

Globalization on Working Conditions: Evidence from Cambodia

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This study presents Cambodia's globalization experience along with a qualitative analysis of the link between globalization and working conditions. We pay particular attention to the role of international organizations and monitoring. The link between globalization and working conditions is also analyzed using labor market surveys to evaluate two measures of working conditions: inter-industry wage differentials and accidents. The results suggest that wages and conditions are positively related and tend to be higher in sectors receiving foreign direct investment (FDI). Overall, the evidence seems to suggest a positive relationship between FDI, exporting, and working conditions.

The first part of this study describes the globalization experience in Cambodia and provides descriptive statistics about its evolution. The second part provides a qualitative analysis of globalization and working conditions by focusing on the garment sector. The third part analyzes household surveys to assess the impact of globalization on wages and working conditions.

Cambodia's experience with globalization has been primarily centered on the rise in both FDI and exports in the garment sector and to a lesser extent construction related to tourism. The rise of the garment sector has been accompanied by an increase in international attention to working conditions. FDI, access to export markets, and international attention are correlated with working conditions in the garment sector that compare positively with working conditions in other sectors of the Cambodian economy. In particular, monthly wages in the garment sector are 50 percent higher than average monthly wage earnings, and this premium increases to nearly 60 percent when accounting for the fact that workers in the garment sector are predominantly young and female. Furthermore, other measures of working conditions seem to be higher in the garment sector than in other sectors. For example, the accident rate is lower in the garment sector than in all other sectors.

Quantifying the effect of globalization on working conditions is a difficult task. One challenge is that a large proportion of workers – as high as 85 percent estimated by the Economic Institute of Cambodia in 2005¹-- are employed in the informal sectors. In the absence of formal legal protections managers or owners may force employees

¹ The Economic Institute of Cambodia examined the extent, key issues, and challenges of informal economy in Cambodia in 2005. It is estimated that approximately 85 percent of economic activities are informal and these activities contributed about 62 percent to GDP.

to work longer hours and engage in exploitative child labor. Further workers have no representation, few days off, and low benefits.² Therefore, section 2 provides a more qualitative analysis and overview of globalization and working conditions. This qualitative analysis indicates that globalization in Cambodia seems to have brought together international buyers, government, factory owners, and trade unions who are all strongly committed to maintain a reputation for compliance with the corporate code relating to working conditions in the country's clothing export niche market.

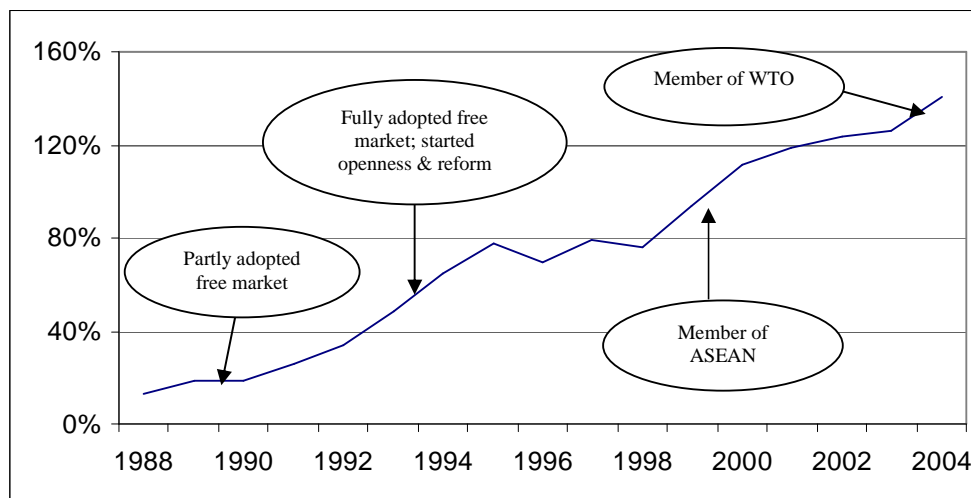
1. Globalization in Cambodia

Perhaps the most widely accepted definition of globalization in economic studies is openness to trade and FDI. This section, therefore, discusses the evolution of aspects of trade and FDI in Cambodia.

In Cambodia, globalization in general and economic integration or trade liberalization in particular has evolved significantly. This evolution can be classified into three main economic policy regimes occurring prior to 1989, 1990-1992, 1993-2004. Throughout this period of liberalization, trade rose from about 5 percent of GDP to well over 120 percent, as can be seen in Figure 1.1.

1.1. Trade and Tariff Policy

Figure 1.1: Trade (% of GDP)



During the 1980s, Cambodia's trade regime was typical of a socialist country, marked by cooperation with the socialist bloc of the former Soviet Union and isolated from

² Another analysis of the Economic Institute of Cambodia called for the extension of protection of labor to the informal economy workers. The article titled "Extending Labour Protection to the Informal Economy in Cambodia", was published in EIC Economic Review Volume 2, No. 1.

the West. Trade was firmly controlled by the state.³ In 1989 the government moved away from socialism by initiating a free market-oriented program, liberalizing trade, and encouraging FDI. These reforms, which included the removal of all quantitative restrictions, allowed state-owned enterprises greater autonomy, and enabled privatization of state-owned firms and other state assets.

The government adopted free market mechanisms and allowed individuals private ownership of land and other physical assets. The state owned monopolized foreign trade company was abolished and a new foreign investment law that allowed private exporters and importers to engage in trading activities was promulgated. By 1989, the volume of trade was recorded at US\$200 million and quasi-official cross-border trade with Thailand and Vietnam had expanded significantly. Both formal and informal trade activities rose gradually afterward with the trade to GDP ratio reaching 20 percent.⁴

In 1993, another wave of dramatic changes took place in the transitional economy following the conduct of the first UN-backed general election. A coalition government committed to democracy and a free-market economy was elected. This government launched a series of far reaching structural reforms, along with the introduction and accelerated implementation of a program of deeper and wider economic integration and trade openness. According to the First Socio-Economic Development Plan 1996-2000, liberal trade and investment policy was the basis for developing the country's external trade. The government committed -- by strengthening its external sector -- to reintegrating the domestic economy into the regional and global economies. The main strategies included joining the Association of Southeast Asian Nations (ASEAN⁵), gaining full Most Favored Nation (MFN) and Generalized System of Preferences (GSP) status among trading nations, participating in economic cooperation with the Great Mekong Subregion (GMS) and other

³ To understand the development and economy of Cambodia, one must not neglect the past conflict and genocide. The country had been plagued by war from 1970s-1990s, during which the genocide regime of 1975-1979 resulted in nearly 2 million deaths from execution, starvation and diseases. Between 1979 and 1989, the country adopted a central planning economy, and only had economic and trade cooperation with members of Council for Mutual Economic Assistance of former socialist countries such as Hungary, Bulgaria, East Germany, USSR and Vietnam.

⁴ In Cambodia, data records were largely lost or unreliable prior to 1994. Data on trade are probably much lower than actual trade flows because official data could not capture informal/illegal trade cross borders. The underestimation of data still persists at the current time due to smuggling and tax evasion.

⁵ The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 in Bangkok by the five original Member Countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, Vietnam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. See <http://www.aseansec.org/>.

initiatives, and the promotion of foreign investment widely within the 1996-2006 timeframe (SEDP, 1996).

These policy visions set forth in the national plan generated several results during the mid and late 1990s. First, quantitative restrictions on exports and imports ended in 1994. Second, gaining MFN status facilitated access to the US garment market in 1996, and obtaining GSP status provided access to the EU clothing markets in 1997. Cambodia was also granted preferential tariff rates by another 28 countries in 1999.⁶ Third, the government signed bilateral trade and investment protection agreements with various countries during 1990s.⁷ Fourth, membership in ASEAN was secured in 1999 and, as a result, Cambodia now offers and enjoys the lower ASEAN Free Trade Area tariff rates. Fifth, the government joined the GMS sub-region, which integrates its transportation infrastructure and trade facilitation with five other Mekong countries, and formed triangle development zones along the borders with neighboring countries Laos, Thailand and Vietnam. Finally, the country became a member of global trading system WTO in 2003.

