



## ► Social Protection in Action. Building Social Protection Floors for All

2022

### *Lao People's Democratic Republic: Protecting garment workers affected by the COVID-19 pandemic – applying social security standards*

#### Summary

In 2020 the ILO, with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ), embarked on a multi-country project entitled “Protecting Garment Workers: Occupational Safety and Health and Income Support in response to the COVID-19 Pandemic”.

The project aimed to support workers in the garment sector, which globally has been badly affected by the crisis, including through the provision of income support in the form of cash transfers which were implemented in five countries from October 2020 to March 2022. This case study documents experiences and lessons from implementation of this project in the Lao People's Democratic Republic.

#### Main lessons learned

► Even in times of crisis when support is urgently needed, social security standards should be adhered to. In particular, applying the guiding principle on complaints

and appeals improves effective access to benefits during the crisis and provides a foundation for the national social security system to develop further beyond the crisis.

- The establishment of complaints and appeals mechanisms also provides an opportunity to raise awareness among workers and employers of their right to social security. Tripartite participation in the complaints and appeals collection and settlement processes further enhances trust in the system.
- Beyond the identification of implementation issues, the complaints and appeals mechanisms help to highlight design shortcomings, allowing for adaptations to be made to ensure the universality, fairness and non-discrimination of enacted measures. The existence of an effective complaints and appeals mechanism therefore also enables that other, equally crucial, guiding principles of Recommendation No. 202 are adhered to.

#### Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

The experiences of the ILO-BMZ project in the Lao People's Democratic Republic highlight the value of adhering to the principles set forth in the Social Protection Floors Recommendation, 2012 (No. 202). In particular, the establishment of a complaints and appeals mechanism, with tripartite engagement, contributed to improving the transparency around the design and implementation of the emergency support scheme. In addition, the issues raised through the mechanism helped improve the design and reinforced the principle of non-discrimination.

## Context

The Lao People's Democratic Republic was severely affected by the global COVID-19 pandemic. According to IMF calculations, GDP growth in the Lao People's Democratic Republic for 2020 was only 0.2 per cent, down from 5.2 per cent in 2019. UNDP estimated that 383,000 people would fall back into poverty, contributing to a five-percentage point increase in the national poverty rate. Women have been among the worst-affected groups since the impact is concentrated in industries in which women form most of the workforce, including the garment and tourism sectors.<sup>1</sup>

## Social protection system in the Lao People's Democratic Republic

The social protection system in the Lao People's Democratic Republic has been evolving since the enactment of the Social Security Law in 2013 and social protection is a development priority under the National Social Protection Strategy 2020–2025. However, coverage remains limited by regional standards. Only 1.6 per cent of GDP is allocated to social protection – a mere 0.7 per cent if healthcare is excluded. Other challenges identified in a UN assessment in 2017 include system fragmentation, lack of enforcement and the low rate of social security coverage, especially in the formal economy; and fragmented and inconsistent financing of non contributory schemes.<sup>2</sup> The National Social Security Fund (NSSF) covers most of the public sector and parts of the formal private sector, in particular state-owned enterprises, joint ventures and private enterprises employing 10 or more employees. The scheme covers workers for medical benefits, pensions, employment injury, occupational disease and non-work-related disease, sickness, maternity, unemployment and survivorship. Members of the NSSF who pay regular contributions for 12 months or more are entitled to unemployment insurance benefits if they lose their jobs

due to closure or downsizing of the business, which included lay-offs related to the COVID-19 crisis.<sup>3</sup> As most of the Lao workforce is in informal employment, the outreach of the NSSF is currently limited to less than 11 per cent of the population, including dependants.<sup>4</sup> At the time of the COVID-19 pandemic, the scheme had good coverage of workers in the garment sector. However, to be eligible for unemployment benefits, members must have contributed<sup>5</sup> for the previous 12 months. Since about 50 per cent of registered private-sector enterprises were not paying regular contributions on behalf of workers – and also due to high turnover in the sector – many members were not eligible for these benefits.<sup>6</sup>

