



► Ability to contribute to social security

January 2023

Some 52 per cent of employees in Lao PDR could potentially afford to contribute the maximum 9 per cent share of their income to the NSSF voluntary scheme.

However, this proportion drops to 36 percent if we assume that household expenditures are not split evenly between income earners, but that an employee's contributions may be paid for from the surplus total household income per income earner. If we assume that employees are only responsible for their own consumption expenditure, the data indicate that over 91 per cent could

potentially afford to contribute to social security. The proportion of employees who could potentially contribute to social security according to these measures differs across economic sectors. The highest proportion of workers with the ability to contribute to a pension are found in the education, other industry, and public administration sectors, where close to four-fifths of employees (79, 77, and 76 per cent respectively) could potentially afford to contribute. The sectors with the lowest proportion of workers able to contribute are wholesale and retail trade, agriculture, and domestic work (29, 22, and 20 per cent respectively).

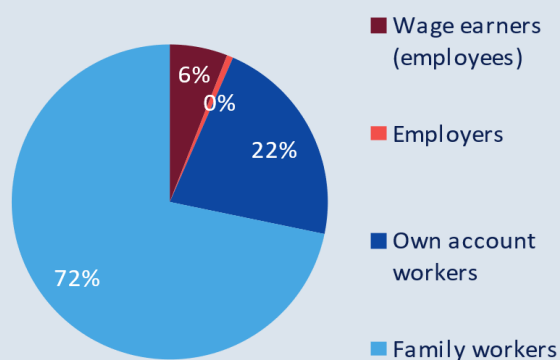
Employees able to contribute to social security by economic sector



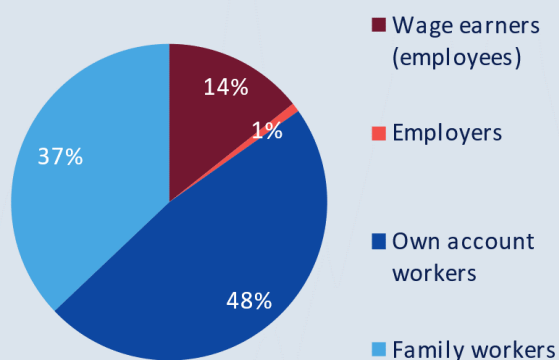
Source: LECS-6 2019

Distribution of workers by employment status and economic sector

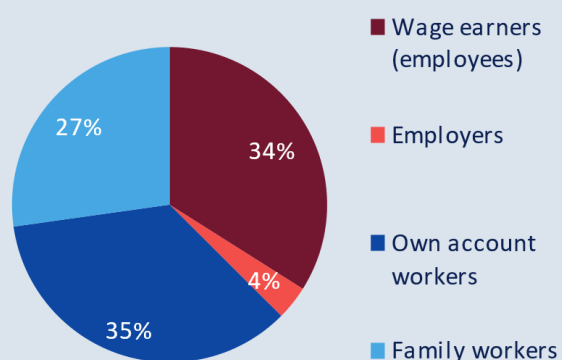
Agriculture workers by employment status



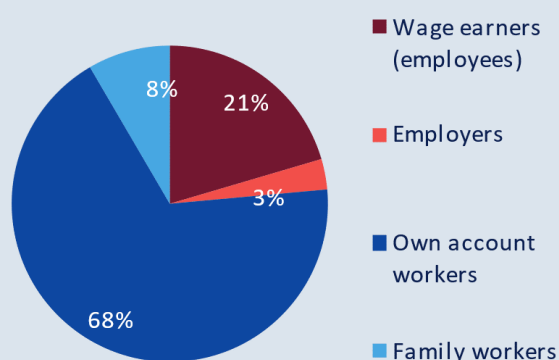
Wholesale and retail workers by employment status



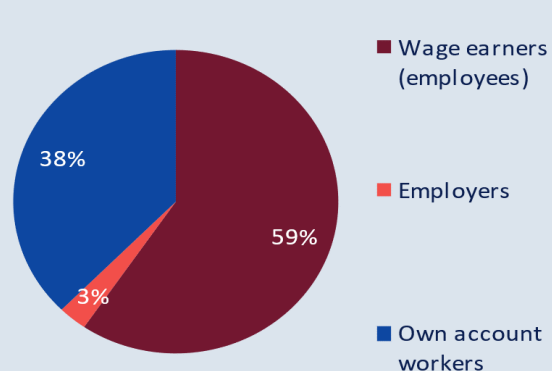
Manufacturing workers by employment status