1.2. Investment Regime

The globalization process of Cambodia was also characterized by the inflow of FDI. The enactment of the Law on Investment in 1994, which replaced the 1989 Investment Law, created an open and liberal investment regime.⁸

Box 1.1: Evolution of Cambodian Trade Policy	
1980s	<ul style="list-style-type: none"> ▪ Tightly controlled trading system: level and composition of trade through quantitative restrictions and state-owned trading bodies ▪ Embarked liberalization in the late 1980s: abolishing state monopoly of foreign trade; promulgating a foreign investment law, enabling private companies to engage in foreign trade
1990s	<ul style="list-style-type: none"> ▪ Largely removed restrictions on the ability of firms and individuals to engage in international trade (1993) ▪ Eliminated all quantitative restrictions on trade (1994) ▪ Gained MFN status from the US (1996); GSP status from EU (1997); MFN/GSP status from other 28 countries (1999) ▪ Became a member of ASEAN in (1999); Committed to a gradual reduction in most tariff rates by 2010

⁶ The countries consist of Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Korea, Luxemburg, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK and USA.

⁷ These countries include China, Cuba, India, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand, Vietnam and Russia and OPEC. Some agreements give MFN treatment for Cambodia. Those agreements include Australia, Canada, Korea, Japan, and New Zealand.

⁸ Several sources, such as US Embassy Country Commercial Guide for Cambodia in 2004, UNCTAD/ICC Investment Guide to Cambodia in 2003, UNESCAP Traders' Manual for Cambodia in 2004, confirm this claim.

2001	<ul style="list-style-type: none"> ▪ Reduced maximum tariff rates from 120 percent to 35 percent and reduced the number of tariff bands from 12 to 4 ▪ Lowered average un-weighted tariff rates to 16.5 percent from 17.3 percent in 2000 and 18.4 percent in 1997 ▪ Eliminated most non-trade barriers
2002	<ul style="list-style-type: none"> ▪ Initiated a Triangle Economic Cooperation strategy between Cambodia, Vietnam and Lao PDR, focusing on (i) commerce, (ii) industry, (iii) public works and transportation, and (iv) tourism
2003	<ul style="list-style-type: none"> ▪ Accession to WTO

Sources: Author, reproduced based on UNDP (2004) and World Bank (2004a)

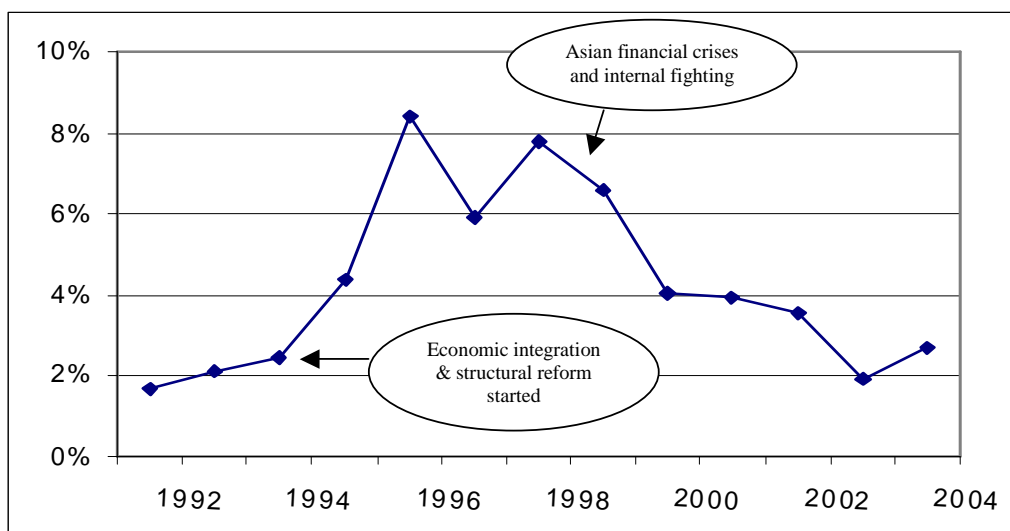
While the government was promoting economic integration and enacting structural reforms, the inflow of foreign investment fluctuated. These swings seemed due not to globalization *per se*, but rather because of the regional economic instability, internal political uncertainty, and institutional weaknesses in Cambodia. The IMF (2004) identified weak governance, weak rule of law, high energy costs, political instability, and small domestic market size as the main factors.

Figure 1.2, which illustrates the changes in foreign investment in Cambodia relative to gross domestic production (GDP), indicates that 1994 is a significant starting point for the inflow of foreign capital. Total inflow in 1994 was US\$69 million and the FDI to GDP ratio was 2.5 percent. This flow sharply increased in 1995 (US\$151 million) and in 1996 (US\$294 million). FDI decreased sharply in 1997 (US\$204 million) due to the Asian financial crisis and a domestic political crisis, which in turn shook investor confidence. Private investment resumed in 1998 (US\$243 million), then steeply declined until 2003 (US\$84 million) and recovered in 2004 when the country absorbed US\$131 million from foreign capital flows.

With greatly simplified and reduced trade tariffs and weak border controls, Cambodia is now regarded as a highly open economy. The US-based Heritage Foundation's 2006 index of economic freedom gives Cambodia a score of 2.68 (putting the country in the "Mostly Free" category) and ranks Cambodia 68 out of 157 countries.⁹

Figure 1.2: FDI in Cambodia (% of GDP)

⁹ Hong Kong ranked first while North Korea ranked last. Laos, Thailand and Vietnam stood at 149, 71, and 142 respectively.



Source: WDI (2006)

1.3 Trade and Foreign Direct Investment

Trade and FDI have been concentrated primarily in the garment sector. As trading activities have generally increased, exports of ready-made garments have been growing very rapidly. While garment exports accounted for 20 percent of total exports in 1996, this share has increased to 80 percent in the last four years. The share of agricultural products in total exports including fish has declined, although this sector's export volume has increased. The share of agricultural products in total exports fell from approximately 36 percent in late 1990s to approximately 14 percent in early 2000s. Yet, in absolute value, agricultural exports increased from an average of US\$250 million during 1996-1999 to approximately US\$300 million during 2000-2005, according to data estimated by the National Bank of Cambodia. Principle agricultural exports include paddy rice, rubber and fish.

On the import side, intermediate products accounted for as much as half of aggregate imports. The import of fabrics to supply garment industry production took the largest share while petroleum imports was the runner up. Other imports were mainly consumer products ranging from rice and food products to construction materials to cosmetics.

Table 1.1: Merchandise Trade in Cambodia, 1996-2005

	1996	1998	2000	2002	2003	2004	2005
Total goods export (million US\$)*	510	802	1,397	1,770	2,087	2,589	2,910
Share of textile and garment	20%	47%	73%	79%	78%	80%	78%
Share of agriculture**	36%	36%	17%	13%	15%	13%	14%

Share of re-export***	44%	15%	8%	6%	6%	5%	5%
Total goods import (million US\$)	1,054	1,166	1,936	2,361	2,668	3,269	3,928
Share of garment-related material	...	17%	27%	30%	30%	31%	28%
Share of petroleum	...	27%	17%	15%	16%	19%	21%
Share of import for re-export	...	8%	5%	4%	3%	3%	3%

Source: Compiled from data provided by National Bank of Cambodia

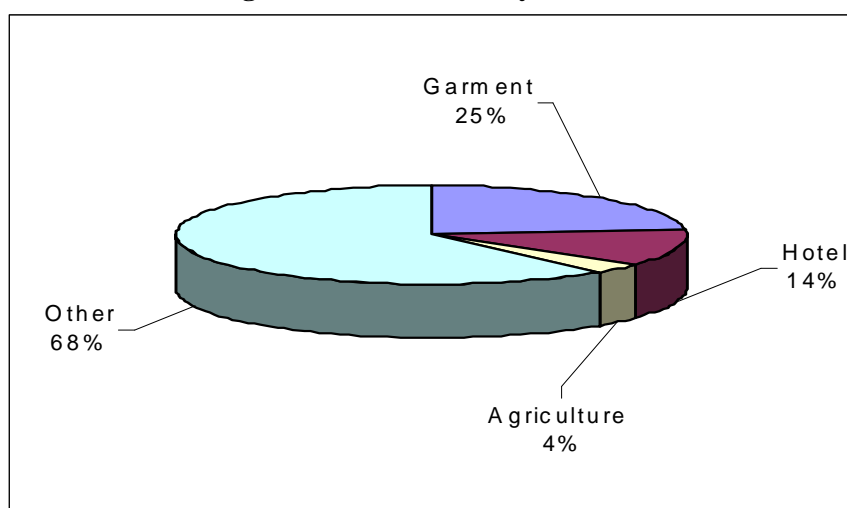
* Total goods export included unrecorded export figure estimated by the National Bank of Cambodia. These unrecorded figures consist of mainly agricultural produces such as logs, sawn timbers, rubber, paddy rice, furniture and wood products, fish, and second-hand clothes and gems.

