

# **Social Security Re-engineering in the Lao PDR.**

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**National Social Security Office (NSSO)**

# Background

- Social security was formally introduced in 1993 with the issuance of decree No. 178/PM covering only public sector employee implemented by Ministry of Labour and Social Welfare (MLSW)
- In 1999 a new decree No. 207/PM on social security for private sector was adopted and established Social Security Organization (SSO) in 2001
- In 2006 another decree No. 70/PM (revised from decree No. 178/PM) on social security for public sector was issued and established State Authority Social Security (SASS) in 2008



# Organization review

## Social Security Organization (SSO):

- ❖ Established in 2001 as an autonomous body governing by the tripartite Board of Directors
- ❖ Under the supervision of MLSW
- ❖ Target group: Employer with 10 and more employees
- ❖ Contributions 9.5%: 5% from employers and 4.5% from employees
- ❖ The fund is guaranteed by the state



# State Authority Social Security (SASS)

- ❖ Established in 2008 governing by the Board of Directors
- ❖ Under the supervision of MLSW
- ❖ Target group: civil servant, police and military
- ❖ Contributions 16.5%: 8.5% from the government and 8% from civil servant, police and military
- ❖ All social security benefits are exempted from tax



# Benefit package provided by the schemes

1. Medical care benefit
2. Sickness benefit
3. Maternity benefit
4. Death benefit
5. Employment injury benefits
6. Old Age pension
7. Invalidity pension
8. Survivor pension



# Reasons for Re-engineering

- Overlapping of regulations and administrations
- Implement the same objective and benefit package
- Just different targeted groups
- Government has admitted to the reform of social security system in Lao PDR



# Social Security Re-engineering

- New law on social security has been issued in July 2013
- Aiming to merge the social security funds into the National Social Security Fund
- Established the National Social Security Office (merging the two schemes: SSO and SASS) to implement the new law on social security
- Comes into effect in Oct 2014



# Principles

- Managed legally, centrally and nationwide
- Protected rights and interests of insured persons
- Transparency, accountability and sustainability management
- Fund accumulation, risk pooling, mutually assistance and sustainability
- Benefit calculation based on insurable earnings
- Appropriate with international conventions and treaties which are ratified

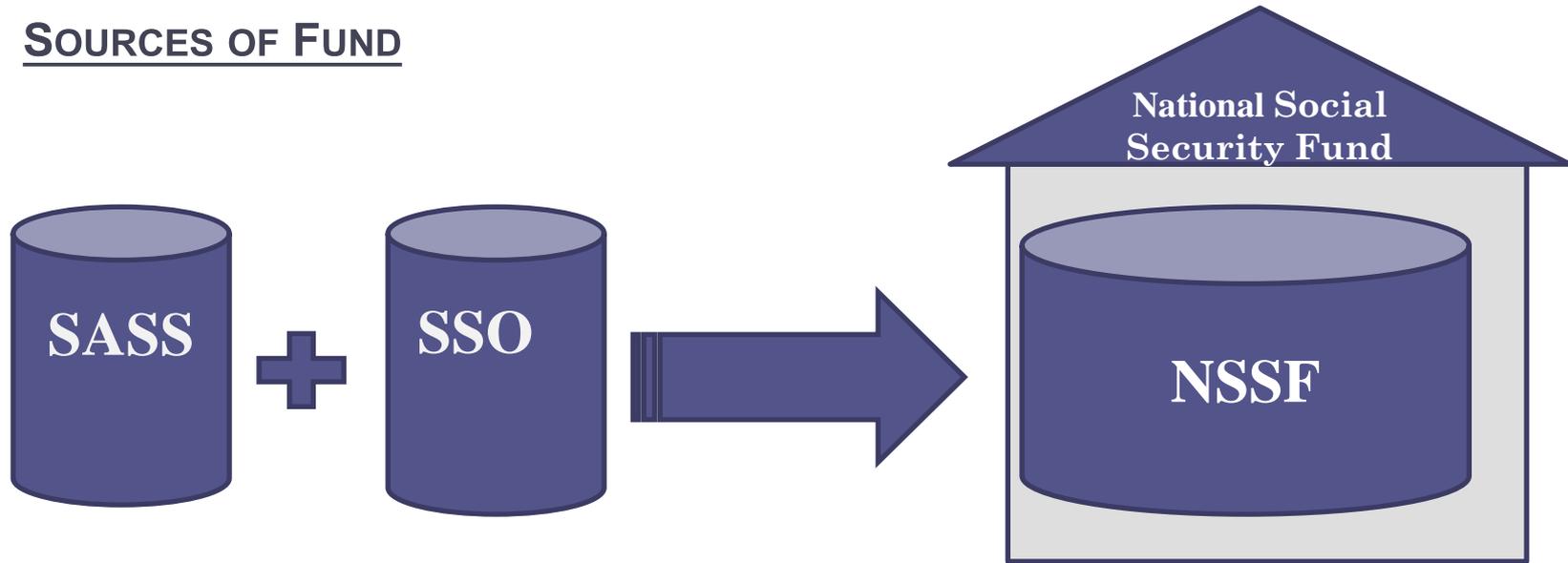


# National Social Security Office

- A non-profit public organization
- Managed by the Board of Directors (tripartite body)
- Under supervision of MLSW
- Targeted group: public and private sector employees, self-employed and voluntary persons
- The fund is guaranteed by the state and all benefits are exempted from taxes