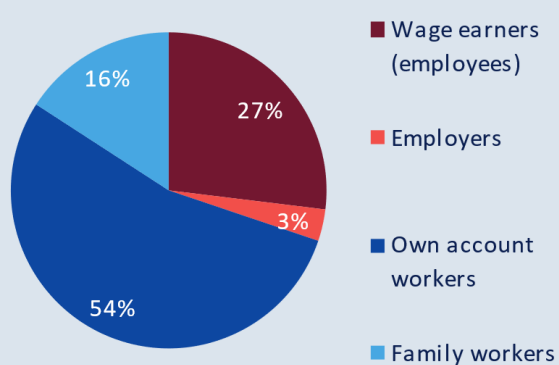
Construction workers by employment status

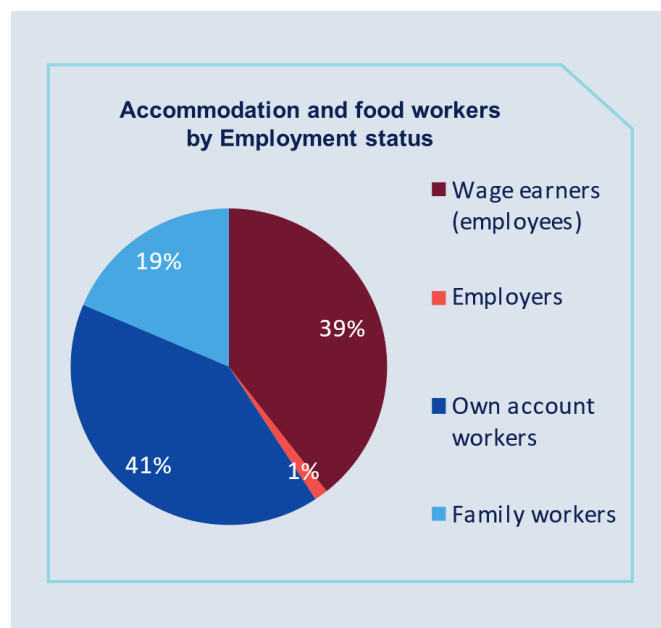


Other services workers by employment status



Transport workers by employment status





Source: Lao PDR LFS 2017

Two sectors have a relatively high proportion of wage workers: other services (75 per cent) and accommodation and food (40 per cent). Manufacturing also has a relatively high proportion (34 per cent). In these sectors, effort should be focused on formalising enterprises and on tailoring legislation and enforcement of regulations to ensure employment practices do not enable businesses to evade their contributions (e.g. through the provision of short-term/ temporary contracts or subcontracting).

The agriculture sector has the highest proportion of workers in the bottom national income quintile (39 per cent) and the lowest proportion (22 per cent) of workers who are able to contribute to social security.

Wholesale and retail trade also has a relatively high proportion of workers in the bottom national quintile (25 per cent) and low capacity (29 per cent) to contribute.

Other sectors with low capacity to contribute are domestic workers (20 per cent), accommodation and food (45 per cent), and manufacturing (47 per cent).

For these groups, the government should consider providing subsidies for contributions or social assistance. The social security system will also need to allow workers to make intermittent contributions.

A high proportion of transport workers are own-account workers (54 per cent) and employees (28 per cent). Transport workers seem to have high capacity to pay social security contributions, so policy here could be directed at ensuring enterprises comply with legislation for employees (e.g. through hinging operating licences on registration with LSSO) and incentivising voluntary membership, for example through tying access to business support services to LSSO registration.

This ILO Brief is part of a quantitative research of the labour force and enterprise landscape in Lao People's Democratic Republic to better understand the nature of informality and design tailored social security policies. The research received financial support from the ILO/Korea Partnership Programme and was conducted by Oxford Policy Management.

In partnership with



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