



Lao Labour Law & Employment Regulations

Overview

Laos

The Lao People's Democratic Republic is one of the fastest-growing economies in East Asia. The country is rich in minerals, agricultural commodities, and forestry.

In terms of gross domestic product (GDP) by sector, agriculture contributed 16.21%, the industry sector contributed 32.16%, and services contributed about 40.73% in 2020. The country's economy has also benefited from foreign direct investments (FDI) in hydropower dams along the Mekong river and copper and gold mining, among other projects.



Capital
Vientiane Capital



Population
7.5 million



Currency
Lao Kip (LAK)



GDP Per Capita
USD 2,629.70
(as of 2020)

1. Lao Labour Law

The Lao labour law provides the minimum standards of operations for organisations to establish their system of governance, monitoring, recruitment, evaluation, and labour protections.

The labour law is a guideline for both employer and employee relations under the specific employment, as it is tailored to fit organisational purposes. Organisations, however, typically have their own practice, giving enhanced benefits while still respecting the implications of the Lao labour law.

2. Employment Contract

Employment contracts have to be in written format. The employer has to give at least 15 days' notification for fixed-term contracts before the contract expires. The extension will have to commence within 60 days of the contract's expiration.

All contracts must include the following:

- Name and surname of the employer and employee;
- Scope of work, rights, obligations, responsibilities and occupational duties of the employee;
- Salary or wages of the employee;
- Duration of the employment contract, date of commencement and expiry of the contract;
- Address of the employer and employee;
- Form of payment for salary or wages;
- Duration of trial period for employees;
- Welfare and other policies for employees;
- Working days, rest days and holidays;
- Benefits the employee will receive at the expiration of the employment contract;
- Other matters that both parties deem necessary in accordance with the law.

Type of Contract	Specifications
Fixed-term contract	The contract can be extended for no more than 3 years
Indefinite employment contract	The contract is deemed to be an indefinite contract once the 3 years extension is exhausted
Probation	Unskilled labour Probation period: no more than 30 days Termination: 5 days' notice Specialised fields Probation period: no more than 60 days Termination: 3 days' notice

If employment is terminated during probation, the employee is entitled to receive salary or wages and other entitlements under the law, calculated from when the date employee began to work to the last working day. Employers are to inform the employees **7 days before** the end of the probationary period in writing whether or not their employment will be confirmed.

3. Minimum Wage

The minimum wage in Laos is currently LAK 1,100,000. There are, however, talks of raising the minimum wage to LAK 1,500,000.

4. Working Hours

Type of Hours/Breaks	Duration
Working hours	Based on employer's discretion, depending on the market served
Maximum working hours (Normal Working Conditions)	<ul style="list-style-type: none"> 8 hours daily 48 hours weekly or 6 days weekly
Maximum working hours (Dangerous Working Conditions)	<ul style="list-style-type: none"> 6 hours daily 36 hours weekly
Hours of Rest	<ul style="list-style-type: none"> Minimum of 60 minutes for full-time employees Minimum of 45 minutes for shift employees

5. Overtime

Depending on the nature of the job, overtime worked must receive prior approval from the line manager. Employees working the night shift shall be paid no less than 15% of their regular pay rate.

Restrictions

- Overtime shall not be more than 3 hours a day or 45 hours per month.
- An employee cannot work 4 consecutive days of overtime except in the case of an emergency such as combating natural disasters or an accident that would cause significant damage to its labour unit.

Overtime Calculation

Regular Working Days	Weekend	Public Holidays
<ul style="list-style-type: none"> 150% for OT worked from 17:00 to 22:00 200% for OT worked from 22:00 to 06:00 	<ul style="list-style-type: none"> 250% for OT worked during regular hours 300% for OT worked after regular hours until 06:00 	<ul style="list-style-type: none"> 350% for OT worked during Public Holidays

6. Types of Leaves

Paid and Unpaid Time Off

Type of Leave	Length of Leave
Annual Leave	<ul style="list-style-type: none"> 15 days pro-rated annual leave 18 days for sectors with dangerous working conditions
Medical Leave	Full-time employees are entitled to 30 days of sick leave, excluding sick leave for work accidents
Maternity Leave	<ul style="list-style-type: none"> 105 calendar days for single born 120 days for twins 42 days must be taken after giving birth
Compassionate Leave	3 working days leave for marriage, death, and unprecedented circumstances.

Public Holiday

The government will announce public holiday dates annually, and all organisations are expected to follow the dates that have been announced. There are 7 mandatory public holidays in 2022. Employees are permitted to attend customary ceremonies at managers' discretion.

Date	Public Holiday	Type
1 January	International New Year	Mandatory
8 March	International Women's Day	Mandatory
14 April	Lao New Year	Mandatory
15 April	Lao New Year	Mandatory
16 April	Lao New Year	Mandatory
1 May	International Labour Day	Mandatory

Date	Public Holiday	Type
10 October	End of Buddhist Lent	Customary
11 October	Boat Racing Festival	Customary
8 November	That Luang Festival	Customary
2 December	National Day	Mandatory

7. Statutory Contributions

National Social Security Fund

The National Social Security Fund is a compulsory scheme for Lao nationals and expatriates who are full-time employees. Employers are responsible for registering employees for NSSF and declaring employees' NSSF contributions. Employees who are not under the NSSF are to be compensated by their employers for any medical claims.

