

Fair Trade Lao certification handout

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BACKGROUND

Since 2008, Fair Trade Laos has been promoting the Fair Trade concept in the Lao society to different sectors: government, business, consumers, etc.

Fair Trade is a very new concept cause the low understanding of potential members, consumers and other stakeholders. Since the beginning of 2011, Fair Trade Laos has been looking for the best way to set up a Lao certification body that would eventually be recognized by both local and international consumers as well as by existing international certification bodies as a stepping stone for member who wish to go for theirs.

To this aim, FTL started setting up minimum standards. The following action was to access existing members for their compliance to these minimum standards.

During the last year, an increasing number of members have been requesting the authorization to use FTL logo as a proof of FTL membership/certification. The first round of member assessment revealed the need for FTL to develop two levels of certification/membership while:

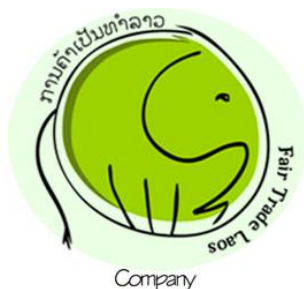
- ✓ Company based (CSR)
- ✓ Product based (FT)

These two types certification is based on trust due the exact situation of lacking of finance, the system of random check will be in place.

FAIR TRADE LAOS CERTIFICATE

Fair Trade Laos is developing 2 types certificate:

- **Company Certified**



This certificate approved for an internal management system of the company. The company that passed checking process becomes member of Fair Trade Laos and able to use "Fair Trade Laos's company" logo in poster, brochure, shop's wall, etc., except on any products.

- Cost of Certificate complying to yearly membership fee

o **Products Certified**



Use specific for products approval. Member has selected products that want to be approved; each selected product value chain information need to be provided to FTL team. “Fair Trade Laos's product” logo can be used on every approved product.

- Cost of certification: minimum yearly fee is 100,000 Kip for 10 products in maximum or less. For the next 11th product up will be charge 10,000 Kip/product.

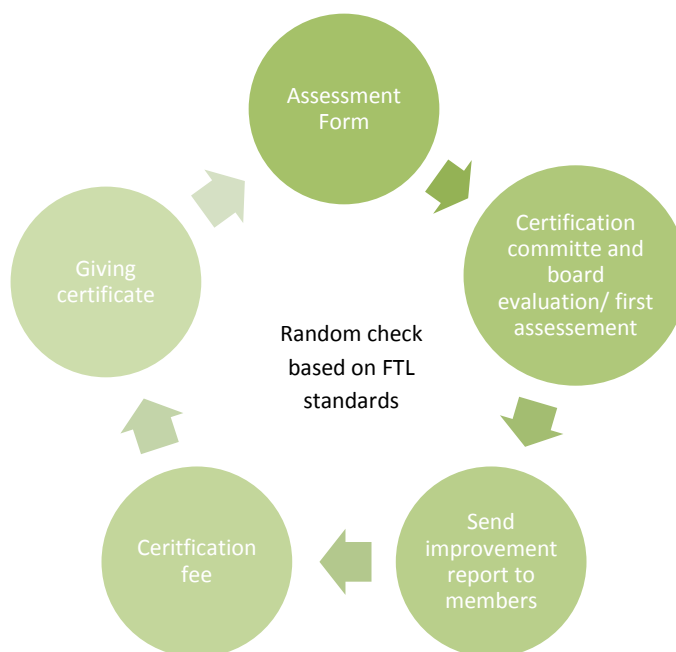
FAIR TRADE LAOS CERTIFICATION CYCLE

The certification cycle deviding into 2 main terms:

First year of cetification, potentail member have to provide all needed information based on the membership assessment form. Fair Trade Laos certification team will be evaluate information according to Fair Trade Lao minimum standards. After that, Fair Trade Lao certification team will be develop “improvement report” to be a guidance for potentail member stepping stone complying to FTL standards.

Second/forward year, member have to be evaluate ownself comparing to improvement report from the first or passed year. The main constrain need to be on effective solution progress and the next year improvement report will be develop by FTL team.

Certification Cycle (Year one)



Step one: fill in assessment form based on your purpose . There are 2 type of assessment form : membership assessment form for company approval and product value chain assesement form for product approval. The form can be download from our website or contact FTL team. Both form can be sending for assement as the same time.

Step two : Fair Trade Laos team will go through your filled form and contact you back for futher clarification. The first report about your comapy will be present to our certification committee for consideration.

Step Three : The certification committee will be develop the "improvement report" to members . The member accept to follow the improvement report, and the evaluation will be implement at the end of the year. The improvement report and evaluation system set up under the objective of supporting members steppingstone on complying to Fair Trade Laos and internation standards.

Step Four: membership fee pa to paid to Fair Trade Laos. See more detail in the cost of certification.

Step Five: Member will get Cetificate based on the first step request and allow to use Fair Trade Laos logo following to mentioned rule. The certification will be expired in one year.

Certification Cycle (Year two, three,...)