** includes unrecorded agricultural export

*** Re-export mainly consists of cigarettes, beers, used motorcycles and electronics

The increase in trading activities was notably driven by FDI projects in garments and construction of hotels and restaurants after the country opened its economy in early 1990s. According to the IMF (2004), FDI was heavily concentrated on tourism and construction sectors from 1994 to 1996, on logging activities from 1996 to 1998, and in the garment industry from 1998 to 2004. Long-term capital stock reached US\$1.9 billion by 2005. Of this, 25 percent was invested in garment factories and 14 percent in building hotel construction. Industry and services sector together absorbed more than 95 percent of foreign investment stock while agriculture, where more than 70 percent of the country labor force is employed, received only 4 percent.

Figure 1.3: FDI Stock by 2005



Source: Calculation based on data provided by the National Bank of Cambodia

1.4 Labor Force and Employment Shift

The employment structure within the three main sectors of the economy has not changed significantly. Employment share in the agricultural sector (including fisheries

and forestry) remained dominant at 71 percent in 2004, experiencing a decrease of five percent from 76 percent in 1993. The employment share of services remained constant at 17 percent during the decade 1993 to 2004. As shown in Figure 1.4, an increasing share of employment in the industry sector replaced the decreasing shares of agriculture and service sectors. The industry sector share rose five percentage points, from six percent in 1993 to 11 percent in 2004. This change is attributable to the growth of jobs in manufacturing, especially in the garment industry and construction. The share of manufacturing in total employment increased from just four percent in 1993 to eight percent in 2004 while construction increased from two percent to three percent.

An employment shift from agriculture to other industries was noted during the last ten years, especially to the formal sectors, principally garments, and informal sectors, including construction and service sub-sectors (transportation and restaurants). The garment and construction industries require low-skilled and unskilled workers accessible to rural job seekers. The share of women employed in agriculture declined significantly from 71.1 percent in 1999 down to 56.8 percent of total female employment in 2004, according to household surveys in 1999 and 2004. This declining share was largely attributed to the movement of rural women to the garment industry. About 85 percent of the 245,000-270,000 garment workers are women who migrated from rural areas.

Globalization also fostered the tourism industry, which led to an increase in construction. Furthermore, based on a 2005 EIC survey in a district¹⁰ close to Siem Reap town that has experienced a tourist boom where Angkor Wat is situated, the district's villagers working in construction in the town increased roughly six fold from 1999 to 2005. Yet, this labor shift may be seasonal as workers were still engaged in farming activities during crop growing season.

¹⁰ A case study in a district named Puok close to Siem Reap tourist town, which is a main destination for tourists, indicates that the tourism boom boosts hotel, guest house and restaurant construction. In 1999 villagers coming to work in town as construction workers totaled 450 while in 2005 the figure rose to 3,300. The survey is further presented in an article "Paths to Poverty Reduction in Cambodia: A Tale of Four Districts" in the EIC Economic Review volume 3, No. 1, January-March 2006.

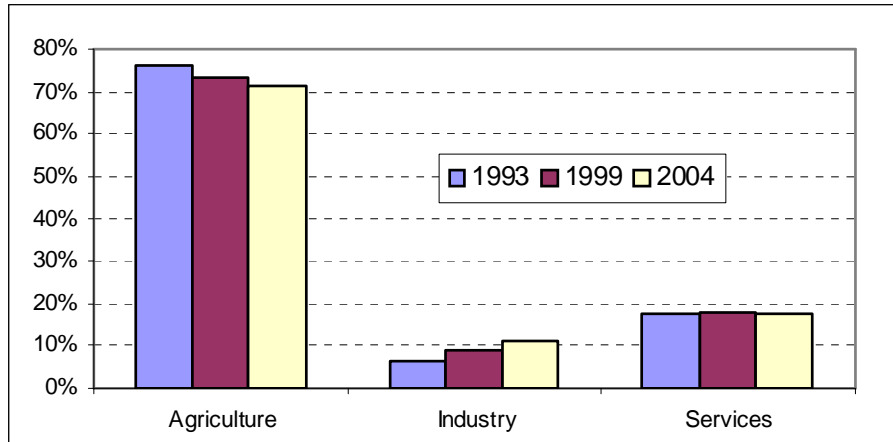


Figure 1.4: Structure of Employment (1993-2004)

Source: EIC General Equilibrium Model, version 2006-05-17 (2006)

The process of globalization in Cambodia was very rapid with trade and foreign investment expanding significantly following the adoption of a free market economy in 1989. Especially in recent years, Cambodia's experience with globalization has been an increase in FDI and exports, both of which are primarily concentrated in the garment sector. Globalization seems to have facilitated a shift, especially of women, from agriculture to manufacturing. Given this shift, the next two sections use a qualitative analysis (section 2) and household data analysis (section 3) to determine the impact on working conditions for Cambodian workers.

2. Globalization on Working Conditions: A Qualitative Analysis

2.1 Regulations and Accords Affecting Working Conditions

This section focuses on working conditions, where working conditions are defined as meeting core labor standard determined by International Labor Organization (ILO): (i) freedom of association, (ii) the right to organize, (iii) freedom from forced labor, and (iv) elimination from child labor.

Cambodia already recognized basic human rights as the 1993 Constitution of Cambodia grants basic rights to everyone. These rights include the right to choose employment, the right to equal pay for equal work, equality of work outside and inside the home, the right to form and join unions, the right to strike and to hold non-violent demonstrations, the abolition of all forms of discrimination against women, in particular the prohibition of the exploitation of women in employment, the guarantee of women's job security during pregnancy and the right to maternity leave. Furthermore, the 1997 Labor Code was prepared to provide legal and regulatory framework for worker protection.

Box 2.1: Core Labor Standards

In 1998, the International Labor Organization considered respecting "core" labor standards as good working conditions. These four standards include freedom of association and the right to organize, freedom from forced labor, elimination from child labor that is harmful to the child or interferes with schooling, and nondiscrimination in employment (Center for Global Development 2004). These core standards are incorporated into ILO conventions that member countries have a chance to ratify. In doing so, countries adopt what could be called international working condition standards.

At the same time, Cambodia's normalization with other countries included becoming a member of major international and regional organizations, such as becoming the 119th member of ILO.

As a result of the ILO membership and country's commitment to basic human rights, the country has recently ratified major ILO conventions on core labor rights and standards. In 2000, the government of Cambodia and the Parliament approved the conventions on forced or compulsory labor, abolition of forced labor, freedom of association, the application of the principles of the right to organize and to bargain collectively, equal remuneration for men and women workers for work of equal value, and minimum age for admission to employment.

Table 2.1: Fundamental ILO Conventions Ratified by Cambodia

Convention No.	Name of Convention	Date of Ratification
29	Forced Labor Convention	1970
105	Abolition of Forced Labor Convention	2000
87	Freedom of Association and Protection of the Right to Organize Convention	2000
98	Right to Organize and Collective Bargaining Convention	2000
100	Equal Remuneration Convention	2000
111	Discrimination (Employment and Occupation Convention)	2000
138	Minimum Age Convention	2000

Source: ILO (2006) and UNHCR (2005)

Since globalization has been concentrated in the garment and hotel sectors, this section analyzes the state of working conditions in these sectors in the context of these labor standards. In particular, in this section, we focus on how growth of these sectors has affected four areas of core labor standards.

