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Danish Trade Union
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LABOUR MARKET PROFILE

2015

Cambodia



LO/FTF Council's Analytical Unit
Copenhagen, Denmark

PREFACE

The LO/FTF Council presents this Labour Market Profile as a yearly updated report that provides an overview of the labour market's situation.

This country profile presents the recent main developments and is not an in-depth analysis. Nevertheless, it shows a wide range of data in a reader-friendly style. Certain key findings of this report can be found on the Executive Summary.

The report is divided in 11 thematic sections, which includes trade unions, employers' organizations, tripartite structures, national labour legislation, violations of trade union rights, working conditions, situation of the workforce (with subsections such as unemployment, sectoral employment, migration, informal economy, child labour, gender, and youth), education (with subsection vocational training), social protection, general economic performance, and trade. Additionally, the reader may find, an appendix including a list of the ratified ILO Conventions.

As indicated, the report is driven by statistical data selection from international databanks, surveys and reports (e.g. the International Labour Organization (ILO), the International Trade Union Confederation (ITUC), the World Bank, WageIndicator Foundation, the Africa Labour Research & Educational Institute (ALREI), etc.) as well as national statistical institutions and ministries, and others. Moreover, narrative inputs are collected from international news sources (e.g. The Economist, the British Broadcasting Corporation (BBC), LabourStart, The Guardian, etc.) together with local sources such as trade unions centers, NGOs, local news, the LO/FTF Council's Sub-Regional Office, among others.

This report also collects references from several indexes, e.g. Global Rights Index, Doing Business Index,

the Governance Indicators, and the Human Development Index. The indexes' methodologies and the data quality can be followed by the sources websites.

All sources, indicators and/or narrative inputs that are used are available by links through footnotes.

It is noteworthy to highlight that although most of the statistical data is available, there were some problems with availability and reliability of the data. In particular, the data collection of trade union membership, Collective Bargaining Agreements (CBAs), women's trade union membership and occupational health and safety (OHS) committees are a challenge. Therefore, used data from these abovementioned indicators should be interpreted with some reservations.

ACKNOWLEDGMENT

This Labour Market Profile is prepared by the LO/FTF Council's Analytical Unit in Copenhagen with support from our Sub-Region Office in the Philippines as well as our local partners in terms of data collection of trade union membership.

All other labour market profiles of the countries where LO/FTF Council operates are available at our website: <http://www.ulandssekretariatet.dk/content/landeanalyser>

Should you have questions about the profiles you can contact Mr. Kasper Andersen (kan@loftf.dk), Manager of the Analytical Unit.

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Cambodia

Labour Market Profile

EXECUTIVE SUMMARY

Despite a slight setback in the 2008-2009 global financial crisis, Cambodia has experienced a solid and high economic growth this past decade. The main drivers of economic growth come from the sectors in garment, tourism and construction. In consequence, has created a fast decline of working poor while middle-class grows. These impressive results seem to be a result of rising wages and a low inflation of consumer prices. Also important to note that since 2009, the higher middle-class has experienced a slight decline. Additionally, the lower middle-class remains vulnerable by economic downturns and could easily return back as working poor.

In present times, political uncertainty and labour unrest continue to be discovered. The environment for doing business remains unimproved and continues to face business startup challenges. These challenges are mainly focused in construction permits and enforcing contracts. Moreover, the country is affected by the weak control of corruption and insufficient accountability.

According to the International Trade Union Confederation (ITUC), Cambodia is among world's worst places to work. In addition, the national labour legislation has some flaws. For example, the current trade union legislation is outdated and regulations of industrial relations are deficient. Currently, a new draft Trade Union Act, which awaits approval, has received harsh criticism from the trade union movement.

Labor productivity in Cambodia has experienced a swift and upward trend. To a large extent it is a result of the key role made by the manufacturing industry. Nevertheless, this sector has proven to be vulnerable to international economic downturns. Another issue is that the very high incidence of under-education makes workers more difficult to move from one sector to another.

The segment of self-employed workers is decreasing, especially among contributing family workers that get jobs in the manufacturing industry. One key issue of this segment is that those working in the formal sector and which make up 50 percent work excessively over 48 hours per week and the formal sectors are still not growing sufficiently to absorb enough new entrants to the labour market. Actually the informal economy is absorbing close

to four out of five (81%) of workers. In a way, this explains why the unemployment and underemployment rates are quite low at 2.7 and 2.0 percent, respectively.

There is a growing emigrating outflow to find jobs with higher wages. Migration policies have been improved and there has been an increase in the number of Cambodian workers going abroad through legal channels. Surprisingly, it was more women emigrating instead of men.

Enrolment in primary education has been quite high and stable. Both enrolments in secondary and tertiary levels have been increasing but with some gender gaps. However, these latter enrolment rates are still lower than the East Asia and the Pacific's (EAP) averages. This is similar in terms of vocational training. Although women relatively hold a high 47 percent of rate participation, students in secondary education enrolled in vocational programs is much lower than the EAP's average. A challenge is that few complete their secondary or vocational training. For youth the quality of employment is often low with below-average wages as well as informal employment which is estimated at 98 percent.

The Government has taken steps to a comprehensive social protection system. This change is registered on the public spending on social protection, which has been on a rise, increasing 11 percent per year since 2007. Still three out of four (74%) of the population is not covered by health social protection.

The trade union movement has a young membership base and is mainly dominated by women. The trade union membership share to wages works went through a fast increase related to the rapidly expanding garment industry. When this sector was stalled, it affected the trade union membership, though recently it is starting to rebound again. The Cambodian Council of National Unions (CCNU) was launched in 2012 which aims to create a stronger and more united trade union movement. One result is that Vietnam and Cambodia trade unions initiated to deepening their ties in 2015.