The NSSF is administered by the Lao Social Security Organization (LSSO), whose administrative systems for managing members' data are relatively robust, with data being kept up to date and the ability to track workers movement between employers. It also includes the bank details of the workers that have a bank account. Other aspects of the NSSF's delivery systems are more limited. For example, there remains only limited awareness among workers of NSSF benefits or how to apply for them. The process of claiming an unemployment benefit is quite complex and is not digitized. It requires in-person engagement with multiple departments (the Employment Service and LSSO), with no data integration between these departments, requiring workers to make multiple journeys. This has reduced accessibility and limited demand for unemployment benefits in practice. Meanwhile, for those without bank accounts, cash-in-hand payments must be made at the LSSO offices, creating queues and liquidity issues.

## Description of the BMZ–ILO project in the Lao People's Democratic Republic

The ILO–BMZ project was designed to fill gaps in the Government's social protection response to the pandemic. It

<sup>1</sup> UN Country Team in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19*, 2020. It is estimated that the garment industry employs about 26,000 workers, 70 to 80 per cent of whom are women.

<sup>2</sup> ILO, *Summary Report: Assessment-Based National Dialogue on Social Protection: Lao People's Democratic Republic*, 2017.

<sup>3</sup> Those who lost their jobs due to the COVID-19 crisis are eligible for unemployment benefits equal to 60 per cent of their insured wages. The duration of the benefit varies from 3 to 12 months, depending on the length of the insured period. To access this, workers must register their unemployment status with the employment service centre, which provides a paper to certify that they are unemployed after one month.

<sup>4</sup> ILO, *Summary Report: Assessment-Based National Dialogue on Social Protection Lao PDR*.

<sup>5</sup> Contribution is 9.5 per cent of the salary members choose to protect (employer: 5.5 per cent/worker: 4 per cent).

<sup>6</sup> Key informant interviews conducted as part of the fact-finding for the preparation of this report.

provided cash assistance to workers in the garment sector, including those who were ineligible for the Government's COVID-19 support because they were either unregistered with the NSSF or had paid less than 12 months of contributions. The project was implemented in partnership with the LSSO and leveraged its existing delivery systems with certain adaptations. The rationale for working through national systems was to reduce administration costs and speed up delivery, while also maintaining the Government's overall and primary responsibility to provide social protection. It also aimed to demonstrate a "proof of concept" on the use of national systems for shock response. Meanwhile, the adaptations introduced and tested could provide entry points for strengthening national delivery systems and adapting the design of the social security schemes (see box 1).

► **Box 1. Income support to garment sector workers in the Lao People's Democratic Republic through the BMZ-ILO project**

**Type of support:** unconditional cash transfer.

**Target beneficiaries:** all workers in the garment (clothing and footwear) sector who are members of LSSO, including those with outstanding contributions, plus non-LSSO members newly registered for at least one month with the Association of the Lao Garment Industry (ALGI).

**Implementing partners:** the LSSO, in close cooperation with the ALGI and the Lao Federation of Trade Unions (LFTU). Mobile money service providers were also engaged to administer payments to workers not holding a bank account.

**Coverage:** LSSO data recorded a total number of 24,280 eligible workers. Priority was given to those currently in employment (due to ease of finding and informing these members), while also seeking to identify and include as many as possible of the workers who had been laid off or quit their jobs, some of whom migrated in search of work. By the end of project, 47 factories and 20,698 workers had been reached.

**Value and duration of assistance:** two months' worth of wages, equivalent to approximately 40.9 per cent of the minimum wage (450,000 kip/month or US\$50/month), delivered as a one-time payment.

**Communication:** national launch, using various national media platforms with the aim of reaching and informing all potential beneficiaries, including workers that had left the sector. ALGI and LFTU provided outreach and awareness communication for current workers in eligible workplaces.

**Registration:** List of registered workers sent by the LSSO to employers, who compared this with their own human resources data and made corrections where necessary. The list was also shared with workers unions for validation. The LSSO compiled a list of eligible beneficiaries and worked together with employers, banks and mobile network operators to contact them. The final list of beneficiaries was endorsed by a tripartite committee.