2.1 Garment Industry and Working Conditions

The garment industry is an example of success in Cambodia's trade openness, and has become the fastest growing export sector and the engine of the economic growth for the last ten years. The industry's exports accounted for more than 75 percent of total national goods exports in 2005; and it remained one of the significant FDI recipients in recent years despite decreasing overall FDI inflow. Furthermore, this industry is the only formal manufacturing sector that provides as much as 300,000 (as of 2006) jobs to the lowly educated labor force from rural areas, of which more than 80 percent are female.

Table 2.2: Evolvement of Garment Industry in Cambodia

	1996	1998	2000	2002	2003	2004	2005
Export (million US\$)	106	355	925	1,291	1,580	1,969	2,197
Investment flow (million US\$)*	157	92	26	14	16	40	54
Number of factories (accumulative)	24	129	190	188	197	206	250
Number of workers (000)	24	79	123	210	234	246	300

Sources: USAID (2004) & EIC Database

* Data on investment is registered capital, thereby all these registered projects with the one-stop service agency the Council for the Development of Cambodia might not be implemented.

In addition to its key role in the economy, the garment industry is considered a key driver of Cambodia's integration into global and regional economy. The sector's

working conditions attracted much attention since the government implemented articles in the 1997 Labor Code and major ILO conventions, which were ratified by Cambodia in 2000.

There is considerable evidence that Cambodia has improved its compliance with ILO core labor standards. Quarterly synthesis reports released (since 2001) by the ILO Better Factories Cambodia indicated that the industry generally complies with core labor standard despite some shortfalls in such areas as wage, working hours and strikes. The common infractions include delayed payment of wages, excess overtime, and illegal strikes (See appendix A for details). A 2004 World Bank FIAS survey of the 15 top international buyers of textiles and garments, accounting for 45 percent of Cambodian garment exports, rated Cambodia as number 1 in terms of the country's compliance with labor standards. An analysis by the Cambodian Ministry of Commerce and the Asian Development Bank in 2004 pointed out labor compliance is one of the strengths of the Cambodian garment industry. Another study by USAID in 2005 also argued that Cambodia was maintaining its market niche in "sweat-shop-free" garment products.

Yet, good labor standards in this industry cannot be automatically linked with globalization *per se*. It is perhaps more accurately attributed to globalization-driven government intervention, regulation, and monitoring. As a part of the labor program initiated by the Government of Cambodia, the US government agreed in 2001 to hire the ILO to undertake a monitoring program to detect core labor standard violations in exchange for annual increases in quota access. The Cambodian government agreed to rigorously enforce the Cambodian Labor Law by creating the arbitration council and facilitating the establishment of trade unions and associations of garment makers. As of the end of Multi-Fiber Arrangement in 2004, the Cambodian garment sector has united international buyers, government, factory owners, and trade unions who are all strongly committed to maintain the good reputation of labor compliance in the country's clothing export niche market.

These complementary institutions and programs have enhanced Cambodia's ability to adhere to internationally recognized labor rights. For instance, the Better Factories Cambodia program carries out surprise visits to check working conditions with regard to child labor, freedom of association, employee contracts, wages, working hours, workplace facilities, noise control and machinery safety in each factory at least once a year. After the visits, the program reports its findings to factory owners. Quarterly Synthesis Reports, summarizing compliance for all participating factories are then

publically released.. The other three parties, the Garment Manufacturers Association in Cambodia (GMAC), Arbitration Council and Labor Unions have also helped to facilitate improved working conditions through mediation, negotiation and strikes.

Box 2.2: About Better Factories Cambodia

The ILO Better Factories Cambodia also known as ILO Garment Sector Project was established in 2001 after Cambodia signed a deal with the US to improve working conditions in the exchange for better access to the US market. This program aims to oversee the labor compliance to ensure a “sweat shop free” industry in the country. In 2005, Better Factories Projects executed by ILO - formally funded by only the US development agency USAID - was jointly funded by the Government, the association of apparel manufacturers GMAC, international buyers, USAID and the French development agency AFD.

The Garment Manufacturers Association in Cambodia (GMAC) was established in March 1996. As of August 2006, there were 278 active members. GMAC has played an important role in the development of the garment industry through lobbying the Government to seek GSP and MFN status and advising the Government in relevant policies to promote the industry. At the same time, the association of factory owners and the Government recently tried to lobby the US Congress to award the TRADE ACT which will allow Cambodia to export clothing without tariffs and quotas.

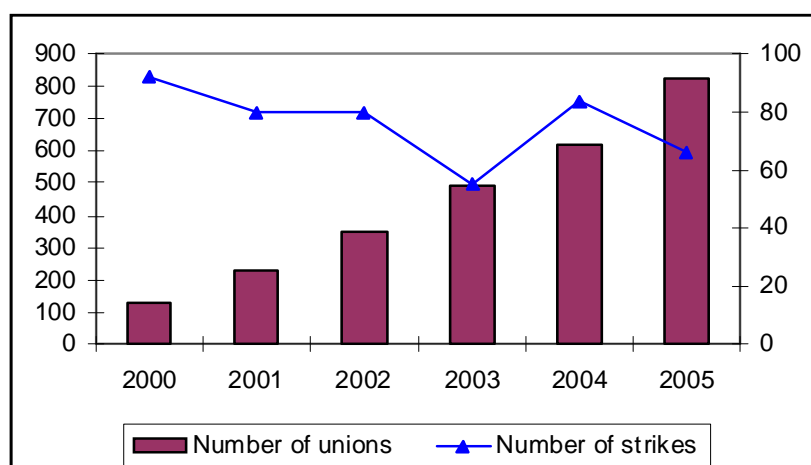
The Arbitration Council, whose members are representatives nominated by trade unions, GMAC and Ministry of Social Affairs, Veteran & Youth Rehabilitation was established in 2003. The Council’s main function is to resolve collective labor disputes that cannot be resolved through negotiation or conciliation.

Labor Unions also played an active role in ensuring the respect of the ILO core labor standards and Cambodian labor law. There have been many complaints, strikes and demonstrations which was facilitated or organized by trade unions. It was estimated that in 2005 there were 823 labor unions under 24 labor federations, according to records provided by the Ministry of Social Affairs, Veterans and Youth Rehabilitation

Source: Authors’ compilation

Conditions in the garment industry may be better than in other sectors that receive less international attention. For example, studies of working conditions in the brick and tile, and salt manufacturing industries, which have a high degree of informality, have suggested that it is common practice in these industries to employ underage labor violating ILO conventions related to child labor. At present, the Ministry of Labor and Vocational Training and the International Labor Organization are implementing social programs to reduce child labor. Although the garment industry is considered to provide relatively good working conditions compared with the same industries in other countries and other industries within Cambodia, the authorities are not suggesting that there have no incidents of labor standard violations. Strikes frequently are organized by trade unions to demand better working conditions. For instance, there were approximately 90 strikes in 2000; and as many as 66 in 2005.

Figure 2.1: Evolvement of Trade Unions and Strikes in Garment Industry



Sources: GMAC and Ministry of Labor and Vocational Training

2.2 Hotel Industry and Working Conditions

The hotel industry, which is another leading FDI recipient, also grew rapidly during the globalization process. This tourist-oriented industry has been chiefly driven by the sharp increase in the number of foreign visitors from Asia (especially from South Korea, Japan, China and Malaysia), America (especially from US), and Europe (especially from Germany, France and UK). As Table 4.3 indicates, the number of tourists reached more than one million in 2004, with the continued rise in arrivals in 2005, when the number of tourists increased to a near record 1.5 million.

Tourism is one of the few leading formal sectors that provide jobs. According to data provided by the Cambodia Tourism and Service Worker Federation (an umbrella organization of unions in 18 hotels), approximately 3,000 workers were employed in hotels by 2005. Yet, this figure is well below the actual workers in the hotel industry, as there more than 300 hotels in Cambodia. These hotels, however, are small and thus employ fewer than the main large hotels.