Step 1: Fill in evaluation form and send to FTL team. This evaluation form will be evaluating your progress based on improvement report from first/passed year. In addition, if member would like to certified more product, the product assessment form could be filled and send to FTL with the evaluation form.

Step 2: Fair Trade Lao certification committee will be evaluated member progress based on last year improvement report.

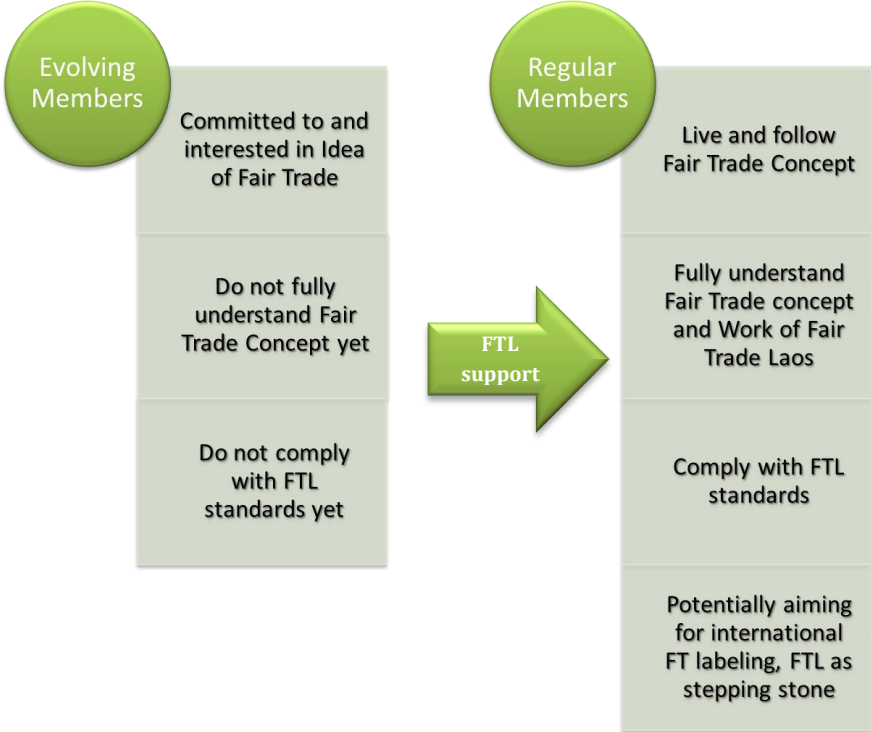
Step 3: FTL certification committee develop the next year improvement report for member.

Step 4: Membership/approval fee paid to Fair Trade Laos. See more detail in the cost of certification.

Step 5: Member will get requested cetificate and allow to use Fair Trade Laos logo following to mentioned rule. The certification will be expired in one year.

During one year of approval, the occasionally random check on company management system and approval product value chain will be in assess by cetification committee in practical before and after giving certificate. If the result of random check is negative or unexceptable, the certification will be cancel at onece.

Level of membership



FAIR TRADE LAOS MINIMUM STANDARDS

As a Fair Trade Organization, Fair Trade Laos set up its standards in compliance with the Lao Labor Law. Whenever stronger requirements are available (e.g. by ILO), FTL will stick to these stronger international regulations.

I Working Conditions

1. Working Hours

THE REGULAR WORKING HOURS SHOULD NOT EXCEED 48 HOURS A WEEK INCLUDING OVERTIME.

Explanations: The Lao Labor Law allows regular working hours of 8 hours a day or 48 hours a week. In case the occupation involves dangerous, unhealthy or extreme conditions, a maximum of 6 hours a day is allowed. A 45 minute break per shift and at least 5 minutes break every 2 hours are compulsory. At least one day a week has to be entitled as the day of rest. Regarding to the International Labor Organization (ILO), working hours exceeding 48 hours /week are excessive. „MNEs are encouraged to progressively reduce the normal hours of work from 48 hours to 40 hours, taking into account national conditions and practice, as well as the conditions in the particular sector of operation, in order to avoid any reduction in wages“ / „With overtime, this limit could extend to 48 hours; but such overtime should be an exception to the recognized rules or custom of the establishment. “

- Lao Labor Law Article 1 and, 17 // ILO Regulation R116 Reduction of Hours of Work Recommendation, 1962

2. Overtime

OVERTIME WORK SHALL NOT BE REGULAR AND EXCESSIVE.

Explanations: Overtime shall not exceed 45 hours per month or 3 hours per day. It is prohibited to work overtime continuously every day. Overtime adding up to more than 48 hours of work per week should be exceptional (see above). Lao Labor Law Article 18

3. Paid holidays

FULLY PAID ANNUAL LEAVE SHALL BE AT LEAST 3 WORKING WEEKS.

Explanations: in detail, this means 15 or 18 days, regarding the length of the working week. The paid holidays are additional to the public holidays. The Lao

Labor Law sets 15 days of paid holidays a year, the ILO asks for 3 working weeks, which in some cases will be 18 days (6 day working week).