COUNTRY MAP



Source: *The CIA World Factbook*

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TRADE UNIONS

The exponentially growth of the trade union movement has to a large degree been based on the rapidly expanding garment industry. The achievements in construction, transport, hotel and tourism sectors have also pressured for union formation.¹ The government has pledged to introduce an amended Trade Union Law by the end of 2015. Voices from the trade unions movement have argued that the draft law is a way to control the unions.² International organizations have also raised their concerns of the law and a possible decline in the registration of unions.³

Table 1: Trade unions in Cambodia⁴ (2015 est.)

Registered trade union confederations	7
Registered trade union federations	85
Registered trade unions	2,891
Dues per month (standard)	US\$0.25- 1.0
Members of trade unions confederations	744,105
Trade union members share of labour force	8.8 %
Trade union members to waged workers	24 %
Women member share of trade unions	79 %
Members of affiliated trade unions from the informal economy (IDEA, CCTU, and NACC)	26,937
Number of CBAs	442
Workers covered by CBAs (NACC, CCTU, CLC)	85,036
Share of waged workers covered by CBAs	2.8 %
Labour force (2014)	8,250,000
<i>Note: The number of CBAs covers CBAs registered by the Ministry of Labour & Vocational Training (MoLVT).</i>	

However, in 2013 there was a decline of membership from trade union confederations, i.e. approximately 15% on average since 2012. Some of the reasons of this trend are related to losing jobs in the formal garment sector and the blossoming of fixed duration contracts (see also the section of Working Conditions). On the other hand, the membership rebounded in 2014, but remains lower than the 2012 (see table below).

The trade union membership is dominated by women, which is more or less 79 percent of the total registered trade union confederation membership. The trade union movement is dominated by male leadership, though. It is also noted that it is difficult of integrating women-related issues in collective bargaining, e.g. gender sensitivity training and reproductive health programs.⁵

The Labour Law does not apply to civil servants. Thus, they do not have the right to form or join a trade union. As an example, the Cambodian Independent Teachers Association is denied the requested permission for marching and protesting. Similarly, personnel in the air and maritime transportation industries are free to form unions, but are not entitled to social security and pension benefits, and are exempt from the limitations on work hours prescribed by the labor law.⁶

Additionally, the collective bargaining agreements (CBAs) system is relatively new, initiating with five agreements in 2003 that emerged in the hotel and tourism sector. Based on the Ministry of Labour & Vocational Training (MoLVT) report as of 2012, a total of 405 CBAs were negotiated. A reduction was noted but it is probably due to a large proportion of genuine, improved agreements, i.e. comprehensively negotiated CBAs between parties that covered not just a single issue, but multiple concerns, such as wages, working hours, overtime, benefit entitlements, and union rights.⁷ Despite these concerns, violence erupted in Cambodia as labor dispute intensifies in 2013-2014, where 442 CBAs were registered in 2014.

Based on Table 2, there are clear indications that workers' covered by CBAs has increased at 104 percent in absolute terms in periods 2012 to 2014. Still, CBAs have a low coverage at 2.8 percent of the waged workers.

Table 2: Trade union membership and workers covered by CBAs trends⁸, 2012-2014, Total

Subject	2012	2013	2014
Trade union confederation membership	566,862	483,059	537,179
Female membership	-	396,905	427,487
Workers covered by CBAs	41,500	63,665	84,808
<i>Note: This table covers only NACC, CCTU, CLC, CCU, and CNC. See also the Trade Union table below.</i>			

The number of strikes regardless of its nature and also lockouts seem to be changing over time. Generally speaking, more strikes occurred in the first half of the 2000's decade. Based in a 2011 report made by the Arbitration Council, strike activities experienced a downward trend. However, later in the 2012 year, strikes resurfaced from 31 strikes made in 2011 to 121 made in 2012 and later 147 in 2013.

Trade Unions in Cambodia⁹						
Members, Dues, Collective Bargaining Agreements (CBA) and Occupational Safety and Health committees						
Confederation members of Cambodian Trade Unions and Labour Association	Total Members	Women Members	Dues (per month)	Number of CBAs	Workers covered by CBAs	Number of OSH committees at workplaces
<i>Cambodian Council of National Union (CCNU)</i>						
NACC National Union Alliance Chamber of Cambodia	206,926	161,535	\$0.25	46	55,793	16 Factories
CCTU Cambodia Confederation of Trade Unions	157,975	126,380	\$0.25	19	12,635	17 Factories
CNC Coalition of Cambodia of National Labor Confederation	35,000	29,750	\$0.25	-	-	-
<i>Not members of CCNU</i>						
CLC Cambodian Labour Confederation	112,278	89,822	\$1	21	16,380	181 OSH committees in 18 Factories
CCU Cambodian Confederation of Unions	25,000	20,000	\$0.25	-	-	-
Affiliated confederations to NACC						
NLC National Labour Confederation of Cambodia	35,400	26,500	\$0.50	-	-	-
CNCLP Cambodian National Confederation for Labourers	54,280	40,710	\$0.50	-	-	-
CIC Coalition of Cambodia Inheritance Confederation	23,272	19,604	\$0.25	-	-	-
CCWR Cambodia Confederation for Workers Rights	146,037	110,948	\$0.25	-	-	-
CUNIC Confederation of Union National Independence Cambodia	37,617	30,983	\$0.25	-	-	-
TOTAL	744,105	589,022	-	86	84,808	-

EMPLOYERS ORGANISATIONS

Cambodian Federation of Employers and Business Associations (CAMFEBA)

CAMFEBA, established in 2000 has increased its membership from 10 to 138 enterprises in 2010.¹⁰ As of August 21 2015, CAMFEBA is collectively representing over 2,000 employers, both unionized and non-unionized, comprising of 11 Business Associations as Association members, 245 individual companies as ordinary members and 25 non-profit organizations as Associate members.¹¹

CAMFEBA's services include human resources & labour consultation, information dissemination, training, lobbying and advocacy.