Table 2.3: Evolvement of Hotel Industry in Cambodia

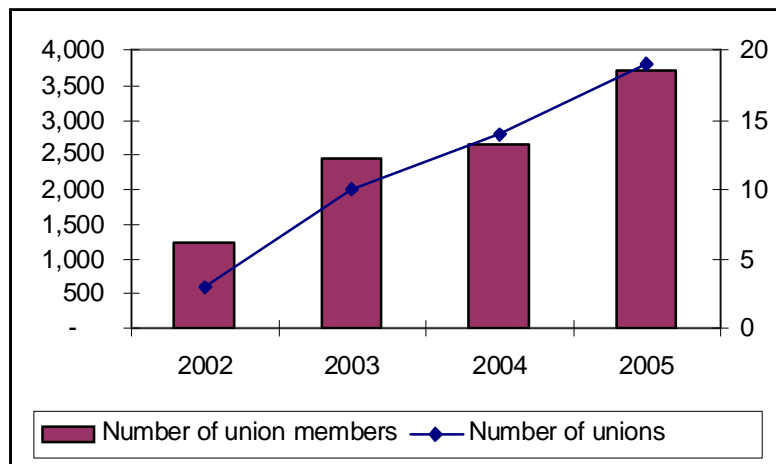
	1996	1998	2000	2002	2003	2004	2005
Number of tourist (000)	260	287	466	787	701	1,055	1,422
Investment flow (million US\$)	43	58	34	22	25	4	16
Number of hotel (accumulative)	...	216	240	267	292	299	317
Number of worker (accumulative)*	3,226

Sources: Cambodian Investment Board and Tourism Statistics of Ministry of Tourism and Cambodian Tourism and Service Workers Federation

* Data in 2006 are from 18 main hotels in Phnom Penh and Siem Reap¹¹

Working conditions in the hotel industry are generally perceived as being relatively good when compared with informal industries or with formal micro, small or medium enterprises (such as brick and tile manufacturers, and salt producers, which have employed child workers). The industry's employer-employee relationships are relatively stable when compared with the garment industry, which has experienced numerous strikes each year. In the hotel industry, by 2006 there was only one strike at one hotel.

Figure 2.2: Evolution of Trade Unions in Hotel Industry, 2005



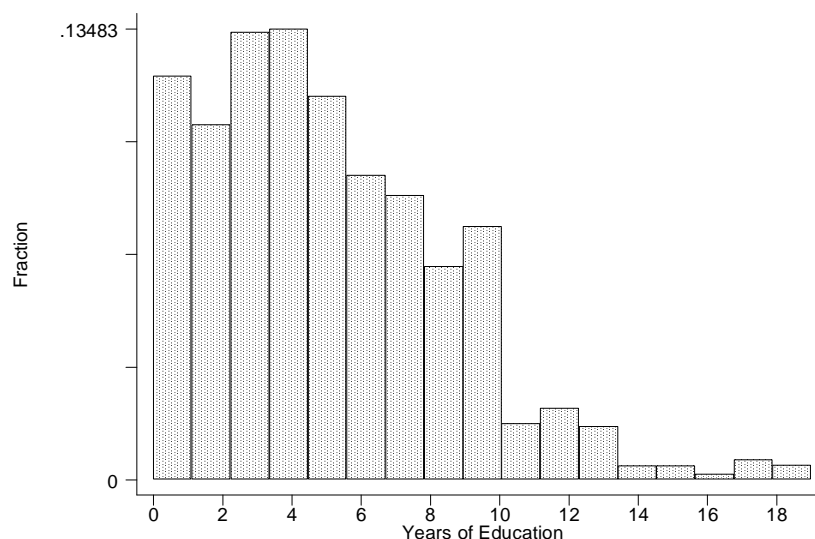
Source: Cambodian Tourism and Service Workers Federation (2006)

¹¹ According to data provided by the Cambodian Tourism and Service Workers Federation, figure on number of workers include only 18 main hotels in Phnom Penh and Siem Reap.

3. Household Survey Analysis

3.1 Data

In this section, the relationship between globalization and working conditions in Cambodia is analyzed using the 2003-2004 *Household Socio-Economic Survey* conducted by the Cambodian National Institute of Statistics. In addition to the basic socio-economic variables, this extensive survey covers housing conditions, expenditures, employment information, and industry-level information on accidents and disabilities.



The survey covered 74,808 individuals of all ages, with approximately 51 percent female respondents. To focus on the working population, we initially limit the sample to people between 10 and 65 years of age. The distribution of education, presented in Figure 3.1, is similar to that found in many developing countries and indicates that workers with a high-school education (0 to 12 years of education) are considered, relatively, to be high-skilled workers.

Table 3.1 illustrates some of the sample demographic characteristics by sector. Approximately 58% of workers are employed in primary industries (Agriculture, Forestry, Husbandry, and Fishing). About 4.26% work in textiles and apparel, making it the largest manufacturing industry in the sample. Average education levels are shown in the second column of Table 3.1. All of the primary industries have below-average education levels, as do the manufacturing industries food (with beverages and tobacco) and wood. Textiles and apparel, on the other hand, have

average education levels. FIRE (Finance, Insurance, and Real Estate) rivals Social Services for the highest average education levels, which is not surprising.

Figure 3.1: Education Distribution in Socio-Economic Survey 2003-2004

Table 3.1: Survey Demographic Characteristics

Sector	Share (%)	Avg Ed.	% Female	Avg. Age
Ag Food	42.67	6.06	52.0	33.00
Ag Other	0.64	6.64	59.3	28.38
Husb. & Fish	15.40	5.48	41.9	24.86
Forestry	2.06	5.89	50.1	27.72
Mining	0.21	4.48	44.4	31.21
Food Bev Tob.	1.64	5.58	46.4	32.06
Textiles Apparel	4.26	6.92	81.0	25.99
Wood	2.53	5.54	61.5	34.08
Mfg Other	0.80	7.23	29.1	33.16
Utilities	0.19	7.60	21.0	31.21
Construction	2.49	7.31	12.5	30.90
Sales	14.99	7.11	67.2	33.57
Transport	2.65	7.37	7.1	34.22
FIRE	0.49	7.74	46.9	37.53
Public Admin	2.74	10.07	14.7	40.36
Soc Services	2.57	11.22	38.2	37.40
Other services	3.66	8.11	45.2	31.23
Total	42,520	6.63	50.0	31.65

Perhaps the least surprising yet most striking characteristics are found in the last two columns, which show the percent female and average ages. In the survey, 81% of the workers in textiles and apparel are female, far more than any other industry. Sales have the next highest share of female employment at just over 67%. Textile workers are also much younger than in other industries, with an average age of about 26 years. Thus, these survey data confirm a finding in other countries and throughout the literature: textile and apparel workers are generally young females. What may be somewhat surprising is that they are generally more educated than workers in other sectors.

3.2 Wage Differentials

One measure of working conditions is the intra-industry wage differential, which is calculated using the difference between the wage earned in one's industry of employment and the wage one would earn if employed in another sector. These differentials are not usually explained by differences in demographic characteristics,

such as gender, age, and education, and seem to represent a benefit to workers who can get jobs in high wage industries. Since we know that globalization in Cambodia has been concentrated in the textiles and apparel sector, it is important to first compare wages in that sector with other sectors within Cambodia. Using the household surveys, we focus on wage income reported as monthly income from remunerated employment.

**Table 3.2: Wage Differentials
Without and With Demographic Characteristics**

	Without	With
Mean Log Wage	11.74	10.52
Sector	Differentials	
Ag Food	-0.74*	-0.74*
Ag Other	-1.78*	-1.29*
Husb. & Fish	-0.32*	-0.29*
Forestry	-0.34*	-0.43*
Mining	-0.40*	-0.38
Food Bev Tob.	-0.14	-0.03
Textiles and Apparel	0.51*	0.59*
Wood	-0.31*	-0.34*
Mfg Other	0.24*	0.20*
Utilities	0.65*	0.46*
Construction	0.21*	0.11*
Sales	0.12*	0.12*
Transport	0.19*	0.12*
FIRE	0.01	-0.08
Public Admin	-0.12*	-0.33*
Soc Services	0.09*	-0.10*
Other services	0.17*	0.24*
Effects of Demographic Characteristics		
Female		-0.14*
Age		0.07*
Age Squared		0.00
Education		0.01*

Notes: Wage differentials represent the percent (log) difference from the mean wage for each sector. The mean log wage is the natural log of monthly wage earnings. * indicates statistical difference from the mean wage at the 5% level.

