

Facts on Laos' Garment Industry

Key statistics:

Population (2014): 6.288 million (2011 census)¹

Employment in garment industry (2013): 25,000 to 30,000 are employed in the garment industry;^{2 3 4} the Lao garment industry could employ up to 60,000 because the demand from the EU is higher, but the minimum wage in Thailand is much higher (280 USD) compared to Laos (77 USD), so many workers go to Thailand instead.⁵

Garment % of GDP: *no data found*

Garment % of export: 4%⁶

Value garment export: 95 million USD (762 million EUR)⁷ (first 6 months of 2014);⁸ expected value of 226 million USD (178 million EUR)⁹ by the end of 2014¹⁰

Percentage of the world market for garment (2008): *no data found*

Minimum wage (2014): 630,000 LAK¹¹ (79 USD; 62 EUR)¹²

Living wage calculation by Asia Floor Wage (2013): *none*

Background of Laos:

- **Geography:** small, landlocked country; borders with: Vietnam, Thailand, Burma, China, and Cambodia
- **Politics:** communist party regime since its 1975 revolution
- **History:** still suffers from Viet Nam War, which caused mass devastation to its human, economic and

¹ <http://export.gov/thailand/doingbusinessinthailand/doingbusinessinlaos/index.asp>

² http://www.wto.org/english/res_e/booksp_e/casestudies_e/case22_e.htm

³ http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1254498644362/6461208-1300387998578/Lao_Garment.pdf p1

⁴ <http://www.globalpost.com/dispatch/news/xinhua-news-agency/140805/lao-garment-industry-booms>

⁵ <http://www.laosinvestmentreview.com/2014/08/06/garment-exports-increase-despite-labour-shortage/>

⁶ <http://www.laosinvestmentreview.com/2014/08/06/garment-exports-increase-despite-labour-shortage/>

⁷ <http://www.xe.com/currencyconverter/convert/?Amount=965000000&From=USD&To=EUR>

⁸ <http://www.globalpost.com/dispatch/news/xinhua-news-agency/140805/lao-garment-industry-booms>

⁹ <http://www.xe.com/currencyconverter/convert/?Amount=226000000&From=USD&To=EUR>

¹⁰ <http://www.laosinvestmentreview.com/2014/08/06/garment-exports-increase-despite-labour-shortage/>

¹¹ <http://www.rfa.org/english/news/laos/garment-11152012194455.html?searchterm=laos>

¹² <http://www.xe.com/currencyconverter/convert/?Amount=630000&From=LAK&To=EUR>

social infrastructure.

- **Economy:** one of the poorest countries in the world, with more than a quarter of the population still living below the poverty line. Three quarters of its population live off agriculture and similar activities. Laos is classified as a Least Developed Country.¹³

Biggest issues in Laos' Garment Industry:

- **Export:** Laos is not competitive because it lacks the international relations (e.g. to US)
- **Working conditions:** expectations of workers (who often come from rural areas to escape poverty) vs the reality in the factories¹⁴
- **Skills:** the productivity in Lao factories is very low due to unskilled work force, this also keeps wages down and makes working hours go up¹⁵
- **Trade unions:** are under government control¹⁶

General economic data:

Producing factories, traders and retailers

Production	There are about 100 to 120 garment and/or textile producing factories (it is unclear how many produce garments and how many produce textiles). ^{17,18} The factories are located in the area surrounding Vientiane and in Savannakhet. ¹⁹
Trade	Ca 100 garment export companies, increasing tendency ²⁰
Retail	

Exports

¹³ <http://www.un.org/en/conf/ldc/pdf/laos%20pdr.pdf>

¹⁴

http://books.google.nl/books?id=ELo5AwAAQBAI&pg=PT114&lpg=PT114&dq=working+conditions+lao+garment+factories&source=bl&ots=A-KlDu_Q1k&sig=aXfnWx1Dh6CBjPsLiPFLFP0T4g0&hl=en&sa=X&ei=DTStU_ruNsTCO-PKGRg&ved=0CD8Q6AEwBQ#v=onepage&q=working%20conditions%20lao%20garment%20factories&f=false

