions from the government employees were introduced in 1992, since then all state employees were obliged to contribute 6 percent of their basic salary for social security benefits with the government subsidy to meet the payroll. In 1993, social security in the Lao PDR was formally introduced with an adoption of Prime Minister's Decree No.178/PM implementation by Ministry of Labour and Social Welfare provided social security coverage to civil servants, the military and police to healthcare, short-term and long-term benefits but excluding employees in the private sector, until the end 1999 another Prime Minister's Decree no. 207/PM was adopted and the new social security scheme for employees in private sector was established in 2001 administered by Social Security Organization (SSO). In 2006 the decree no. 178/PM was revised into decree no.70/PM and established another social security scheme namely State Authority Social Security (SASS) in 2008 providing social security coverage to public sector employees. Both schemes, SSO and SASS, are under the supervision of Ministry of Labour and Social Welfare. With the overlapping of administrations and regulations to implement the same objective to just different targeted groups. Therefore, in 2015 the government has issued the law on social security and the two organizations were merged into National Social security Fund. However, social security in Laos is still managed and operated by two agencies namely: Social Security Department (SSD) as a policy-maker agency and NSSF as an implementation agency. By the end of 2019 social security law was amended and again the two agencies SSD and NSSF were merged into Lao Social Security Organisation (LSSO), the new organisation was launched in 3 June 2020.

The LSSO is a non-profit public organisation under the supervision of Ministry of Labour and Social Welfare and managed by the Board of Directors which is a tripartite body, consisting of representatives from the government, employer and employee. It is a non-standing organisation which responsible to manage the LSSO centrally and with accountability, transparency, fairness and sustainability. The LSSO has an administration body managing by directors and technical mechanism from central to provincial and district levels.

### **2. OBJECTIVES**

The main objectives of LSSO are to build-up the principles, regulations, procedures and measures to ensure the employee's social security benefits able to improve their living conditions. With the objectives, it also contributes to social and economic growth nationally as the availability of social security coverage to all people across the country.

The Lao Social Security Organization shall be based on the following principle:

1. Social security policy and affairs shall be legally, centrally and nationwide managed,
2. Contributions to the social security fund from the government, employer, employee, self-employed person as well as voluntary insured person shall be proceeded according to the defined rates as stipulated in the law
3. Rights and interests of insured person and their dependents shall be protected
4. Social security management shall be fair, transparency, accountability and sustainability
5. Principle of fund accumulation, risk pooling, mutually assistance and sustainability
6. Benefit calculation shall be based on insurable earnings
7. Social security affairs shall be appropriate with international conventions or treaties which Lao PDR has ratified.

### **3. Regulatory Framework**

- Law on Social Security.
- Law on Labour, Law on Tax, Law on Investment.
- Various Regulations and Agreements by Minister of Labour and Social Welfare.

### **4. Target group for the social security fund**

- Public sector employee, including civil servant, military and police
- Private sector employee
- Voluntary insured person

### **5. The Lao Social Security Organisation and Contributions**

The Lao Social Security Organisations sources of revenue include contributions from government, employers, employees including civil servant and voluntary insured-persons and return from investment. The fund is kept under the Lao Social Security Organization and the government guarantees to the sustainability of the fund.

Contributions are being collected with different rates based upon targeted groups for instant, a contribution rate for civil servant is 16.5% of their individual salary of which 8% from civil servant and 8.5% from the government. The contribution rate for employee in the private sector is 11.5%. Of those 6% comes from employer's contributions and another 5.5% is from an individual employee based on their own monthly salary or wages. The contribution rate for self-employed or voluntary insured person is 9% of selected insurable earning which is amongst the official minimum wage to the insurable earning ceiling. The

current official minimum wage is 1.1 million (LAK)<sup>1</sup> and the insurable earning ceiling is 4.5 million Kip, it is subject to adjustment from time to time.