The natural log of monthly income is used to measure wage differences across industries. The first column of Table 3.2 presents the overall average of log wages and the percent difference from this overall average (wage differential or wage premium) that workers earn in each industry.¹²

¹² Normally, studies of wage differentials limit the sample to workers in the private sector (non-military and non-government), workers who are not self-employed, and workers who work a certain number of hours (for example, full-time workers). Here we limit the sample to workers who are

The first column of Table 3.2 shows that the overall average log wage is 11.74. The primary industries (food agriculture through mining) all earn less than average. Food agriculture workers, for example, earn nearly 74% less than the average wage. Workers in two of the manufacturing industries, food (with beverages and tobacco) and wood products also earn below-average wages. Workers in utilities, construction, and sales, however, earn above-average wages.

Interestingly, workers in textiles and apparel earn about 51% more than the average wage. This is a significant positive premium for these workers, and is larger than nearly every other positive premium. Only utilities has a larger positive differential. This large differential is somewhat surprising given the gender composition of these workers (young females) found in Table 3.1.

It is possible that differences in demographic composition affect average wages. For example, if a sector hires more educated workers on average, and workers with more education earn higher wages, then wages in that sector will be higher than average. To control for this, we estimate a regression in which we control for demographic characteristics (gender, age and age squared, and years of education). After controlling for these characteristics, we can recalculate the sector wage differentials and compare them to average wages.

The second column in Table 3.2 illustrates the results. At the bottom of the table we report the wage differentials earned for different demographic characteristics. Females, for example, earn about 14% less than other workers when controlling for sector, age, and education. Older and more educated workers earn higher wages.

Once these demographic characteristics are controlled for, we see that the wage premium in the textile and apparel industry increases to nearly 60%. This is not surprising given the fact that the sector is primarily comprised of workers who are female and less educated. In fact, once these demographic characteristics are controlled for, we see that these workers earn the largest positive differential of all sectors. In particular, the premium in utilities falls because that sector tends to employ more educated, older, male workers.

between 10 and 65 years of age, inclusive. We include all sectors because we are interested the most comprehensive comparison.

3.3 Working Conditions

3.3.1 Hours

The large positive differential in the textiles sector may be compensating for other adverse working conditions. One possibility is hours. Table 3.3 shows the differences in hours worked across industries. The overall average hours worked in the previous week is nearly 49. There is substantial variation across industries in the number of hours worked. In particular, textiles employees work about 5.6 hours more than the average worker and may result in higher monthly wage income. Workers in other manufacturing industries, except for wood products, also work more hours than the average worker.

**Table 3.3 Inter-Industry Differences
in Hours Worked**

Overall mean	48.783
Ag Food	-2.007*
Ag Other	-2.783
Husb. & Fish	2.189
Forestry	-7.369*
Mining	0.304
Food Bev Tob.	3.863*
Textiles and Apparel	5.627*
Wood	0.285
Mfg Other	7.005*
Utilities	-2.616
Construction	2.302*
Sales	4.869*
Transport	2.838*
FIRE	-3.205*
Public Admin	-2.746*
Soc Services	-7.805*
Other services	-0.832*

Notes: Hours differentials represent the difference from the mean hours worked last week for each sector. * indicates statistical difference from mean hours at the 5% level.

To account for the differences in hours worked across industries, we calculate the hourly wage by dividing the monthly wage by the number of hours worked the previous week times 4.3 (the average number of weeks per month) and then use

hourly wages in the wage equation to estimate inter-industry wage differentials. The results, without and with demographic characteristics, are shown in Table 3.4.

The first column of Table 3.4 shows that the overall average log wage is 6.637. The primary industries (food agriculture through mining) all earn less than average. Food agriculture workers, for example, earn nearly 91% less than the average wage. Workers in two of the manufacturing industries, food (with beverages and tobacco) and wood products also earn below-average wages. Workers in utilities, construction, and sales, however, earn above-average wages.

Adjusting for hours worked reduces, but far from eliminates, the positive differential in the textile sector. Table 3.4 shows that workers in textiles and apparel earn about 25% more than the average hourly wage, which, again, is only surpassed by utilities.

The second column contains the results when demographic controls are included. In terms of hourly earnings, females earn about 9% less than other workers when controlling for sector, age, and education. When demographic characteristics are controlled, the textile wage premium increases to 36%, again surpassed only by utilities.

**Table 3.4: Wage Differentials
Without and With Demographic Characteristics**

	Without	With
Mean Log Wage	6.637	5.774
Sector	Differentials	
Ag Food	-0.767*	-0.687*
Ag Other	-0.908	-0.863
Husb. & Fish	-0.253*	-0.214*
Forestry	-0.408*	-0.435*
Mining	-0.464*	-0.355
Food Bev Tob.	-0.238	-0.168
Textiles and Apparel	0.253*	0.363*
Wood	-0.375*	-0.365*
Mfg Other	-0.007	0.010
Utilities	0.597*	0.504*
Construction	0.053	0.029
Sales	0.023	0.052
Transport	0.168*	0.125*
FIRE	0.075	0.032
Public Admin	-0.103*	-0.215*
Soc Services	0.243*	0.149*
Other services	0.214*	0.222*

Effects of Demographic Characteristics

Female	-0.091 *
Age	0.046*
Education	0.014*

Notes: Wage differentials represent the percent (log) difference from the mean wage for each sector. The mean log wage is the natural log of hourly wage earnings, estimated as monthly earnings divided by hours worked last week times 4.3. * indicates statistical difference from the mean wage at the 5% level.

If workers had higher monthly earnings only because they were working more hours, and their hourly wage was no different than the average, then one might make the argument that working conditions are lower because, all else equal, workers are working more for no additional (per hour) pay. These results, however, do not support that argument. Textiles employees work 11% more hours than the average worker, but they are paid 36% more per hour than the average worker. In other words, hours of work only partially explains the observed differential.

3.3.2 Accidents

The 2003-2004 Socio-Economic Survey also contains information about accidents and disabilities. Workers are first asked if they either have had an accident in the past year or if they have a physical or mental disability. If respondents answer affirmatively to either question, they are then asked where the accident happened or if the disability is the result of an accident that happened at work.

Given these responses, we can then compare the frequency of these responses across sectors to get at least a crude measure of working conditions. Workers may be pressured (either directly or indirectly) not to report accidents in some industries but not in others. Furthermore, workers who have had accidents may not want to report their accidents accurately to government survey workers. Other concerns may apply as well, and therefore this measure should be taken with qualification. Nevertheless, given the survey design and the general lack of information about working conditions, this survey question represents a unique opportunity to at least get a possible glimpse into the differences in accident rates across industries.

To begin, we define a variable equal to one if the respondent reported having an accident at work or having a disability (physical or mental) that could be traced back to work. Physical disabilities include having problems seeing, hearing, moving, speaking, or feeling. This variable is equal to one if the respondent answered

affirmatively to having either an accident at work or having a disability that results from an accident at work.

Table 3.5: Accidents by Industry

Sector	Accident Rate	Probit
Ag Food	0.47%	0.0074*
Ag Other	0.38%	0.0122
Husb. & Fish	0.30%	0.0076
Forestry	0.23%	0.0095
Mining	0.00%	<i>dropped</i>
Food & Beverages	0.29%	0.0085
Textiles and Apparel	0.06%	<i>reference</i>
Wood	0.20%	0.0073
Mfg Other	1.22%	0.0171
Utilities	1.25%	0.0346*
Construct	0.38%	0.0073
Sales	0.26%	0.0051
Transport	0.18%	0.0004
FIRE	0.49%	0.0104
Public Admin	0.26%	0.0038
Soc Services	0.09%	0.0001
Other services	0.52%	0.0113
Total	0.36%	

Notes: The probit results include age, age squared, gender, and education controls. The dependent variable is the 0/1 variable indicating whether or not the respondent reported having an accident (=1 if yes). The coefficient estimates report dF/dx for discrete change of dummy variable from 0 to 1. The coefficient estimates therefore reflect the difference in the probability of having an accident relative to the textile and apparel sector. The * indicate the statistical test that the underlying coefficient is different from zero, which is the same as a statistical test that the accident rate in that industry is statistically different from that in the textile and apparel sector.

