

Improving the Garment Sector in Lao PDR: Compliance through Inspection and Dialogue Project



AT A GLANCE

→ Partners

Government of Lao PDR: Ministry of Labour and Social Welfare (MoLSW), Lao National Chamber of Commerce and Industry, Association of the Lao Garment Industry, Lao Federation of Trade Unions

→ Donor

Second Trade Development Facility (TDF-2) – a multi donor trust fund financed by Australia, the European Union, Germany, Ireland, USA and the World Bank

→ Duration

2014 - 2017

→ Target beneficiaries

Direct beneficiaries: Officials and staff from the MoLSW in particular the Department of Labour Management, Labour Inspection divisions at the Provincial and District level; Lao Federation of Trade Union, Lao National Chamber of Commerce and Industry, garment sector employers and employees; employer and employee associations

Ultimate beneficiaries: The Lao Garment Sector, young workers, particularly women entering the garment industry

→ Geographical focus

Lao People's Democratic Republic



PROJECT OBJECTIVES

Lao PDR's garment sector, while modest by international standards, is the country's largest manufacturing employer and a significant contributor to the country's annual exports. Garment production is located mostly in and around the capital Vientiane with some 30,000 workers employed in approximately 60 exporting factories and 45 subcontracting firms.

Garment workers are mostly women under the age of 25 who have migrated from regions outside of Vientiane. They tend to see work in the garment sector as a temporary phase in their life to gain much-needed income to support their families and improve their own prospects. However, garment workers often difficult working and living conditions, including long hours and compulsory overtime and, for the most part, they have limited understanding of their contractual rights and obligations.

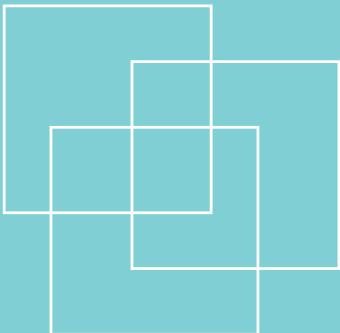
Employers in the garment sector have identified the supply of labour as their most significant constraint. Employers have reported for example that only half of their workers have been with the factory for more than three years, suggesting poor worker retention. Although the industry managed to survive the international liberalization of the garment trade, firms struggle to raise productivity when faced with a perpetual need to replace experienced workers with new unskilled recruits, and the sector remains stuck in a sub-optimal equilibrium of low productivity and high turnover rates.

Under the Second Trade Development Facility (TDF-2), the project aims to improve working conditions, productivity and competitiveness in the Lao garment manufacturing sector. It will do this by strengthening the national labour inspection system to ensure compliance with the country's labour laws and international labour standards. The project will also improve worker and employer understanding of the labour law and their role in ensuring good working conditions while empowering managers and employees in selected garment factories to design and implement workplace improvement plans.

In order to achieve these objectives, the project's strategy will work at three levels to:

- Build the capacity of the labour inspection system to achieve compliance, using up-to-date ILO tools and methodologies and reflecting lessons learned from working with labour inspectorates in the region;
- Develop and implement an awareness-raising strategy for workers and employers in the garment sector so that they are aware of rights and obligations under the labour law; and
- Implement a targeted compliance strategy for the garment industry.





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PROJECT ACTIVITIES AND OUTCOMES

The project is organized around three main outcomes, with a set of activities designed to achieve each outcome.

Outcome 1: The capacity of the labour inspection system in Lao PDR is improved so that it can effectively undertake labour inspection functions for the benefit of workers and employers in the garment sector.

The Government, together with employers and workers organizations will contribute to improving the country's labour inspection system. This includes strengthening its legal framework; improving its organization, operation and coordination; and revising its inspection methods and procedures in line with international best practices. The main activities under this outcome will include:

- The development of a national labour inspection plan setting out common objectives, standardized working procedures and key performance indicators.
- The design and adoption of labour inspection tools to improve the ability of inspectors to carry out inspection visits and to collect and analyse data.
- Working with the Government and social partners towards the ratification of the ILO Convention No. 81 on Labour Inspection.

Outcome 2: Workers and employers are aware of their rights and obligations and understand how to achieve workplace compliance.

Under this outcome, managers and workers in the garment sector will gain a better understanding of both national labour law and international labour standards so that they are in a better position to both comply with and advocate for their rights under the law. Main activities include:

- The production and dissemination of awareness raising materials for employers and workers on national labour laws and ILO fundamental principles and rights at work.
- The development and use of training materials on workers' rights, industrial relations and productivity.

Outcome 3: Factories improve working conditions and productivity through workplace cooperation using the project advisory and training services.

The creation of social dialogue mechanisms in selected garment factories will improve communication and cooperation at the enterprise level. This will lead to better understand between managers and workers about each other's interests and concerns, which will help resolve disputes and reach mutually agreeable solutions on how to improve working conditions. The main activities will include:

- The creation of workplace improvement committees with worker representatives freely elected by factory workers.
- Enterprise assessments to determine how to achieve compliance with national and international standards, with the assistance from the labour inspectorate.
- Workplace Improvement Plans are developed, agreed and implemented based on the assessment findings.

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