According to CAMFEBA, ILO made explicit statements on January 2014 that undermined employers' credibility in Cambodia based on incorrect information and created tensions as a result.¹² CAMFEBA requested ILO to retract their statements.

Garment Manufacturers Association in Cambodia (GMAC)¹³

GMAC is the apex trade body that represents the garment and footwear industry in Cambodia. By 2015, the association represent 601 garment factories and 50 footwear factories that employ an approximated 500,000 workers. The majority of these workers are represented by stricken women from rural provinces

that face disadvantages. The aim of GMAC is to establish conducive and healthy business environment for the industry through regular activities of representation and advocacy, capacity building, information sharing and dissemination, networking, market linkage, trade promotion, support for market access and others.

CENTRAL TRIPARTITE STRUCTURES

Mediation and Arbitration

Individual and collective labour disputes are regulated by the Labour Law.¹⁴ An individual dispute is first attempted to be settled by the labour inspector, otherwise it ought to be referred to the Labour Court. Collective disputes are first attempted to be settled by a Conciliator, if that fails the dispute shall be arbitrated either by procedures set out in the collective agreement often the Arbitration Council.

The Arbitration Council has a list of 30 arbitrators with 10 nominated each from trade unions, employers' organisations and the minister in charge of Labour. Each party in the dispute select an arbitrator, who then chose a third member to chair the council. The Arbitration Council started operating in 2003 and received 31 collective dispute cases. This has been on an increase and has so far peaked at 361 cases in 2014.

According to International Trade Union Confederation (ITUC),¹⁵ the Arbitration Council has effectively taken the place of labour courts, which have not been established despite them being provided in the Labour law of 1997. The Council is widely respected for its even-handed and impartial investigations and rulings, but employers found to have engaged in anti-union discrimination usually appeal against the Council's decisions in the provincial courts. Moreover, employers often choose not to apply the Council's recommendations.

The Arbitration Council is a response to the lack of social dialogue, which has led to several conflicts between workers and employers. Sporadic protests and strikes are commonplace, especially in the garment sector. According to the Arbitration Council itself the growth in cases handled by the Council, has led to fewer strikes in the garment sector in recent years.¹⁶

According to the U.S. Annual Country Report on Human Rights Practices,¹⁷ the Department of Labor Disputes sent 97 unresolved cases to the Arbitration Council during 2014. It was argued that some unions urged the government to expand the role of the Arbitration Council to include individual and collective-interest disputes and to make its decisions binding. The report also noted that in a period from January to June 2014, the Arbitration Council received 174 cases; a 24 percent increase from the same period last year. The council reported that of the 174 cases, the council resolved, 48 by ordering an arbitration award, 65 were settled among the parties before an award was ordered, 20 cases were closed due to lack of participation or cooperation by the parties, and the remaining cases were ongoing.

The Labour Advisory Committee¹⁹

The Committee studies labour and employment related issues, formulates recommendation for the minimum wage and gives advice on the scope of collective bargaining agreements.

Other bi/tripartite organs

- Governing Body of National Social Security Fund
- Labour Advisory Committee
- 8th Working Group on Labour and Industrial Relations

NATIONAL LABOUR LEGISLATION

Constitution¹⁸

The constitution is from 1993 and last amended in 2008. It gives the right to form and join trade unions, equal pay for equal work and the right to strike. It also obliges the state to establish social security systems.

Labour Act¹⁹

The labour law from 1997 regulates employment relations, wages, hours of work, time off, collective bargaining agreements and trade unions and Occupational Safety and Health standards. It prohibits child, forced and bonded labour, and also establishes the labour inspectorate, the Labour Advisory Committee, labour courts and procedures for labour disputes.

However, industrial relations are regulated by a poorly and outdated labour law. Among others, ITUC has registered several flaws such as possibility to by-pass representative trade unions and bargain directly with workers' representatives as well as compulsory recourse to arbitration, or to long and complex conciliation and mediation procedures prior to strike actions.²⁰ Moreover, some categories such as judges and teacher are excluded from the law's scope and do not have the right to collective bargaining or form unions under other legislation.²¹

In 2015, a series of new measures are being developed behind the scenes by the government. First of all, Cambodia's government plans new legislation. It has been met by the trade union movement with harsh criticisms. There has been argued that the proposed legislation would exclude large segments of the workforce from labour law protection, set unreasonably high membership thresholds for union registration, give the government sweeping powers to suspend unions, undermine collective bargaining rights and allow government officials to ban strikes or lock-outs without proper recourse to the courts.²²

Secondly, it appears that the government is preparing to export workers to Qatar, following a 2011 agreement between the two countries. A Cambodia-based recruitment agency has confirmed that the authorities have now issued a permit to send workers to Qatar, where the "kafala" system enslaves workers to their employers and where unions are banned for foreign workers. At least one migrant worker dies each day in Qatar.

Memorandum of Understanding on Improving Industrial Relations in the Garment Industry²³

The MoU from 2012 covers employers' members of the Garment Manufacturers Association as well as unions' confederations and federations that have signed this MoU. Parties agree to adhere to national law and that both parties support Collective Bargaining Agreements as a means to protecting rights and conditions of work for both parties.

Trade Union Act²⁴

A draft version was presented by the government by the end of 2014 but has still not been adopted (November 2015). The draft has been criticized by union leaders as it contains provisions that could seriously undermine worker's rights and gives excessive regulatory power to the Ministry of Labor (MOL) over the labour unions. Moreover, the draft fails to meet Cambodia's obligations under the Universal Declaration of Human Rights and violates ILO's conventions 87 and 98 on freedom of association and collective bargaining.