The first column of Table 3.5 reports the raw accident rates by industry. These accident rates are reported for all people in the survey, whether or not they reported having any earnings. There are some reasons to be suspicious of these data. First of all, there are no accidents reported for mining. This may be partially due to the low sample size of mining, but the sample size of utilities is comparable and has a relatively high accident rate. Secondly, accident rates in what might be considered relatively safe industries (e.g. finance, insurance, and real estate (FIRE)), has the fourth highest accident rate of the 17 reporting industries.

The accident rate of the textile and apparel industry is relatively low. In fact, this sector has the lowest accident rate in the sample with the exception of mining. This may be partially due to its relatively large size, pressure on workers not to report

accidents, or because it is a very safe sector. It might also be due to differences in demographic characteristics.

To at least assess the possibility that demographic characteristics affect the accident rate, we formally compare the accident rate across industries using a probit analysis. A probit analysis is similar to a regression analysis in that it allows us to make comparisons across industries while holding other variables constant. In our case, we control for the same demographic variables described above: age, education, and gender. The numbers in the second column of Table 3.5 report the likelihood of having an accident in a particular sector relative to the textile and apparel sector. A positive value indicates that having an accident is more likely.

Since all the coefficient estimates are positive, these results are consistent with the data in the first column and suggest that accidents are least likely in textiles and apparel as compared to the other industries. Formal statistical tests, however, suggest that the difference in the accident rate is not statistically significant in any industry except food agriculture and utilities (and marginally in other manufacturing). In any case, there is no evidence that the large wage premium textile and apparel workers earn is necessary to compensate them for the risk of accidents or a work-related disability. A risk-associated compensating wage differential does seem to be present, however, in utilities. The utilities sector has both relatively high wages and a significantly higher accident rate. Food agriculture, on the other hand, has both low wages and a high accident rate, suggesting relatively poor labor protections.

4. Conclusions

Globalization, defined as trade and investment, in Cambodia seems to be primarily focused in the garment sector and, to a lesser degree, in the hotel sector. As globalization advances, employment in these sectors has increased while employment in the more traditional agriculture sector has contracted. Rising demand for workers through expanding export markets and FDI seems to have combined with international attention on the garment sector to generate relatively good conditions as compared to other sectors in the economy. Relatively few accidents and earnings that are over 50 percent higher than the average Cambodian wage, in particular, characterize the garment sector. Working conditions and wages seem to be better in the garment sector than in agriculture, suggesting that the expansion of this sector might be raising overall working conditions in Cambodia.

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Appendix A

Results of Monitoring from ILO Better Factories Cambodia Project

Date of report & No. of Factories Monitored	Findings
Nov 2001 (Report 1) 30 factories	<ul style="list-style-type: none"> • No evidence of child labor • No evidence of forced labor • Non-correct payment of wages occurs with some frequency; • Over-time work is not undertaken voluntarily, or not always undertaken voluntarily, in a substantial number of factories; • Over-time hours extend, either occasionally or frequently, beyond the legal limits in a substantial number of factories; • Freedom of association, including anti-union discrimination, is a problem in some factories; • Strikes are not organized in conformity with the legally required procedures.
Apr 2002 (Report 2) 34 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of discrimination, although 3 incidents of sexual harassment occurred; • There is no evidence of child labor with the exception of one minor incident; • Non-correct payment of wages occurs frequently; • Over-time work is not, or not always, undertaken voluntarily in a substantial number of factories; • Over-time hours extend, either occasionally or frequently, beyond the legal limits in a substantial number of factories; • Freedom of association, including anti-union discrimination, is a problem in some factories; • Strikes are not organized in conformity with the legally required procedures.
Jun 2002 (Report 3) 29 factories	<ul style="list-style-type: none"> • There is no evidence of child labor; • There is no evidence of forced labor; • There is no evidence of sexual harassment; • There has been improvement in the correct payment of wages though this remains a problem in a number of factories; • There has been improvement with regard to ensuring that overtime work is undertaken voluntarily though this remains a problem in a number of factories; • There has been improvement in ensuring that overtime hours are within legal limits though this remains a problem in a number of factories; • There has been improvement in ensuring freedom of association, including protection against anti-union discrimination, though this remains a problem in a small number of factories; • Strikes are not organized in conformity with the legally required procedures.
Sep 2002 (Report 4) 65 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of child labor; • There is some evidence of sex discrimination, including sexual harassment; • Non-correct payment of wages occurs frequently; • Over-time work is not, or not always, undertaken voluntarily in a substantial number of factories; • Over-time hours extend, either occasionally or frequently, beyond the legal limits in a substantial number of factories; • Freedom of association, including anti-union discrimination, is a problem in some factories; • Strikes are not organized in conformity with the legally required procedures.
Jun 2003 (Report 5) 30 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of discrimination, although 2 new incidents of sexual harassment occurred; • There were two minor incidents and one more serious incident of child labor; • There has been improvement in the correct payment of wages though this remains a problem in a number of factories; • There has been some improvement with regard to ensuring that overtime work is undertaken voluntarily though this remains a problem in a number of factories; • There has been some improvement in ensuring that overtime hours are within legal limits though this remains a problem in a number of factories; • There has been some improvement in ensuring freedom of association, including protection against anti-union discrimination, though this remains a problem in some factories; • There has been some improvement in ensuring that strikes are organized in conformity with the

	legally required procedures.
Jun 2003 (Report 6) 30 factories	<ul style="list-style-type: none"> • There is no evidence of child labor; • There is no evidence of forced labor; • There is no evidence of discrimination, although 1 incident of sexual harassment occurred; • There has been further improvement in the correct payment of wages though this remains a problem in a number of factories; • There has been some further improvement with regard to ensuring that overtime work is undertaken voluntarily though this remains a problem in a number of factories; • There has been some further improvement in ensuring that overtime hours are within legal limits though this remains a problem in a number of factories; • There has been improvement in ensuring freedom of association, including protection against anti-union discrimination, though this remains a problem in a small number of factories; • There has been some improvement in ensuring that strikes are organized in conformity with the legally required procedures.
Oct 2003 (Report 7) 61 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of discrimination, although 2 incidents of sexual harassment occurred; • There is no evidence of child labor with the exception of 2 minor incidents; • Non-correct payment of wages occurs frequently; • Over-time work is not, or not always, undertaken voluntarily in a substantial number of factories; • Over-time hours extend, either occasionally or frequently, beyond the legal limits in a substantial number of factories; • Freedom of association, including anti-union discrimination, is a problem in some factories; • Strikes are not organized in conformity with the legally required procedures;
Feb 2004 (Report 8) 62 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There are two incidents of sex discrimination including 1 minor incident of sexual harassment; • There are four minor incidents and two more serious incidents of child labor; • There has been improvement in the correct payment of wages though this remains a problem in a number of factories; • There has been some improvement with regard to ensuring that overtime work is undertaken voluntarily though this remains a problem in a number of factories; • There has been some improvement in ensuring that overtime hours are within legal limits though this remains a problem in a number of factories; • There has been some improvement in ensuring freedom of association, including protection against anti-union discrimination, though this remains a problem in a small number of factories; • There has been some improvement in ensuring that strikes are organized in conformity with the legally required procedures.
Jan 2005 (Report 9) 61 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There were no reported incidents of sexual harassment; • The factories at which pregnant workers were fired or forced to resign have discontinued this practice; • A small number of factories adversely alter the employment status of women upon their return from maternity leave; • There was one minor incident of child labor; • There has been improvement in the correct payment of wages, though this remains a problem in a number of factories; • There has been some improvement in ensuring that overtime work is undertaken voluntarily and that overtime hours are within legal limits though these issues remain a problem in a number of factories; • There has been some improvement in ensuring freedom of association, including protection against anti-union discrimination, though this remains a problem in a small number of factories; • There has not been improvement in ensuring that strikes are organized in conformity with the legally required procedures. • There are continuing problems associated with safety and health at work, including use of protective equipment and the installation of safety guards on machines, proper safety training, as well as issues such as inadequate ventilation and cleanliness of some workplaces.
Mar 2005 (Report 10) 26 factories	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There were no incidents of discrimination reported in any of the factories. • There were minor incidents of sexual harassment reported in one factory; • There were no confirmed cases of child labor; • There has been further improvement in the correct payment of wages, though this remains a problem in a number of factories; • Most factories that had problems ensuring that overtime work is undertaken voluntarily made