¹⁵ http://www.wto.org/english/res_e/booksp_e/casestudies_e/case22_e.htm

<http://www.rfa.org/english/news/laos/garment-11152012194455.html?searchterm=laos>

¹⁶ <http://survey.ituc-csi.org/Laos.html?lang=en#tabs-3>

¹⁷ <http://www.rfa.org/english/news/laos/garment-11152012194455.html>

¹⁸ http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1254498644362/6461208-1300387998578/Lao_Garment.pdf

¹⁹ [http://www.fairwear.nl/ul/cms/fck-](http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf)

[uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf](http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf)

²⁰ http://www.just-style.com/analysis/laos-export-potential-stifled-by-worker-shortages_id117598.aspx

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The main export destinations for Lao garments are the EU (80%), Japan (12%) and the US (8%). The garment sector is the fourth largest in regards to exports.²¹

	Textile or Garments?	Total exports	Exports to US	% of total exports to US	Exports to EU	% of total export to EU
2014	Garments	estimated 226 million USD by the end of 2014 ^{22 23} (5% growth compared to 2013)				
2008	Garments	(149 million EUR) 189 million USD ^{24 25}	27.6 million USD(21 million EUR) ²⁶	14%	149.7 million USD (117 million EUR) ²⁷	79% of total exports

Imports

In Laos there is no industry for the production of materials such as yarn, fibre and fabric, so all of these textiles have to be imported in order to produce garments.²⁸

	Textile or Garments?	Total imports	imports to US	% of total imports to US	Imports to EU	% of total imports to EU
2011						
2008	Textiles (yarn, fibre, woven cotton,	19.95 million USD (15 million EUR) ²⁹				

²¹ <http://englishnews.thaipbs.or.th/lao-garment-industry-faces-labour-shortage/>

²² <http://www.globalpost.com/dispatch/news/xinhua-news-agency/140805/lao-garment-industry-booms>

²³ <http://www.fashionatingworld.com/new1-2/item/1206-laos-garment-exports-up-five-per-cent-this-year.html>

²⁴ http://www.thaitextile.org/iu_backup/link_content/Market/Laos-garment-industry-profile-2011-web.pdf

²⁵ <http://www.rfa.org/english/news/laos/garment-11152012194455.html>

²⁶ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

²⁷ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

²⁸ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

²⁹ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

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Local dependency on garments/ textile export

All or almost all of the garments produced in Laos are exported because the domestic market is small. Due to the fact that Laos is landlocked, the country mainly sends its exports to ports in Thailand and Vietnam which causes additional costs for garment suppliers.³⁰

Turnover/profit:

The Lao garment industry is not very profitable. It only makes up 4% of the country's exports and has a relatively low value of (expectedly) 226 million USD (178 million EUR)³¹ by the end of 2014.³² Turnover and profit could increase by expanding the industry in Laos; for that more workers need to be hired.

Investment figures:

In 2012 the foreign investment in Laos was 1.2 million USD (948,407 EUR);³³ foreign investments make up around 20% of the GDP. Out of a total of ca 100 to 120 garment factories, 25 factories are foreign owned (foreign direct investment), 11 are jointly owned by Lao nationals and foreigners and 18 are Lao owned; the ownership of the remaining factories is unclear.³⁴

GSP ³⁵

GSP is a system of tariff reductions for developing countries exporting to the EU. Even though Laos is qualified under the GSP to export duty free to many developed markets such as the EU, Japan and Canada, most garment factories are not able to take full advantage of this preferential market access because of strict criteria. Most of Lao Fashion Garment's items are not exported under the GSP to the EU market.³⁶

Cotton

Laos has no own cotton production, but has to import (cotton) fabric to produce garments;³⁷ it seems that it does not import raw cotton but only woven cotton.³⁸