- *Lao Labor Law Article 19 and 21 // ILO convention C132 Holidays with Pay Convention (Revised), 1970*

4. Pregnancy leaves

AN EMPLOYER HAS TO PROTECT THE SPECIFIC RIGHTS OF PREGNANT WOMEN AND THOSE WITH A NEWBORN CHILD.

Explanations: Pregnant women cannot work under heavy or hazardous conditions. Pregnant women or women with newborn under 12 months are not allowed to work overtime or during a holiday. Before and after birth, a woman shall be entitled at least 90 days of maternity leave with full payment, but at least 42 of these should be taken after birth. If the woman gets ill, she can have additional 30 days with a payment of 50% of her salary. During the first year after birth she has the right to one hour rest per day in order to feed the child. If she suffers miscarriage she is entitled to take full paid leave for a period of time as determined by a doctor. After gave birth woman shall be entitled to an allowance of at least 60% of the minimum wage to be paid by the employer. If she has more than 1 birth at a time she gets additional allowance of 50% of the maternity allowance. She is also entitled to this allowance in case of miscarriage. All these regulations are from the Lao Labor Law.

- *Lao Labor Law, Article 38, 39, 40*

5. Health Care

IT IS THE EMPLOYERS DUTY TO TAKE HER OF THE EMPLOYEES HEALTH. HE SHOULD MAKE SURE, A SOCIAL SECURITY INSURANCE SYSTEM IS IN PLACE.

Explanations: An employer must arrange for the workers to undergo a medical examination at least once a year. In case a worker has a disease due to his workplace, the employer has to pay the full medical costs. All labor units shall have a first-aid kit. Units with more than 50 workers should have permanent medical staff to take care of health of workers. Employers and employees contribute to the social security fund in accordance with the social security regime determined by the state. All labor units must participate in the social security regime by contributing to the social security fund to implement the social security policy for the employees and employer in accordance with regulations.

- *Lao Labor Law Article 43, 57, 58*

6. Sick leaves

AN EMPLOYER SHALL, WHENEVER POSSIBLE, ALLOW A SICK LEAVE WITH FULL PAYMENT FOR ITS EMPLOYEES FOR UP TO 30 DAYS A YEAR.

Explanations: Upon presentation of a medical certificate, the worker shall be entitled to sick leave with full payment for not more than 30 days per year.

- Lao Labor Law Article 20

7. Work Place

THE EMPLOYER SHALL TAKE CARE OF A SAFE AND HEALTHY WORK PLACE.

Explanations: An employer shall provide first aid facilities and, whenever necessary, safety equipment and facilities for disabled workers. He might additionally provide safe drinking water, trainings and seminars to support continuous improvement of their workers skills.

- Lao Labor Law Article 42

II Payment System

1. Minimum wage

THE MINIMUM WAGE SHALL BE AT LEAST 626.400 KIP/MONTH.

Explanations: The minimum wage is not included daily allowance.

- *This is the current official regulation in Laos. Due to lack of further information (e.g. about living costs, consumer basket), FTL hasn't sufficient input to set another minimum wage.*

2. Overtime regulations

THE EMPLOYER SHALL PAY APPROPRIATE OVERTIME RATES.

Explanations: Overtime work during daytime shall be rewarded with 150% of the regular wage. At night time 200%, at a day of weekly rest or holiday 250%, at night time of the day of weekly rest or holiday 300%. If a worker is assigned to work on a night shift, he shall be paid an additional bonus of at least 15% of his regular hourly wage for every hour. The ILO likewise requires overtime work should be remunerated at a higher rate than normal hours of work.

- Lao Labor Law Article 48, ILO regulation R116 Reduction of Hours of Work Recommendation, 1962

3. Bonus system

AN EMPLOYER SHALL, WHENEVER POSSIBLE, HAVE A BONUS SYSTEM IN PLACE TO REWARD EMPLOYEES PERFORMING ABOVE AVERAGE.

Explanations: There are no detailed regulations available, but FTL wants to encourage employers to install a bonus system to reward those employees performing above average.

III Child Labour

1. Minimum Age

THE MINIMUM WORKING AGE SHALL BE 14.

14 is the end of the mandatory schooling age.

- *Lao Labor Law Article 41*

2. Working hours for children under 18

THE WORKING HOURS FOR CHILDREN UNDER 18 SHALL BE LIMITED.

Explanation: The maximum working hours for children under 18 shall be...

Age 5-11: 1 hour of economic work or 28 hours of domestic work per week

Ages 12-14 : 14 hours of economic or 28 hours of domestic work per week.

Ages 15-17 : 43 hours of economic or domestic work per week.

Children under 18 are also not allowed to work overtime or between 22 pm and 5 am. This UNICEF regulation is stronger than the regulations in the Lao Labor Law.

- UNICEF defines child labor as work that exceeds a minimum number of hours, depending on the age of a child and on the type of work. Such work is considered harmful to the child and should therefore be eliminated. (See http://www.unicef.org/protection/index_childlabour.html) and Lao Labor Law Article 41.