	<p>improvements in this regard.</p> <ul style="list-style-type: none"> • There has been further improvement in ensuring that overtime is exceptional, voluntary and that overtime hours are within legal limits, but these issues remain a problem in a number of factories; • Every factory that had problems ensuring freedom of association, including protection against anti-union discrimination, made some progress in addressing these issues; • Workers in one factory made progress in organizing a strike in conformity with the legally required procedures; • There are continuing problems associated with safety and health at work, including the provision and use of protective equipment, the installation of safety guards on machines, proper safety training, as well as issues such as inadequate ventilation and cleanliness in some workplaces.
<p>Jun 2005 (Report 11)</p> <p>50 factories</p>	<ul style="list-style-type: none"> • There is no evidence of forced labor; • In six factories, management dismissed pregnant workers, or forced them to resign, and in one factory, management fired workers or changed their employment status during their maternity leave; • In one factory, management did not recruit any men, due to previous experience with men leading strikes; • More than half of the factories have problems with line supervisors failing to treat workers with respect; • 10 underage workers were found to be working in 4 factories. • Many of the factories monitored do not comply with minimum wage requirements; this problem is most prevalent among casual workers; • Most factories have problems ensuring that overtime work is voluntary, exceptional, and limited to two hours per day; • A few factories have significant problems ensuring freedom of association and refraining from anti-union discrimination; • None of the strikes that took place during in this group of factories in the 12 months preceding the monitoring visits were organized in conformity with legal requirements; • Significant numbers of factories fail to meet safety and health standards, including the provision and use of protective equipment, the installation of safety guards on machines, proper safety training, and adequate ventilation.
<p>Aug 2005 (Report 12)</p> <p>26 factories</p>	<ul style="list-style-type: none"> • There is no evidence of forced labor; • Two factories that had been altering the contractual status of workers when they returned from maternity leave have discontinued this practice. However, in another factory, management required workers to take an additional 3 months of maternity leave over that provided by law. The additional 3 months leave was unpaid; • No underage workers were found in any of the factories; • About one third of the factories monitored do not comply with minimum wage requirements for casual workers; • More than two thirds of the factories monitored ensure that overtime work is voluntary. However, in most of the factories monitored, overtime work is not exceptional or limited to two hours per day; • Regarding freedom of association, one factory terminated several union leaders and union members after a strike, accusing them of inciting other workers to go on strike and of committing various serious offences. The Arbitration Council ordered the factory to re-hire these workers, but the factory objected to this award, and has appealed it in Court; • None of the six strikes that took place during the 12 months preceding the monitoring visits were organized in conformity with legal requirements, but all of the strikes were peaceful; • Progress in meeting health and safety standards was mixed. Most of the factories provide personal protective equipment to workers; however, workers in about 80% of the factories fail to use it. More than half of the factories also have failed to install safety guards on machines.
<p>Aug 2005 (Report 13)</p> <p>60 factories</p>	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of discrimination, aside from anti-union discrimination (see below); • Eight factories that previously did not require workers to provide reliable age-verifying documents prior to hiring now require workers to do so. One factory still does not require casual workers to provide such documents; • About twenty percent of the factories monitored do not comply with minimum wage requirements for casual workers; • More than two thirds of the factories monitored ensure that overtime work is voluntary. However, overtime work is not exceptional in two thirds of the factories monitored, and about half of the factories do not limit overtime to two hours per day; • Six factories failed to ensure workers' freedom to organize and/or freedom from anti-union discrimination. However, seven factories made improvements in these areas;

	<ul style="list-style-type: none"> • Workers in two factories complied with some legal requirements prior to going on strike. All of the strikes covered by this report were peaceful; • Progress in meeting health and safety standards was mixed. Most of the factories provide personal protective equipment to workers. However, workers in about 77% of the factories failed to use it. More than half of the factories have also failed to install safety guards on machines.
<p>Oct 2005 (Report 14)</p> <p>46 factories</p>	<ul style="list-style-type: none"> • There is no evidence of forced labor; • Two factories dismissed pregnant workers or forced them to resign. One of these factories also discriminated against men during recruitment, out of concern that they could lead a strike. One factory that had adversely altered the employment status of workers returning from maternity leave has discontinued this practice; • Four factories that previously did not require workers to provide reliable age-verifying documents prior to hiring now require workers to do so. Two factories still do not require casual workers to provide such documents. No underage workers were found in any of the factories monitored; • Six factories failed to ensure workers' freedom to organize and/or freedom from anti-union discrimination; • All of the factories monitored pay regular workers the minimum wage for ordinary hours of work. However, approximately one quarter of the factories do not comply with minimum wage requirements for casual workers. The level of compliance with wage payments for normal overtime work was eighty-nine percent for both regular and casual workers; • Eighty-five percent of the factories monitored provide 18 days of paid annual leave. Sixty-three percent pay the correct entitlement during maternity leave (non-compliant factories typically pay workers half their wages, but do not pay half of their other benefits). Only one third of the factories monitored pay sick leave in accordance with MOLVT policy. • About sixty percent of the factories monitored ensure that overtime work is voluntary. However, overtime work is not exceptional in nearly three quarters of the factories monitored, and nearly sixty percent of the factories do not limit overtime to two hours per day. • Workers in three factories complied with some legal requirements prior to going on strike. All of the strikes covered by this report were peaceful. • Progress in meeting health and safety standards was mixed. More than half of the factories provide personal protective equipment to workers. Nearly three quarters of the factories failed to install safety guards on machines.
<p>Oct 2005 (Report 15)</p> <p>24 factories</p>	<ul style="list-style-type: none"> • There is no evidence of forced labor; • There is no evidence of discrimination, aside from anti-union discrimination (see below); • There was no indication of child labor in any of the factories; • Four factories failed to ensure workers' freedom to organize and/or freedom from anti-union discrimination; • Workers in two factories partially complied with some legal requirements prior to going on strike. All of the strikes covered by this report were peaceful; • All of the factories monitored pay regular workers the minimum wage for ordinary hours of work and correct wages for normal overtime work. For casual workers, about eighty-three percent of the factories comply with minimum wage requirements, and ninety-six percent are paying the correct rate for normal overtime work; • All of the factories monitored provide 18 days of paid annual leave. Sixty-three percent pay the correct entitlement during maternity leave (non-compliant factories typically pay workers half their wages, but do not pay half of their other benefits). Only half of the factories monitored pay sick leave in accordance with MOLVT policy; • Seventy-one percent of the factories monitored ensure that overtime work is voluntary. However, overtime work is not exceptional in three quarters of the factories monitored, and two thirds of the factories do not limit overtime to two hours per day. • Progress in meeting health and safety standards was mixed. Most of the factories provided some personal protective equipment to workers. However, about sixty-two percent of the factories failed to install safety guards on machines.
<p>Mar 2006 (Report 16)</p> <p>44 factories</p>	<ul style="list-style-type: none"> • Workers in one factory fully complied with legal requirements prior to going on strike, and workers in two factories partially complied with those requirements. Workers in four factories did not comply with applicable rules and procedures before going on strike. All but one of the strikes covered by this report were peaceful; • All but one of the factories monitored pay regular workers the minimum wage for ordinary hours of work. Eighty-four percent of the factories pay regular workers (including probationary workers, and workers paid by piece rate) correct wages for normal overtime work; • For casual workers, about sixty-one percent of the factories comply with minimum wage

	<p>requirements, and eighty-six percent are paying the correct rate for normal overtime work;</p> <ul style="list-style-type: none">• About eighty-two percent of the factories monitored provide 18 days of paid annual leave. Fifty-nine percent pay the correct entitlement during maternity leave (non-compliant factories typically pay workers half their wages, but do not pay half of their other benefits). Less than one quarter of the factories monitored pay sick leave in accordance with MOLVT policy;• Just over half of the factories monitored ensure that overtime work is voluntary. Moreover, overtime work is not exceptional in two thirds of the factories monitored, and more than two thirds of the factories do not limit overtime to two hours per day;• Progress in meeting health and safety standards was mixed. Nearly half of the factories provided some personal protective equipment to workers. However, about seventy percent of the factories failed to install safety guards on all machines.
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Source: Compiled from various Synthesis Reports 1-17, ILO Better Factories Cambodia