The Contributions are divided into benefit funds as follow:

Social Security Benefit Funds	Civil servant	Private employee	Self-employed and voluntary
Health insurance	1.25%	1.25%	1.25%
Work injury or occupational diseases	0.5%	0.5%	-
Short-term benefits	2.5%	2.5%	2.5%
Long-term benefits	12.25%	5.25%	5.25%
Unemployment benefit	-	2%	-
Total	16.5%	11.5%	9%

## 6. Benefit Package

1. Health insurance benefit;
2. Employment Injury or occupational diseases;
3. Short-term benefits (sickness benefit, birth grant and funeral grant);
4. Long-term benefits (old-age pension, invalidity and survivors benefit);
5. Unemployment benefit

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<sup>1</sup> LAK (Lao Kip) is Lao currency, 1 US\$ = 9,029 LAK at BCEL dated 18 June 2020

## **As details:**

### **6.1 Health insurance benefit**

Health insurance is a benefit providing to cover medical services of the insured persons and his or her dependent that have paid contributions for at least one month in the last 12 months for employment injury or occupational diseases and services of before and after giving birth; and at least 3 months for non-work related diseases or illness. The insured person, spouse and their children under the age of 18 or not older than 23 if continue studying are entitled to medical treatments provided by their selected hospital which holds contract with LSSO. The medical treatment services are free of charge and there are no limitations for admission. For insured persons who have stopped their contributions due to the employment termination, the medical treatments are still offered for another 3 months from their last contributions.

### **6.2 Employment Injury or Occupational Diseases Benefits**

Employment injury or occupational diseases benefits are provision of cash benefits for medical care, sickness benefit, loss of working capacity benefit, death grant and survivor's benefit in case of work accident or occupational diseases. The benefit calculation is provided in each relevant benefit such as sickness benefit is specified in number 6.4, loss of working capacity in 6.5, death grant in 6.7 and survivor benefit in 6.8

Qualifying conditions for employment injury or occupational diseases benefits as follows:

1. Has paid contributions to social security fund from one month or longer;
2. Stopped working due to medical care and rehabilitation, incapacity for work or mental impairment, loss of organs or limb of the human body caused by employment injury or occupational diseases;

In the case, insured person has intended to cause such employment injury or occupational diseases there will be no entitlement to such benefit.

Calculation of temporary loss of working capacity benefit is equal to 80% of the average 6 months of insured earning for the duration of up to six months and the benefit shall be reduced to 70% for another six months if still on the sick leave. Then a long term benefit shall be paid if insured person has permanent loss of working capacity; the lump sum payment is paid to insured person who loss capacity of less than 40% and calculated by the percent of loss capacity multiplied by 12 months of insured earning for the case of work injury and 10 months for the case of non-work related accident.

Invalidity benefit is calculated by the percentage of invalidity multiplied by average insured earning of the last six months. The invalid person shall be provided prosthetic limbs and care-taker if necessary.

### **6.3 Maternity Benefit.**

Maternity Benefit contains two types of payments such as maternity benefit and birth grant:

Maternity benefit is payable to female insured person who's entitled to the benefit should have paid contributions to social security fund at least 9 months and has giving birth leave for 3.5 months with the amount of 80% of average insured earning of the last six months.

The beneficiary whose health condition is not fit for working shall have the right to continue to receive sickness benefit.

Birth grant is a lump sum payment paid to female insured person or spouse of insured person who giving birth or miscarriage after at least 2 months of pregnancy and have paid contributions to social security fund at least 6 months. The grant is equivalent to 60% of insured earning per child.

#### **6.4 Sickness Benefit**

Sickness benefit is an income replacement paid to insured person who is on leave due to non-work related illness and salary is temporally suspended. Insured persons shall receive sickness benefit only when contributions have been remitted to the social security fund for at least 3 months. Sickness benefit is calculated equal to 70% of insured person's last salary for the first duration of up to 6 months. If he/she is still on leave for medical treatment or rehabilitation shall continue to receive sickness benefit equal to 60% of the last salary for the duration of up to 6 months as the last period. In case the health status of the beneficiary has not improved by then, he/she shall have health examination and assessment again with medical certification to be qualified for the entitlement of Loss of working capacity benefit.

#### **6.5 Loss of working capacity benefit.**

Loss of working capacity benefit is a cash benefit providing to the insured person who is incapacity for work or mental impairment, loss of organs or limb of the human body caused by employment injury or occupational disease, other accidents or illnesses.

Calculation of monthly Loss of working capacity benefit is calculated based on his/her last salary before incapacity multiplied by the percentage level of the loss of working capacity categories as follows: Category one equals to 80%, category two equals to 70%, category three equals to 60%, category four equals to 50%, category five equals to 40%.

Calculation of monthly Loss of working capacity benefit is equal to hundred percent (100%) of the percentage level of the loss of working capacity categories for the insured person suffering the loss of working capacity due to an employment injury and occupational diseases and eighty per cent (80%) for non-work related accidents or illnesses. If the above beneficiary resumes work, he/she shall receive fifty per cent (50%) of his/her Loss of working capacity benefit or twenty five per cent (25%) if retired.