**Payment delivery:** benefits were paid through bank accounts for those workers that usually received wages through bank transfer (about 90 per cent). Workers without bank accounts received payment through a mobile money transfer through a new agreement between LSSO and mobile money transfer companies. Funds flowed from the ILO to the LSSO, which managed the payments to workers' accounts through its established financial transaction procedures and institutional capacities. Payments were distributed between March and October 2021.

## Using international best practice to guide the complaints and appeals mechanism

ILO social security Conventions and Recommendations follow a rights-based approach and set the principles and parameters guiding the development, maintenance and reform of social security systems worldwide to secure the realization of the human right to social security. The majority of these international standards – in particular, the Social Security (Minimum Standards) Convention, 1952 (No. 102); and Recommendation No. 202 – have unambiguously recognized the centrality of statutory complaints and appeals mechanisms for the effective functioning of social security systems. These mechanisms allow claimants to lodge a complaint regarding the quality or quantity of provided benefits, or in case of refusal of a benefit to also appeal against the decision of social security institutions regarding such complaints. Recommendation No. 202 sets out basic principles to guide the design of grievance mechanisms. According to paragraph 7 of

Recommendation No. 202, complaint and appeal mechanisms should include the following characteristics.

**Transparent and simple.** The conditions of access to these mechanisms need to be transparent, objective and formulated clearly, allowing interested parties to understand them. Likewise, project rules and operational processes should be easy to follow and clearly communicated, allowing people to understand how projects function and their entitlements, as well as the process, requirements and time frames related to the lodging and examination of complaints and appeals. Decisions made on complaints and appeals should be clearly communicated.

**Accessible and inexpensive.** The channels through which grievances can be raised should be accessible to the persons protected by the schemes. This entails that these mechanisms should ensure that the principle of non-discrimination and the dignity of applicants is upheld at all stages of the process. In particular, assistance should be provided to those who need help to understand their rights or access grievance mechanisms. Complaints and appeals mechanisms should ideally be free of charge to the applicant, or at the very least should not cause financial hardship to claimants or deter them from lodging complaints.

**Rapid and effective.** Users should be able to obtain a final decision within a reasonable time frame and the administrative and/or judicial procedures should function effectively so as to allow users to receive answers to their claims and be provided with remedies, where appropriate, in a timely and effective manner.

**Independent and impartial.** While recognizing the possibility that claims are initially examined by the institution administering benefits, the right to appeal to an independent external body should be guaranteed by law, in line with international social security standards.

## The social security system complaint mechanism in the Lao People's Democratic Republic

As specified in the Social Security Law (see box 2), the NSSF processes include a complaints and appeals mechanism that is administered by the LSSO. Issues can at first be raised by calling a dedicated toll-free phone line during working hours, which directs calls to the LSSO registration unit, customer service unit or benefit unit, depending on

the nature of the issue. The hotline is reportedly not widely used, however. This is due to a combination of lack of awareness of the right to obtain information and make a complaint, hours of service that limit uptake during working hours and socio-cultural issues that limit adoption. Workplaces designate representatives for engaging with the LSSO on behalf of workers and in practice this is the preferred channel for workers to communicate queries or issues. These focal points tend to directly manage queries relating to information and also escalate other issues to LSSO. Where many workers report similar problems, the LSSO mobile team can visit the workplace. There is no system for formally recording complaints that are received, monitoring the types or frequency of issues raised or the timeliness or adequacy of responses.

### ► Box 2. The complaints and appeals framework in the Lao Social Security Law

As specified in the Social Security Law as amended, the LSSO administering the NSSF has the obligation to receive, consider and resolve disputes on social security activities (art. 89(9)).

More specifically, under Part IX, the Social Security Law provides a general complaints and appeals framework that encompasses five options to settle disputes related to social security benefits: (i) mediation or arbitration to find a mutually acceptable resolution; (ii) request an administrative resolution; (iii) submit the dispute to the Organization of Economic Dispute Resolution for a legal resolution; (iv) resort to a court ruling; and (v) international resolution, referring to the obligation to solve disputes of international nature in accordance with international conventions and treaties ratified by the Lao People's Democratic Republic.. Article 103 specifies that any party concerned can submit the case to the People's Court of Justice, according to the laws and regulations of the Lao People's Democratic Republic.