*The Labour Law is the most important labour legislation. Several other legislations exists which regulates and sets standards and restrictions for the labour market.*²⁵

TRADE UNION RIGHTS VIOLATIONS

Cambodian workers suffer with serious deficiencies presented on the labour law. Commonly they are target of attacks and reprisals from employers. According to the 2015 ITUC Global Rights Index, workers are systematically exposed to unfair dismissals, intimidation, arrests and violence often leading to injuries and death.

Table 3: Cambodia: Global Rights Index²⁶ (2015)

5 out of 5+	<ul style="list-style-type: none"> ○ No guarantee of rights ○ Countries with the rating of 5 are the worst countries in the world to work in. While the legislation may spell out certain rights workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices.
<p><i>Note: Five clusters in total with ratings from 1 to 5. A country is assigned the rating 5+ by default, if the rule of law has completely broken down.</i></p>	

In the period 2014-2015 (October), ITUC has recorded 12 cases related to not guarantee of rights in practice.²⁷ They are related to a wide range such as: union registrations stalled; union representatives charged over protest to scare others from organizing;

force used to end strike, government establishes new Committee and introduces new law to clamp down on union activity; six killed, 38 hospitalized and 23 arrested in police crackdown on protest for workers' rights; and widespread harassment of workers for union activity.

The garment sector is a worrisome example. With inadequate protection of worker's rights, when it was demanded an increase in their minimum wage to US\$ 160 per month, police replied with excessive violence. The vast majority of workers perform overtime work beyond legal limitations, more than 50 percent of the garment factories do not comply with sanitation requirements, and around 90 percent of workers in the sector are under a temporary contract.

It was also observed that there was violation of collective agreement when a garment factory refused to comply with a collective agreement. About 4,000 of the total 5,300 workers went on a strike. All though the strike did not violate the law, police intervened violently and injured 30 workers; arrested 8 workers and issued 8 arrest warrants. The company dismissed 415 workers for having participated in the strike.

The U.S. Annual Country Report on Human Rights Practices 2014 has also registered several observations of worker rights violations.²⁸ It includes that organization among public-sector workers continue to face significant obstacles; the government imposed a ban on all public assemblies or rallies, which it enforced on an ad hoc basis, after the January 2-3, 2014, violence; and there were credible reports of workers dismissed on spurious grounds after organizing or participating in strikes. The latter is related to that despite most strikes were illegal, participating in an illegal strike is not by itself a legally acceptable reason for dismissal. In some cases employers pressured strikers to accept compensation and leave their employment.

IndustriALL Global Union and the ITUC called for the government to act to investigate the killing of four garment workers during strikes with 350,000 workers in January 2014.²⁹ On the other hand, more than 150 factories had filed lawsuits and more were being prepared.³⁰ So far, no one killed or injured has been compensated by the government.

ILO's Committee of Freedom of Association is processing four active cases. One is concerning the murder of two trade union leaders and continuing repression of trade unionists in Cambodia. The second concerns unfair dismissals, acts of anti-union discrimination, and refusal

to negotiate with the trade union concerned. Regarding the third and fourth cases, from 2013 and 2015, ITUC and CATU had submitted confidential allegations, respectively.³¹

Table 4: ILO Complaints Procedure Freedom of Association cases, 2015

Active	4
Follow-up	-
Closed	7

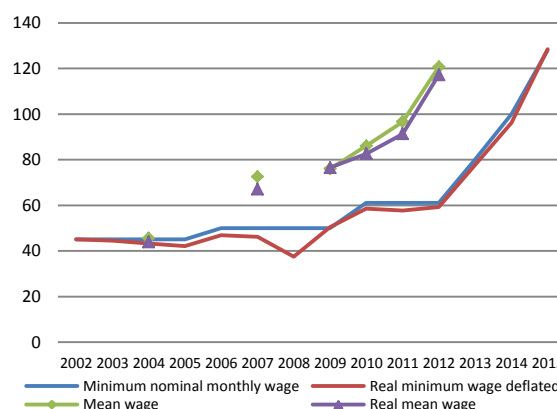
WORKING CONDITIONS

The minimum wage for workers in the garment sector was initially raised from US\$80 per month in 2013 to US\$95 in 2014, but due to turmoil of strikes in January, it was further increased to US\$100 in February. Now, starting on January 1st 2015, the minimum wage for the garment industry was again raised above the country's poverty line (US\$120 per month) and is now at US\$128 (KHR 520,000) per month. The 28 percent raise was still below the demanded by labour unions (140 US\$), but the Ministry of Labour claims when calculating other benefits, workers would be making an average of US\$147 to US\$156 per month. The clothing industry employs 500,000 workers in more than 500 garment and shoe factories countrywide.³²

**Table 5: Wages and earnings
Monthly average and legal minimum wages**

	Source	Current Riel (KHR)	Current US\$
Average wage (2012)	Global Wage Database ³³	487,583	121
Minimum wage (garment industry) (2015)	CBC News ³⁴	520,000	128
Minimum wage for a 19-year old worker or an apprentice (2014)	Doing Business ³⁵	173,961	43
Growth of real average wage (2004-2012)	Global Wage Database		8.4 %
Growth of real minimum wage (2000-2015)			8.7 %

**Figure 1: Wage trends in Cambodia³⁶ (2000-2015)
US\$**



There has been a progress in developing labor laws and administrative structures to implement laws. However, improvement in practice is quite slow and limited, particularly in relation to the laws guaranteeing freedom of association and workers' right to collective bargaining. Assessments suggest that approximately 217 out of the more than 1,700 registered unions have a capacity to carry out multifaceted CBAs.³⁷

Outside the garment industry, regulations on working hours were rarely enforced. It has also been registered that employers often used coercion to force employees to work as well as workers often faced fines, dismissal, or loss of premium pay if they refused to work overtime.