Contribution Rate

Employer	Employee
6%	5.5%

Contribution to the NSSF is to be made monthly. There is a maximum threshold of LAK 4,500,000 and a minimum threshold of LAK 1,100,000.

Benefits of the NSSF

1. Health care subsidiaries
2. Allowances for accidents, occupational diseases, etc.
3. Maternity benefits
4. Medical benefits
5. Loss of labour benefits
6. Pension benefits
7. Death benefits
8. Subsidiary to family members

8. Termination and Severance

Reasons for Cancellation of Employment Contracts

Cancellation by Employer	Cancellation by Employee
<ul style="list-style-type: none"> Causing deliberate damages to the employer Violating internal regulations Neglecting duties for four consecutive days Employee is sentenced to imprisonment Violating the right of other employees Employees lack specialised skills Employees not in good health Business decision to reduce the number of employees after consulting trade union or relevant parties 	<ul style="list-style-type: none"> Employees are not fit for work (medical conditions) Lack of resolution towards employer's and employee's disputes Unable to perform work due to work relocation Any molestation, harassment, or sexual harassment

Type of Employee	Notice Period	Compensation	Severance Pay
Unskilled Worker	30 days	<ul style="list-style-type: none"> Remaining salary Remaining entitlement Severance pay 	<ul style="list-style-type: none"> 10% for justified termination 15% for unjustified termination
Skilled Worker	45 days		

9. Health Insurance

Employees are entitled to annual health checks and medical claims.

Employer's Responsibility	Employee's Responsibility
<ul style="list-style-type: none"> Provide or arrange annual medical check-ups for staff Provide a medical insurance scheme at the workplace <p>Common practices:</p> <ul style="list-style-type: none"> Register employees to third-party health insurance Provide in-house medical insurance 	<ul style="list-style-type: none"> Attend annual medical checks as required Inform employer upon sick leave. If unable to, ensure family members are able to inform on the employee's behalf Provide a medical certificate for any sick leave requested as per the company's policy

10. Employee Representatives/Trade Union

The organisation shall establish an internal employee representative if:

- An entity comprising 10 to 15 employees shall have 1 employee representative
- An entity comprising 15 to 100 employees shall have 2 employee representatives. For every 100 more employees, there should be 1 more employee representative.

If the organisation does not have an existing grassroots trade union representative, an employee chosen by their colleagues must be appointed as the representative. The representative has the responsibility of organising meetings with employees and voicing out employees' thoughts, opinions, and concerns to the management.

11. Personal Income Tax

Applicable to Lao nationals, expatriates, and foreigners who receive salary abroad but have been residing in Laos for more than 183 days.

Tax Exemption

- Income tax from farmers
- Individuals with income below LAK 1,300,000
- Income of a disabled individual
- Salary of foreign experts implementing aid projects
- Salaries of diplomats and other international NGOs located in Laos
- Money withheld for pension funds, welfare funds, spousal, or child support
- One-off allowances, pension, per diem
- Social Security
- Allowances which are reward prizes

Calculation of Income Tax

For example, an employee receiving a gross income of LAK 18,000,000. The tax calculation is as follows:

1. Deduct the first 1.3 million, which is exempted.
2. Calculate the tax from the second tranche of 3.7 million, multiplied by 5%.
3. Multiply the next 10 million by 10%.
4. The remaining taxable amount after deducting 1.3, 3.7, and 10 million is 3 million, which will be taxed at 15%.
5. The total income tax received is LAK 1,635,000.

The organisation usually withhold the income tax and declares the amount monthly in the TaxRis system—an online platform that organisations have to register for.

Tax Scale	Min.	Max.	Diff.	Tax Withhold	Example: Monthly salary of 18,000,000
0%	0	1,300,000.00	1,300,000.00		
5%	1,300,000.00	5,000,000.00	3,700,000.00	185,000.00	185,000.00
10%	5,000,000.00	15,000,000.00	10,000,000.00	1,000,000.00	1,000,000.00
15%	15,000,000.00	25,000,000.00	10,000,000.00	1,500,000.00	$18,000,000 - (1,300,000 + 3,700,000 + 10,000,000) = 3,000,000 * 15\% = 450,000.00$
20%	25,000,000.00	65,000,000.00	40,000,000.00	8,000,000.00	
25%	65,000,000.00				
				Total	1,635,000.00

12. Labour Importation

The entire process takes up to 2 months. The pre-entry process will take 1 month, starting from applying to the Ministry of Planning and Investment. For clients who wish to hire BIPO Service Lao to support the process, we require the following information and documents:

1. Expected travelling date
2. Air ticket
3. Copy of passport
4. 5 ID photos

Once the labour importation is approved, BIPO will apply for the single entry working visa or LA-B2 for the employee. This process will take a minimum of 1 week. Once the visa is completed, the employee can decide to collect from the nearest Lao embassy or when they arrive at the designated border.