Furthermore, articles 106(8), 107(3) and 108(2) of the Social Security Law place on the Ministry of Labor and Social Welfare, the Provincial and Capital Labour and Social Welfare Departments and the District and Municipal Labour and Social Welfare Office, respectively, the obligation to consider grievances submitted by individuals, judicial persons and organizations regarding the performance of social security officials and administrative decisions that may violate social security law and its regulations.

The impacts of the COVID-19 crisis led a large number of workers to be retrenched or furloughed, who therefore could no longer rely on designated representatives in the

workplace to lodge their complaints and appeals. This necessitated an adaptation of the complaints and appeals mechanisms. Given the rapid pace at which the emergency support was developed and implemented, an efficient complaints and appeals mechanism became even more crucial to correct possible identification and disbursement errors. The ILO supported the LSSO to review potential issues in its existing complaints and appeals mechanism.

Some key adaptations to align the mechanisms with international standards include:

- **Improving accessibility:** routine channels for raising complaints (the LSSO phone line) were not used often by workers and employers, who instead preferred to discuss issues in person with those that they have a trusted relationship with. In response, the LSSO added a new channel for receiving and escalating complaints through union representatives and garment associations. In non-unionized factories, a focal point was established for sensitizing workers in the ILO–BMZ project and receiving and channelling queries. For managing technical issues related to mobile money payment (lost Personal Identification Numbers (PINs) and so on), workers could call the customer service number of the service provider. The service provider also provided a mobile team to visit the factories to address issues in person (this was stipulated in the service provider agreement).
- **Ensuring independence and impartiality:** a tripartite committee was established by the ILO–BMZ project that was responsible for addressing any complaints brought to the LSSO.
- **Improving transparency of processes:** during the tripartite committee meeting that launched the project, union representatives and associations were clearly sensitized on their roles in complaints and appeals. The rights to raise queries and lodge complaints and appeals were also communicated to workers in the factories during the representatives' regular visits. This right and the corresponding channels to voice grievances were also included in the printed literature produced for the project and disseminated in the factories.

## How the complaints and appeal mechanism improved the ILO–BMZ project

The adapted complaints and appeals mechanism introduced through the ILO–BMZ project has led to a lower risk of exclusion errors and fraud, helped monitor the timely and adequate delivery of benefits and helped identify areas for improvement:

**Concerning exclusion:** the design of the project, providing universal coverage to all workers in the identified factories, helped to minimize occurrence of this risk. Nevertheless, the grievance mechanisms identified complaints from shoe factories that had initially been overlooked in the design, despite being part of the garment sector. Following discussions of the tripartite committee, it was agreed that these had been erroneously excluded and the decision was made to broaden coverage to include these factories, representing an additional 3,400 workers.

**Concerning fraud:** the project was designed in such a way that all workers in the concerned factory sites that had contributed at least one month to the LSSO were eligible and automatically registered, with funds being transferred directly from the LSSO to workers' accounts, helping to mitigate occurrence of this risk. Although no formal complaints were received, a post-distribution monitoring survey conducted with sampled beneficiaries showed that a small number of surveyed workers reported some form of abuse while requesting or receiving benefits.

**Concerning timely and effective delivery of benefits:** the most common issue raised through union representatives and associations concerned delays in receiving the benefits. While the project was officially launched in February 2021, the first payments were made only in June to workers holding a bank account. Payments to workers without bank accounts were delayed until August 2021, as they first needed to set up mobile money accounts. The complaints and appeal mechanism has been important for providing clear responses to workers about the reasons for these payment delays,<sup>7</sup> which helped to maintain trust in the LSSO and the project. Another widely reported type of feedback to the union representatives concerned dissatisfaction with the level of benefits. While workers were grateful to have received some support, they voiced concerns related to its one-time nature and insufficient

<sup>7</sup> Caused by delays in registration and contracting of service providers.

level. Another issue identified was with difficulties in completing the mobile money transaction process for some beneficiaries, who were unfamiliar with this technology. In addition, instances were reported in which the digital payment method recorded for a beneficiary was incorrect, either because the phone number could not be reached or because it was not registered under their name. To address such problems, the mobile network operators were required to conduct factory visits in order to register workers in person, causing payment delays.