An emerging problem is the use of employment contracts. There exist two types: "fixed duration contracts" (FDC) and "unspecific duration contracts" (UDC). Trade unions have claimed that employers are favoring the use of the FDC as a tool of threaten workers not to join trade unions, to intimidate union leaders to leave workplace, and even to terminate the employment of the union leaders and members.³⁸

The U.S. Annual Country Report on Human Rights Practices reported that although the MoLVT employed labor inspectors, the lack of financial resources, endemic corruption, and insufficient penalties hindered efficacy. Due to these restrictions, the Ministry of Labor did not conduct regular factory inspections.³⁹

The U.S. Annual Country Report on Human Rights Practices also argues that work-related injuries and health problems are common. It has been argued that most large garment factories producing for markets in developed countries meet relatively high health and

safety standards as conditions of their contracts with buyers. On the other hand, working conditions in many poor small-scale factories and cottage industries do often not meet international standards.

The National Social Security Fund (NSSF) reported that during the first six months of 2014, there were 6,594 cases of work-related injuries, including 51 fatalities. During the same period, the NSSF reportedly fined seven companies that did not comply with the NSSF's rules and regulations and sued three others in court. In addition, the Better Factories Cambodia (BFC) cited fire safety as an area of particular concern. BFC registered that 15 percent of visited factories kept their doors locked during working hours and 53 percent had obstructed access paths.

Table 6: Working conditions in Cambodia

Normal Weekly Hour Limit	48
Overtime Limit	10 hours per day (including overtime)
Max. Weekly Hours Limit	60
Min. Mandatory Overtime premium/time off in Lieu of Overtime Wages	50 % increase; no universal national entitlement for compensatory time off
Min. Annual Leave	15 Days
Duration of Maternity Leave Benefits	90 days
Amount of Maternity Leave Benefits	50%
Source of Maternity Leave Benefits	Employer

WORKFORCE

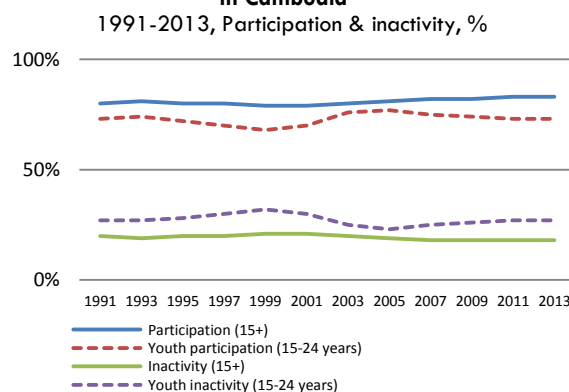
Cambodia's total population was estimated as 15.1 million in 2013, with a working age population (aged 15+, WAP) of 10.4 million, and a workforce of 8.6 million actively engaged on the labour market. In the same year, youth labour force (age group 15-24 years) peaked with 3.0 million. Compared to the 2008 population census, the workforce rose from 66% to 72 percent of total population. Youth population, however, has grown from 22 percent to 23 percent, proportionally, in the same period.⁴⁰

**Table 7: Employment rates⁴¹ (2013)
Age and Sex distribution**

Sex	Age	Employment rate
Male & women	Total 15+	82 %
	Youth 15-24	72 %
	Adult 25+	86 %
Male	Total 15+	86 %
	Youth 15-24	72 %
	Adult 25+	93 %
Women	Total 15+	79 %
	Youth 15-24	73 %
	Adult 25+	81 %

Men have a higher employment rate, which increases more after the age of 25+. On the other hand, this gap aligns during youth which is related to that more men are in school enrolment on all levels.

Figure 2: Labour force employment rate and inactivity rate in Cambodia⁴²



A close to one out of five (18%) of WAP and one out of four (27%) of the youth population (15-24 years old) is inactive on the labour market; the latter with basically no gap between men and women.

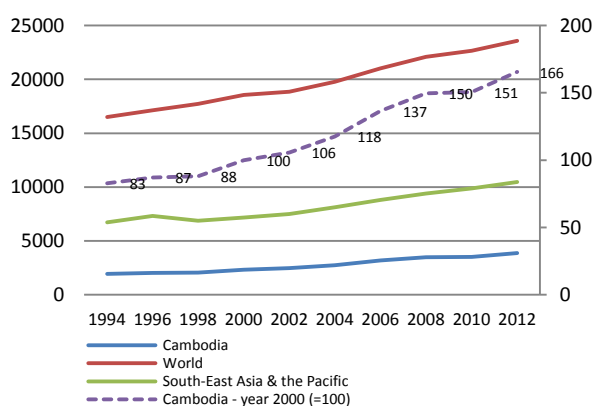
Table 8: Inactivity rate in Cambodia⁴³ (2013)

	Total	Male	Women
Inactivity rate	18 %	14 %	21 %
Inactivity rate, youth	27 %	28 %	27 %

The labour productivity in Cambodia has overall increased since the 1994. From the beginning on the year 2000, the labour productivity had a significant increase, moving from an output of 100 per unit of labour input to 166 in 2012.

Figure 3: Labour productivity⁴⁴ (1994-2012)

Output per worker based on GDP constant 2005 international US\$ and Index output per unit of labour input (year 2000=100)



Note. The labour productivity of Cambodia is estimated as output per worker, i.e. GDP constant 2005 international US\$ in Purchasing Power Parity (PPP).

The GDP per capita growth was driven by labour productivity increases. It is estimated that this increased by 3 percent per year on average during the period 2004-2013. After a period of a high labour productivity growth of 4.4 percent on average during 2004-2008, it fell by 1.5 percent per year in 2009-2013. This is related to the global financial crisis in 2007-2008 which affected hard the Cambodia's garments industry. The ratio of employment rate grew very slightly at 0.2 percent on average in reference to the working age population (WAP) in the period 2004-2013. It is worth noting that similar to labour productivity, the employment rate increased during the first half of the period, but stalled in the second half (see table below).