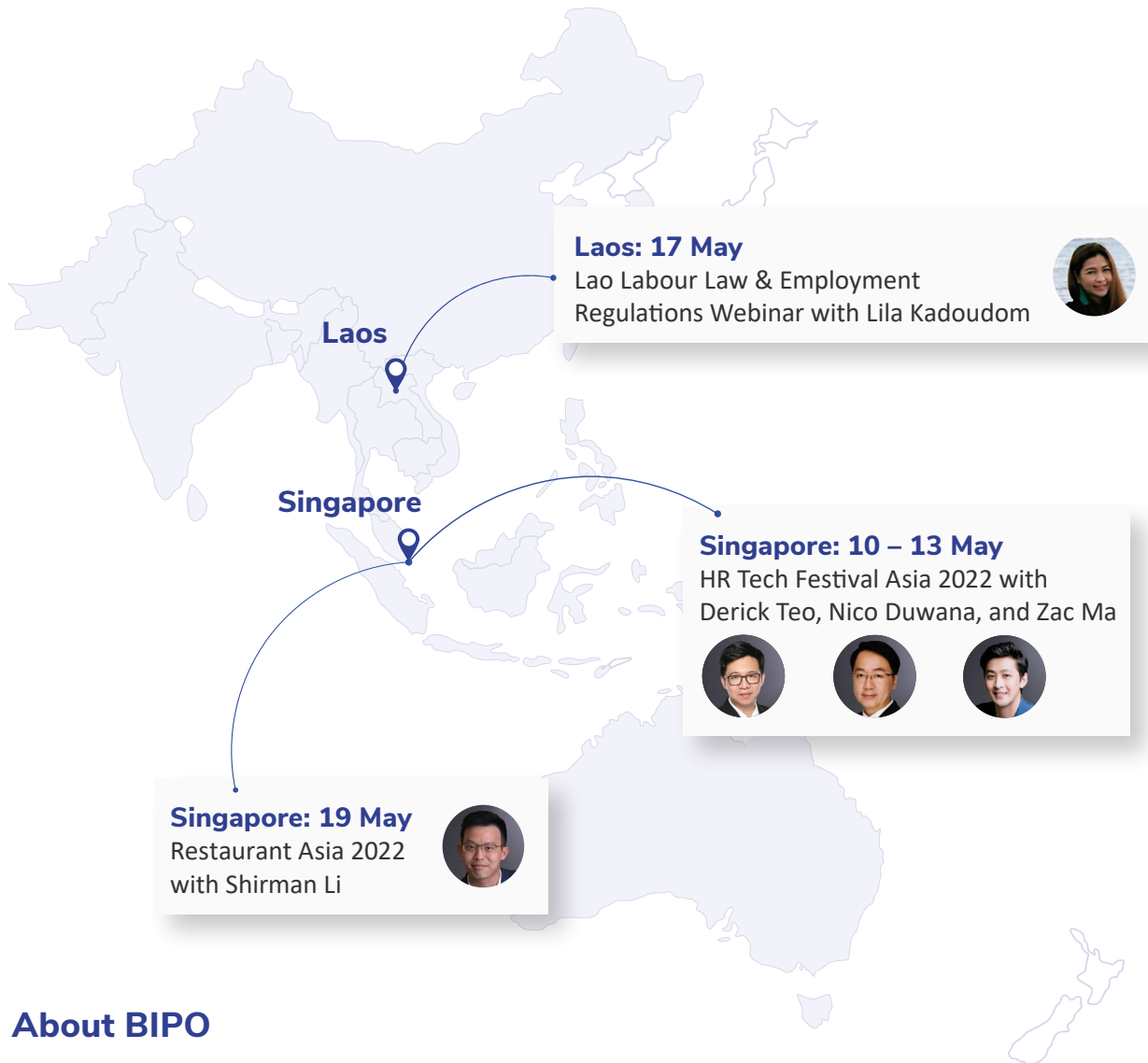
Upon arrival to Laos, BIPO will proceed to request for a multiple entry working visa, stay permit, and a work permit card. The duration of the visas will usually tide with the employment contract, which ranges from 6 months to 1 year. Employees need to request for a renewal of documents once the visa expires.

Things to note:

- The single entry visa is only valid for 30 days
- A valid vaccination certificate, to be declared at the immigration checkpoint is required.

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Around the World with BIPO



About BIPO




Established in 2004 and headquartered in Singapore, BIPO is a global payroll and people solutions provider.

Our enterprise-ready HR Management System automates HR processes, simplifies workflows, and delivers actionable insights. Complemented by our payroll outsourcing and global PEO services, we support your global workforce needs through a network of 27+ offices, four R&D centres, and business partners in 100+ countries.

Connect with our experts today: hello@biposervice.com

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