Workers:

³⁰ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

³¹ <http://www.xe.com/currencyconverter/convert/?Amount=226000000&From=USD&To=EUR>

³² <http://www.laosinvestmentreview.com/2014/08/06/garment-exports-increase-despite-labour-shortage/>

³³ http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1300567391916/EAP_Update_March2011_laopdr.pdf

³⁴ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

³⁵ <http://www.strongandherd.co.uk/news/2013-11-06/eu-gsp-scheme-from-january-2014/>

³⁶ http://www.wto.org/english/res_e/booksp_e/casestudies_e/case22_e.htm

³⁷ http://www.yarnsandfibers.com/preferredsupplier/reports_fullstory.php?id=556

³⁸ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

- **Textile workers:** *no data found*
- **Garment workers:** 25,000 to 30,000 are employed in the garment industry;^{39 40 41} the Lao garment industry could employ up to 60,000 because the demand from the EU is high, but the minimum wage in Thailand is much higher (280 USD; 221 EUR) compared to Laos (79 USD; 62 EUR)⁴², so many workers go to Thailand instead.^{43 44}
- **Garment workers as percentage of total workforce:** *no data found*

Trade Unions

Membership in trade unions is not so common in Laos because the right to form and join unions (Article 11 of the Labour Law) is rarely enforced and moreover it is formulated very broadly, so the unions' rights and duties are not clear. Collective bargaining does not seem to happen and one reason for this could be that it is not clear from the legal provision if this would be within the margin of the unions.⁴⁵ 7059 garment workers out of a total 22,000 are members of trade unions.⁴⁶ There is only one trade union: LFTU; there are no trade unions allowed outside the LFTU.⁴⁷

Working Conditions

"I would say our working place is like a prison because we are not allowed to do anything apart from working for them. We are not allowed to take a break before starting overtime, even though everyone needs to eat something... We are so hungry sometimes, we keep cookies in our pockets for eating during work, but if they see, we will be fined. You can see, we look like malnourished people..."⁴⁸

Overview of relevant labour laws, international law and implementation:

Area	International	Ratified?	Laos Labour Law	Implementation
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³⁹ http://www.wto.org/english/res_e/booksp_e/casestudies_e/case22_e.htm

⁴⁰ http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1254498644362/6461208-1300387998578/Lao_Garment.pdf p1

⁴¹ <http://www.globalpost.com/dispatch/news/xinhua-news-agency/140805/lao-garment-industry-booms>

⁴² <http://www.xe.com/currencyconverter/convert/?Amount=630000&From=LAK&To=EUR>

⁴³ <http://www.laosinvestmentreview.com/2014/08/06/garment-exports-increase-despite-labour-shortage/>

⁴⁴ <http://www.laosinvestmentreview.com/2013/08/08/labor-shortages-loom-large-for-laos/>

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⁴⁶ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁴⁷ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁴⁸ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

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http://books.google.nl/books?id=ELo5AwwAAQBAI&pg=PT114&lpg=PT114&dq=working+conditions+lao+garment+factor+ies&source=bl&ots=A-KlDu_Q1k&sig=aXfnWx1Dh6CBjPLiPFLFP0T4g0&hl=en&sa=X&ei=DTStU_ruNsTCO-PKgRg&ved=0CD8Q6AEwBQ#v=onepage&q=working%20conditions%20lao%20garment%20factories&f=false