Table 9: Comparative average growth of GDP per capita, employment and working age population (WAP) (15-64 years) in Cambodia⁴⁵ 2004-2013, % change on average

Years	GDP/employment	GDP/WAP	Employment/WAP
2004-08	4.4 %	4.9 %	0.5 %
2009-13	1.5 %	1.5 %	0.0 %
2004-13	3.0 %	3.2 %	0.2 %

Note: The columns above reflect: i) GDP per capita/employment equals GDP per worker (i.e. labour productivity); ii) GDP/WAP equals GDP per capita; and iii) employment/WAP equals the employment rate (ratio of workers to working-age population (15+)).

Unemployment and underemployment

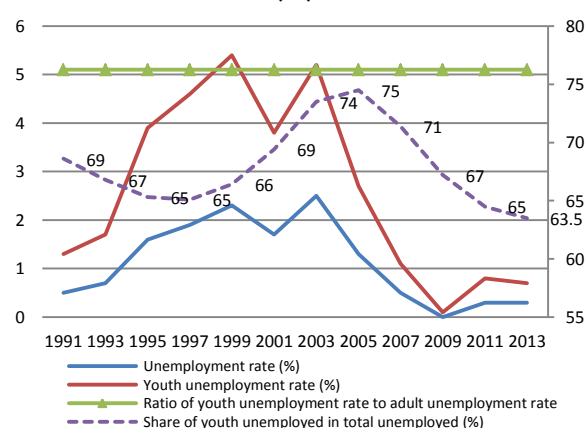
The unemployment rate is low, estimated at 2.7 percent in 2012 by survey data. This number could differ slightly from the unemployment trend graph (above) that is based on estimations. The trend has been very low since 1991, except youth unemployment peaked at 5 percent in 1999 and again in 2003, but fast declined again. The ratio of youth unemployment to adult unemployment has been very stable at 5.1 percent. It is noteworthy that the share of youth unemployment in total unemployment peaked in 2005 and has been on a decreasing trend.

Table 10: Unemployment, youth unemployment and underemployment⁴⁶ (2012)

	Unemployment	Youth Unemployment	Underemployment
Total	2.7 %	3.8 %	2.0 %
Urban	3.0 %	6.6 %	2.0 %
Rural	2.6 %	3.1 %	2.1 %
Men	2.7 %	3.9 %	2.5 %
Women	2.7 %	3.6 %	1.6 %

Although thousands of layoffs due to the global economic recession in 2007-2008, it was basically not transferred into higher unemployment rates. Instead those workers were rather pushed into work on the agriculture sector and/or in the informal economy. Stated differently, the low unemployment rate is largely because people cannot afford to spend time looking for the right job or long-term unemployment.

Figure 4: Unemployment trend in Cambodia⁴⁷ (1991-2013)



The time-related underemployment rate is defined as the percentage of employed persons who worked less than 40 hours during the reference period and were

willing and available to work more hours than what they actually worked. According to the survey findings, the overall unemployment rates were very low at 2 percent in 2012. This suggests that few persons in some economic activity are not engaged in a full work week were at the same time seeking other jobs or additional hours of work and/or were treated as time-related underemployed. As a contrast, around half (50%) of the employed workers are worked more than 48 hours per week, i.e. excessive-hour work situation, which has a high incidence at the wholesale & retail trade and manufacturing industry.⁴⁸

As showed, unemployment is low among youth, estimated at 3.8 percent. According to surveys, the higher unemployment rates are among the most educated youth which implies a mismatch between education and skills demand in the labour market. The youth unemployment is highest in urban areas, e.g. with a high bulk in Phnom Penh at 20 percent.⁴⁹ To curb these problems, the country has a National Policy on Youth Development from 2011. Under the responsibility of the Ministry of Education, Youth and Sports (MoEYS), the program focus on 12 strategic areas in order to address better living for the youth, such as: education and training, youth participation and labour market awareness.⁵⁰

Interpretation of the open unemployment and employment rates as indicators of a well-functioning labour market is problematic in developing countries. When unemployment is not an option where a person can survive, work of some sort has to be found, often casual and informal work. Unemployment should therefore be understood in relation to the strength of social safety nets, the prevalence of informal employment and how much of informal employment is underemployment due to few formal employment possibilities.⁵¹

There is no nation-wide employment creation or unemployment compensation schemes, but labor-intensive infrastructure and food-for-work programs have been implemented in cooperation with donors.

Sectorial Employment

Agriculture is the largest sector employing 54 percent of working Cambodians, and contributing with 32 percent of GDP. Newer data from 2011, display that a comparable 56 percent are employed in the agricultural sector. For an agricultural sector in a developing country it is a relative high contribution to GDP relative to employment. Land mines from the civil

war make agriculture difficult in several areas and still cripple many.

**Table 11: Employment (2012)⁵² & GDP share (2013)⁵³
Sector & Sex distribution**

Sector	Male employment	Women employment	GDP share per sector
Mining & quarrying	25,045	3,496	0.9 %
Manufacturing	438,407	815,682	15 %
Electricity, gas & water	39,208	7,582	0.5 %
Construction	432,482	54,594	7.3 %
Trade, restaurants & hotels	589,127	995,303	14 %
Transport & communication	365,074	41,948	7.7 %
Finance, real estate & business services	74,559	86,637	7.3 %
Public administration, education, health etc.	396,204	154,575	9.3 %
Agriculture	1,281,547	1,111,617	32 %

The government has taken steps to develop the agricultural sector as a “third engine” of growth. However, on-farm employment is constrained by insecure land tenure, lack of affordable credit, fragmented inputs and services, a lack of infrastructure, and poorly functioning markets. On the other hand, off-farm employment seems to have potentials, but more effort is needed to stimulate small and Medium Enterprise (SME) development and agri-business investments.⁵⁴

In the garment sector, 200 factories operate in Phnom Penh at any given moment, employing some 200,000 workers by official count, over 85 percent of who are women.⁵⁵

The garment and construction industries are simply not growing sufficiently fast to absorb so many new entrants on the labour market. Notwithstanding, the tourism industry has continued to grow rapidly with foreign arrivals exceeding 2 million per year since 2007 and reaching around 4.5 million visitors in 2014.