## SOURCES OF FUND



- Contribution of the Govt' (8.5%).
- Contribution of civil servant and arm force (8%)
- Contribution of employer (6%)
- Contribution of formal employee (5.5%)
- Contribution of informal employee and voluntary insured person (9%)
- Investment returns



# Social Security Benefit Funds

<b>Social Security Benefit Funds</b>	<b>Civil servant</b>	<b>Private employee</b>	<b>Self-employed and voluntary</b>
<b>Health insurance</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>
<b>Work injury or occupational diseases</b>	<b>0.5%</b>	<b>0.5%</b>	<b>-</b>
<b>Short-term benefits</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Long-term benefits</b>	<b>12%</b>	<b>5%</b>	<b>5%</b>
<b>Unemployment benefit</b>	<b>-</b>	<b>2%</b>	<b>-</b>
<b>Total</b>	<b>16.5%</b>	<b>11.5%</b>	<b>9%</b>

# Benefit Package provided by NSSO

- Employment injury
- Medical care
- Short-term Benefits (Sickness, Maternity benefit and Death grant)
- Long-term Benefits (Old-age pension, Survivor's pension and Invalidity pension)
- **Unemployment Insurance Benefit**



# A New Unemployment Insurance Benefit

- Started introduce: Jan 2015
- Expect to start benefit payment: Jan 2016 onwards
- Paid to an unemployed insured person in the cases of: has been laid off, employer bankrupt and has been registered as an unemployed person for at least 30 days.
- Contributions 2%: 1% from each employer and employee
- Conditions: At least has paid 12 months of contributions



# Unemployment Benefit

- The benefit is calculated as 60% of the average insurable income with a length of benefit payment based on contributing period such as:

<b>Period of contribution</b>	<b>Time payment</b>
<b>12-36 months</b>	<b>3 months</b>
<b>37-72 months</b>	<b>6 months</b>
<b>73-144 months</b>	<b>9 months</b>
<b>More than 145 months</b>	<b>12 months (maximum)</b>



# **Extension of Coverage to Self Employed and Voluntary Person**

- The new law is committed to extend voluntary social security coverage to informal sector employee including self-employed and voluntary insured persons
- Started implement in Oct 2014
- Targeted group: individual aged 18-60 years old
- Contributions 9% of selected insurable earnings (selected earnings from 900.000 kip to 2 million kip)



# Benefit Package for Voluntary Scheme

- Medical care
- Short term benefits: sickness benefit, maternity benefit, death grant
- Long term benefits: old-age pension, invalidity pension and survivor's pension



# Challenges for the Informal Sector Employee

- Small and irregular incomes which are unable to afford the contribution payment
- With the absence sharing of contributions from employer or Govt'
- Informal sector employees are unwilling to pay high rate of contributions
- No financial support from Govt' due to lack of state budget
- Great challenge in term of membership and contribution collection
- Therefore, still small number of membership to this targeted group



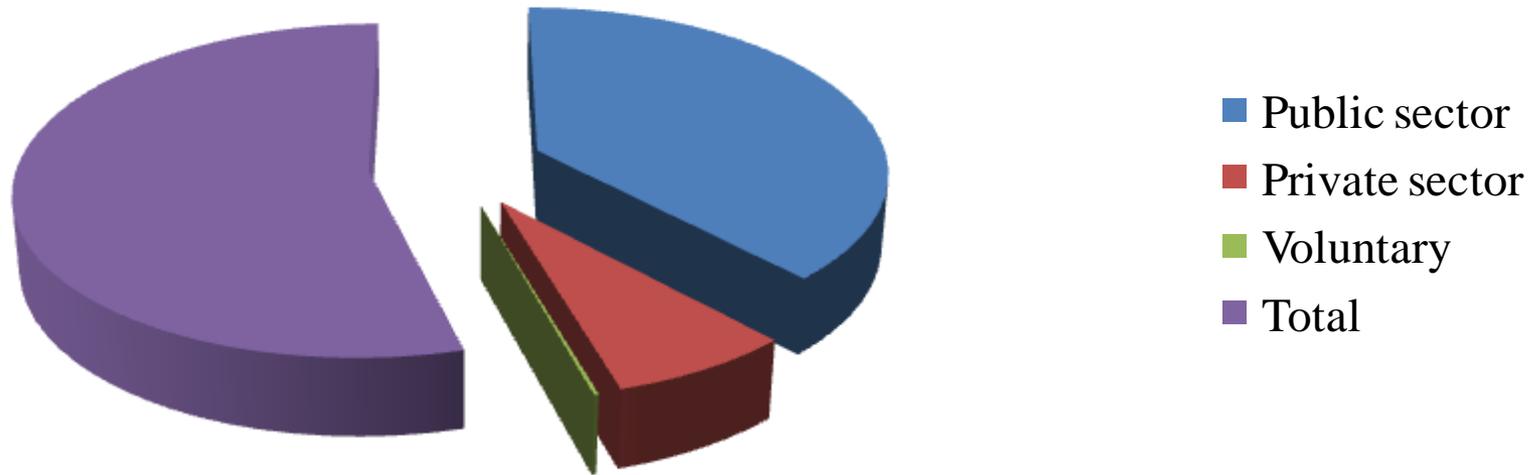
# Figures of NSSO Membership

- Public sector membership: 412,296
- Private sector membership: 80,166
- Voluntary sector membership: 2,039
- Total beneficiaries: 587,996



# NSSO Membership Chart

**NSSO Membership**



Thank You!