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	Law			
<i>General</i>	<p>There are several International treaties as well as International Labour Organisation (ILO) Conventions that grant individual rights and obligations. The treaties that will be regarded are:</p> <p>ICCPR (International Covenant on Civil and Political Rights); ICESCR (International Covenant on Economic, Social and Cultural Rights); CEDAW (Convention on the Elimination of Discrimination against Women); CRC (Convention on the Rights of the Child).</p>	<p>These instruments oblige Laos to comply only if it has ratified them.</p>	<p>Rights and obligations also derive from national legislation. The legislation referred to here is the Lao Labour Law. However, the Lao Labour Law does not offer much protection for individuals since it offers many loopholes for unscrupulous employers.⁴⁹</p>	<p>The rights granted and the reality are not always the same; eventually, the situation depends on the implementation.</p>
<i>Employer's Duty</i>			<p>Art 9 of the Labour Law stipulates that the employer has the responsibility for social, technical and economic protection the employees.</p>	
<i>Forced Labour</i>	ILO Conventions	ratified 29	Art 4 says that there	ILO found 2003 that

⁴⁹ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

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	29 (1930) 105 (1957)	(1964)	shall be no forced labour.	there was no indication in any of the factories that forced labor of any kind was employed.
	ICCPR, Arts 7,8	ratified		
<i>Non-Discrimination</i>	100 (1951) 111 (1958)	Not ratified	Art 2 prohibits discrimination at work.	Women tend to be in disadvantage, e.g. many women are employed in low positions. But there appears to be no discrimination apart from that. ⁵⁰
	ICCPR, Arts 2, 26 ICESCR, Art 2(2) CRC, Art 2 CEDAW, Art 1	Ratified (2009) Ratified (2007) Ratified (1991) Ratified (1981)		
<i>Women</i>	CEDAW	Ratified (OP not ratified)	Art 2 provides for non-discrimination i.a. on the basis of sex. The responsibility for compliance with this Article lies with the government.	Sometimes women are discriminated against in the recruitment process and often their right to maternity leave. ⁵¹
<i>Child Labour</i>	ILO Conventions 138 (1973) 182 (1999)	Ratified all (both in 2005)	Article 37 provides that young workers between 15 and 18 years may be employed but only if they do not work for more than six hours per day or 36 hours	Due to sloppiness or due to lack of ID cards of employees, youth labour is common. This is a continuing problem. Roughly 50% of the factories were found to be using

⁵⁰ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁵¹ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

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			per week.	youth labor (15-18 years) in violation of provisions of the labor law. ⁵²
	CRC, Art 32	Ratified		
<i>Freedom of Association/Collective Bargaining</i>	ILO Conventions 87 98	Not ratified	Trade unions must be affiliated with the government sanctioned Lao Federation of Trade Unions, which is directly controlled by the Lao People's Revolution Party. For private sector employees, the Labour Law gives unions the right to negotiate pay levels with the employer.	The government has a large amount of control over trade unions. This could be one reason for not ratifying the ILO convention 87 and 98 which ultimately promote freedom of association. ⁵³
	ICCPR, Art 22 ICESCR, Art 8	Ratified		
<i>Living Wage</i>	ILO Conventions 26 131	Not ratified		
	ICESCR, Art 7	Ratified		
<i>Reasonable Working Hours</i>	ILO Convention 1	Not ratified	The work week is set at 48 hours, with one day off in seven. Article 27 says that overtime can only be scheduled after prior consultation with the	Overtime is voluntary in only 37.5% of private factories, and 0% for workers in Lao-owned garment factories. This leads to long hours. ⁵⁴ An

⁵² <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁵³ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁵⁴ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

			workers.	average of 9 hours overtime per week has been reported. ⁵⁵
	ICESCR, Art 7	Ratified		
<i>Safe Working Conditions</i>	ILO Convention 155	Not ratified	Article 49 of the Labor Law regulates all aspects of safety and health and requires the employers to comply.	Only around 25% of the private factories comply with the standards set in the labour law. ⁵⁶ Workers complain about sloppy safety measures. ⁵⁷
	ICESCR, Art 7	ICESCR, Art 7		

Other regulations on living conditions of workers:

The Social Insurance law

In Lao PDR, employers are required to enrol workers in the compulsory social security scheme for all enterprises that employ more than 10 workers.⁵⁸ Both the insured person and the employer pay in the fund of social security (both have to pay around 5% of the monthly pay of the insured).⁵⁹ The Social Security Organization (SocSO) supervises the scheme. The insured is entitled to:

- Health care
- Temporary loss of working capacity/sickness benefit
- Maternity benefit: the law prescribes 90 days of maternity leave, but many factories don't comply with this.⁶⁰ The employee is entitled to be fully paid during maternity leave.⁶¹

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[https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20\(2012\)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf](https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20(2012)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf)

⁵⁶ <http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudy Laos2007.pdf>

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[https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20\(2012\)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf](https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20(2012)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf)

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[https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20\(2012\)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf](https://www.jobsknowledge.org/ExperiencesFromTheField/ProjectDocuments/World%20Bank%20(2012)%20Lao%20PDR%20Labour%20standards%20No70809-LA.pdf)

⁵⁹ <http://www.ssa.gov/policy/docs/progdsc/ssptw/2010-2011/asia/laos.html>

⁶⁰

- Occupational accident or disease benefit
- Permanent loss of working capacity benefit
- and others.⁶²

Housing

Often, Lao garment workers live in paid-for accommodation provided for by the factories.⁶³ The rent is normally deducted from the salary. The dormitories usually have rooms that accommodate 2-20 persons in one room and the cooking, hygiene and laundry facilities are often insufficient.⁶⁴

Medical facilities

The employer must ensure that the employees undergo a medical examination once a year. This often does not happen, though.⁶⁵

Food arrangements

Usually factories have no food arrangements. The employees provide themselves with food. Malnutrition is a problem amongst the garment workers; a balanced diet is often difficult to afford with the low wages of the workers and often breaks are too short to prepare a proper meal.⁶⁶

Living Wage vs Minimum Wage:

Area	Minimum Wage	Context	Living Wage
Vientiane	629,000 LAK (79 USD; 62 EUR) ⁶⁷ per month	Sticky rice is 2,500 LAK (0.31 USD) per	(Asia Floor Wage has not calculated a living

<http://www.fairwear.nl/ul/cms/fck-uploaded/documents/countrystudies/othercountries/Laos/countrystudylaos2007.pdf>

⁶¹ <http://jclao.com/the-basic-rules-of-employment-in-laos/>

⁶² <http://jclao.com/the-basic-rules-of-employment-in-laos/>

⁶³ http://laodev.com/photo/Article_ALGI.pdf

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http://books.google.nl/books?id=wg46AwAAQBAJ&pg=PA159&lpg=PA159&dq=laos+garment+industry+trade+unions&source=bl&ots=zECMkcX_0M&sig=NQrDUmSN8PuTFoD7PhrWuk-o1UQ&hl=en&sa=X&ei=WxQ5VKHAN83fPFDNgMAI&ved=0CCAQ6AEwADgU#v=onepage&q=laos%20garment%20industry%20trade%20unions&f=false

⁶⁵ <http://jclao.com/the-basic-rules-of-employment-in-laos/>

⁶⁶

http://books.google.nl/books?id=wg46AwAAQBAJ&pg=PA159&lpg=PA159&dq=laos+garment+industry+trade+unions&source=bl&ots=zECMkcX_0M&sig=NQrDUmSN8PuTFoD7PhrWuk-o1UQ&hl=en&sa=X&ei=WxQ5VKHAN83fPFDNgMAI&ved=0CCAQ6AEwADgU#v=onepage&q=laos%20garment%20industry%20trade%20unions&f=false

⁶⁷ <http://www.xe.com/currencyconverter/convert/?Amount=630000&From=LAK&To=EUR>

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	working six days a week ^{68 69}	kilogram. ⁷⁰	wage for Laos)
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⁶⁸ <http://www.rfa.org/english/news/laos/garment-11152012194455.html?searchterm=laos>

⁶⁹ <http://jclao.com/the-basic-rules-of-employment-in-laos/>

⁷⁰ <http://www.rfa.org/english/news/laos/rice-09252012171918.html>