Mining also is attracting some investor interest and the government hopes many opportunities for mining bauxite, gold, iron and gems.

The labour market is confronting a high under-employment rate at an estimated 58 percent. This is slightly higher among women (62%) than men (54%), (see table below). As the industry sector evolves, it is

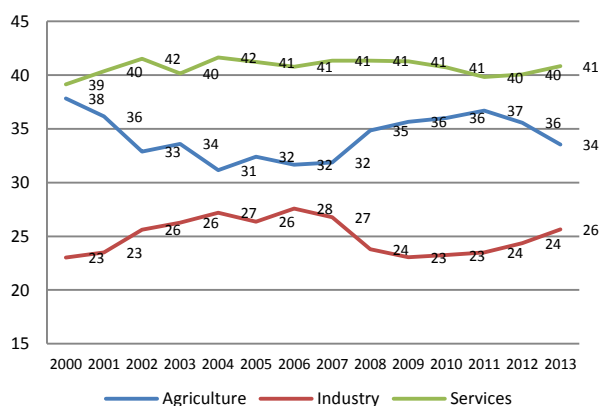
expected that workers will move from the agriculture sector to take up jobs in the manufacturing sector. However, this high under-education rate suggests that workers cannot easily move from one sector to another.

Table 12: Skills mismatch between job requirements and qualifications
2012, Sex and age group, %

	Incidence of over-education	Incidence of under-education
Total	4.1 %	58 %
Men	5.0 %	54 %
Women	3.2 %	62 %

As demonstrated on the Sector Share graph below, the global financial recession that initiated in 2007 significantly reduced the industry sector's contribution to GDP. Instead raised the agricultural sector and absorbed workers that were layoff in the manufacturing sector. This latter segment is most likely to be more productive, and can raising the agricultural contribution to GDP. In recent years, the industry sector is rebounding, moving back towards its former peak of 28 percent of GDP in 2007, while the agricultural sector has lost its steam.

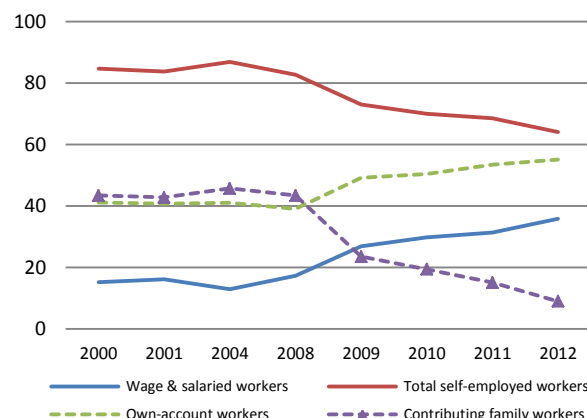
Figure 5: Sectors Share in Cambodia⁵⁶
2000-2013, % of GDP



Significantly, waged and salaried workers have been on a significant increase from 15 percent to 36 percent in the period from 2000 to 2012. And it is following both men and women. As a contrast, the total self-employed workers declined from 85 percent to 64 percent in the same period. However, as part of the total self-employed workers, this change is mostly related to that contributing family workers experienced a very significant reduction while own-account workers actually increased (see graph below). It is noteworthy

that the number of employers is extremely low and basically at 0 percent.

Figure 6: Status of employment in Cambodia⁵⁷ (2000-2012), %



Note: Total self-employment workers constitute own-account workers and contributing family workers.

Migration

The net migration rate in Cambodia has experienced a continuous decline and is currently estimated as 1 out of every 411 inhabitants. It is still considerably higher than the average for developing countries in East Asia and the Pacific. At around 1.2 percent of GDP is based on remittances and thus plays only a modest part of the total GDP. In 2010, it was registered 350,485 outflow migrants and 335,829 inflow migrants.⁵⁸

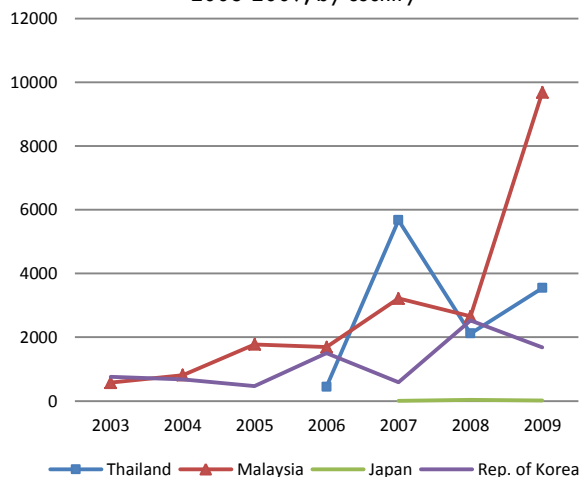
Table 13: Migration Facts⁵⁹

Net migration (2008-2012)	Cambodia	-174,997
Net migration to average population per year (2008-2012)	Cambodia	- 1 : 411 inhabitants
	East Asia & Pacific (developing only)	- 1 : 3,208 inhabitants
remittances received % of GDP (2013)	Cambodia	1.2 %
	East Asia & Pacific (developing only)	0.7 %
<i>Net migration is the net total of migrants during the period, i.e. the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens.</i>		

One of the main countries of destination for Cambodian migrant workers is the neighbouring Thailand. However, less than 10 percent of them migrate through the legal channels established by the Memorandum of Understanding (MoU) between the countries. To Malaysia, another major destination has experienced a sharp increase. South Korea is another largest destination for Cambodian migrants; and an increasing