## Impact and challenges

Several lessons can be learned from ILO's experiences in the Lao People's Democratic Republic – concerning implementation of the ILO-BMZ project generally and the complaints and appeals mechanism specifically.

### **The importance of good sensitization and outreach.**

Awareness-raising contributed to effective implementation of the complaints and appeals mechanism in two important ways. Firstly, creating the awareness of the existence of a right to a certain level of income security and the corresponding right to make a complaint or lodge an appeal but also with respect to how these rights can be implemented represent crucial prerequisites for a grievance mechanism to function effectively. Secondly, the sensitization among garment workers but also workers in other sectors about the nature of the project – that it is through LSSO but is donor funded, and with limited funds – helped to minimize complaints and queries about exclusion from LSSO members workers and their representatives in other affected industries such as the tourism sector. On the other hand, the project was unable to effectively reach and support those who lost their job due to COVID-19 and returned to their home villages, despite being eligible for support under the ILO-BMZ project. While the complaints and appeals mechanism did not receive formal complaints from this group; this is an indication that outreach efforts were insufficient, leading this group to be unaware of their eligibility for assistance or their right to lodge a complaint or an appeal.

**Value of social dialogue.** The tripartite participation of governments and employers' and workers' representatives contributed to the design and implementation of the project in several ways. It enabled joint discussions and decisions on the initial design and allowed for adaptations to be introduced to address issues raised. It also facilitated a collective understanding of the project among social partners, enabling timely and consistent responses by all

partners to information requests and queries from beneficiary workers and factories, and helped each tripartite member to understand their respective roles and responsibilities.

### **Importance of adhering to social security standards, even in times of crisis.**

The experiences from the ILO-BMZ project show that even in emergency settings in which support must be provided rapidly, it is possible to adhere to the guiding principles of Recommendation No. 202, in particular those related to complaints and appeals mechanisms. As the principles provide direction on how mechanisms should be established, they are not prescriptive in nature and provide national institutions with sufficient room to account for their local context and circumstance. Although the design of the emergency response reduced the risks of fraud and exclusion (by making eligibility universal among targeted factories and providing benefits through direct transfers), the implementation of an effective complaints and appeals mechanism was nonetheless crucial: not only was it an attempt to adhere to Recommendation No. 202 but also its value was also proven in practice as the mechanism allowed for the identification and resolution of a number of implementation issues. Lastly, the implementation through tripartite participation provided valuable lessons to local stakeholders that may guide future efforts to expand and improve social protection.

### **Importance of preparedness planning for shock responsive social protection.**

Experiences in the Lao People's Democratic Republic highlight the value of having existing mechanisms, processes and capacity in place for social protection that can be drawn on in case of emergency, which allowed for a relatively fast implementation. Nonetheless, the ILO-BMZ project was able to overcome some challenges related to the lack of preparedness of the social protection system. It introduced mechanisms that were necessary for an efficient emergency response and have contributed to improving the delivery and governance of the Lao social protection system. This includes mechanisms for tripartite decision-making; improving data availability, complaints and appeals; and making mobile payments to workers without bank accounts.

## What's next?

The ILO-BMZ project introduced changes which, if sustained, will strengthen the social security system in the Lao People's Democratic Republic. Priority areas for the continued enhancement of national systems include:

- (i) increased tripartite involvement, including in outreach activities and handling of grievances;
- (ii) the standardization of the recording and management of grievances to improve efficiency and transparency, including through the use of a digital management information system; and
- (iii) the increased use of digital solutions to pay benefits to workers, either directly into their bank account or through mobile money systems for workers without bank accounts.

Lastly, the ILO-BMZ project highlighted that the Lao social security system was insufficiently prepared to face a crisis like the COVID-19 pandemic. Ensuring that systems are reinforced is crucial to enable a quick response when a future crisis inevitably hits.

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