If the insured person who has earlier received the Loss of working capacity benefit and got a lump sum payment when resigned from work, he/she will receive the same percentage of the Loss of working capacity benefit as pensioner for the rest of his/her life. If the level of loss of working capacity is worse and has an additional loss he/she shall have to re-assess and classify the loss of working capacity category again.

The percentage of the monthly Loss of working capacity benefit for whom receiving before this law comes into force is subjected to be no changed.

#### **6.6 Old-age Pension**

Old-age pension is a cash benefit monthly paid to eligible insured person who reach the age of 60 for female can volunteer to receive early retirement with the age at least 55 for and 25 years of public services for public employees and 15 years of contributions for private employees. The calculation of pension for public employee is equal to 70% up to 90% of the last salary based on the years of public services, while for private employee pension is calculated based on pension points multiplied by average of insured earning and 2% of index and the benefit is not exceeded 75% of insurable earning.

After reaching pensionable age but not meet the qualified period such insured person shall entitle to a lump sum payment.

## **6.7 Death grant**

The death grant is a financial assistance for funeral ceremony and family benefit to the deceased family. Insured person has paid contributions to social security fund for at least 1 month or longer for employment injury or occupational diseases, paid at least 3 months during the last 12 months contributions for other accidents and illnesses, children aged not older than 18 years and a death certificate has been issued.

Insured person resigned from work or stopped paying contributions within 3 months, if died, he/she and his/her spouse and children are still entitled to such benefit. A survivor's beneficiary is also entitled to a death grant.

The calculation of death grant is as follows:

1. An insured person, who has insurable periods of 1 month to 1 year, died due to employment injury or occupational diseases and 3 months to 1 year for those who died due to other accidents or illnesses, the death grant is calculated equal to 15 months of his/her average insurable earning, pension or Loss of working capacity benefit during the last six months as a starting point of calculation;

2. If exceed 1 to 6 years of insurable periods the death grant shall be increased by each year exceeding equal to 1 month and for those who have 7 years and longer, the grant shall be increased by each year exceeding equal to haft a month.

3. Death of a spouse of insured person, pensioner, and Loss of working capacity beneficiary, the grant is payable equal to 6 months of the average insurable earnings, pension or Loss of working capacity benefits during the last 6 months. If both spouses are insured persons, when someone died, shall receive death grant only for his/her own entitlement and will not be entitled for the addition as dependent spouse.

4. Death of a dependent child with 18 years of age or younger, the death grant is payable equal to 3 months of the average insurable earnings pension or Loss of working capacity benefits during the last 6 months. In case both parents are insured persons, when children died, the grant shall be payable based on the insurable earnings of only father or mother.

5. Death of survivor beneficiary who are spouse, parents and the death of caretaker, death grant shall be payable equal to 6 months of their survivors' benefits and for surviving children is equal to 3 months of their survivors' benefit.

## **6.8 Survivors' Benefits:**

Survivors' benefit is paid monthly to assist the deceased's dependents such as spouse, children and parents. The benefit is equal to 30% of the insured earning for spouse or parent and 20% for children. If there are many dependent children the total benefits shall not exceed 60%. Father or mother shall be entitled to receive the benefit equal to 30% of the last insurable earnings, pension or loss of working capacity benefits of the deceased person. If both parents are beneficiaries, their total benefits shall not exceed 50%. All types of survivors' benefits shall totally not exceed 80% of the deceased person's last insurable earnings, pension or loss of working capacity benefits.

Person who eligible to such benefit must be 60 years of age for surviving husband or a surviving wife who has reached the age of 55 years have no income and are not remarried or not a beneficiary of the loss of working capacity from social security fund.

### 6.9 Unemployment Benefit

Unemployment benefit is an income replacement paid to an unemployed insured person in the case that he/she has been laid off or employer bankrupt and he/she has been registered as an unemployed person for at least 30 days. The benefit shall be calculated as 60% of the average income of the last six months with a length of benefit payment based on contributing period such as: 3 months period if contributions being made at least 12 to 36 months; 6 months period if contributions being made of 37 to 72 months; 9 months period if contributions being made of 73 to 144 months and 12 months period if contributions being made of 145 and more.

### 7. Taxation

All social security benefits and Social Security Fund are exempted from taxation.

### 8. Organization Chart