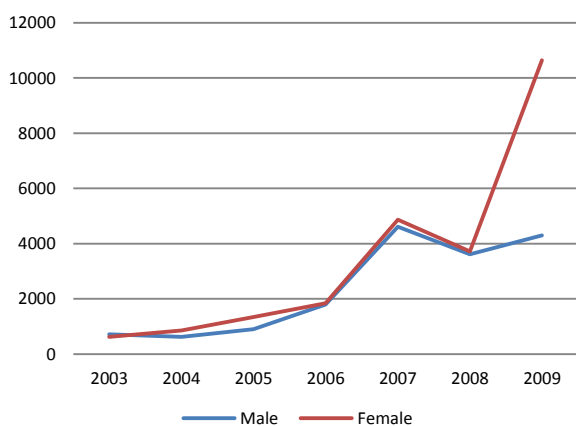
number of Cambodian workers were sent there to work through MoU.⁶⁰

Figure 7: Migration Trends: number of Cambodians working overseas⁶¹ 2003-2009, by country



When looking at a broader regional and global trend, Cambodia has exported much higher rates of women workers. For example, between 2000 and 2012, 87 percent of workers deployed to Malaysia were women. Around 75 percent of them are domestic workers.⁶²

Figure 8: Migration Trends: number of Cambodians working overseas, 2003-2009, by sex⁶³



Despite the steady economic growth, many Cambodians, especially young people, struggle to find decent jobs; leading to a rising foreign migration for work. With the Labour Migration Policy and the Action Plan adopted in 2010 improvements for migration systems as well as in main destination countries occurred. It has been observed that there are better positions to find decent work, or at least have access to recourse in case of rights abuses.⁶⁴ It is also noteworthy that there has been a considerable increase in the

number of Cambodian workers going abroad through legal channels. Latest official figures show that more than doubled over the last few years: from 53,160 in 2009/2010 to 130,000 in 2012.

Recently many more Cambodians have obtained regular status in Thailand and the Thai government introduced a new minimum wage of 300 baht per day (US\$10), compared to 18,000 riel (US\$4.5) for unskilled laborers in Cambodia. This steadily increased the migration to Thailand. It is estimated that as many as 500,000 young Cambodians are working in Thailand now.⁶⁵

In the national comprehensive policy framework, "Rectangular Strategy-Phase III, 2013-2018", the Cambodian government incorporated a priority of reducing migration from rural to urban areas as well as to foreign countries to seek jobs.⁶⁶

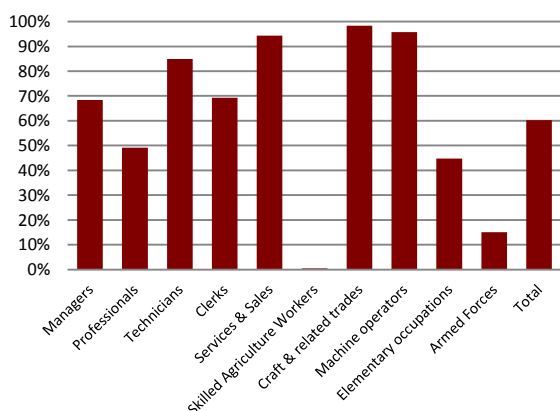
Informal Economy

According to the latest Labour Force Survey⁶⁷, it was estimated that 81 percent of the 7.2 million persons employed (or 5.9 million workers) are in the informal sector. Around 18 percent work in the formal sector with 1 percent employed in households. Generally, it was males mostly employed in both the formal and informal sector. The contribution of informal employment in urban areas was 82 percent and 53 percent in rural areas.

In terms of occupation, the informal economy is most present, proportionally, in the craft and related trades, machine operations, services and sales; the informal sector accounts for 98 percent, 96 percent and 94 percent in each occupation, respectively.

In Regards to the various industries, informal employment remained high, particularly in construction (99%), transportation and storage (99%), and industry (98%). In the contrary, health and social work (56%), public administration (34%) and education (32%) remained low. Furthermore, a survey's unexpected finding show that the incidence of informality was far higher among the more educated (secondary level or more). However, this trend derives mostly from rural areas, while in urban areas informality strikes mostly people with lower education levels.

Figure 9: Informal employment of persons aged 15 or older⁶⁸ By occupation, sex and area (%), (2012)



Moreover, two affiliated trade unions from the informal economy have been registered: i) Independent Democratic of Informal Economic Association (IDEA) which is affiliated to CLC and having around 4,500 members; NACC has around 20,300 affiliated members. Other cases have demonstrated that the media and international organizations have been important players to support workers from the informal economy to organize in unions and get formally recognizing.⁶⁹

Child Labour

According to the latest ILO's Child Labour Survey from 2012, there were 755,245 (19%) children involved in some kind of labour activity. In every indicator presented on the Table 14, Cambodia appears higher compared to the regional average. Among the total number of children in the country (nearly 4 million), 3.2 million (80%) lived in rural areas, while 20 percent live in urban areas.⁷⁰

**Table 14: Working children
Proportion of all children in age group**

Region	Year	Type	Proportion
Cambodia (age 5-17) ⁷¹	2012	Children in employment	19 %
		Child labourers	11 %
		Hazardous work	6.0 %
Asia and the Pacific ⁷² (age 5-17)	2012	Children in employment	16 %
		Child labourers	9.3 %
		Hazardous work	4.1 %

Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.

Out of the 755,245 economically active children, 383,000 were women while 372,000 were male. Girls outnumbered boys across every age group. Furthermore, it was found that 87 percent of all children in employment resided in rural areas, whereas 13 percent resided in urban areas.

About 4 out of 7 economically active children were unpaid family workers, most likely helping to run a family business either in agriculture or non-agriculture activities. Among the child labourers, 57 percent were engaged in the agriculture, forestry and fishing sector; nearly 20 percent in manufacturing, 12 percent in the trade sector, 6 percent in construction and 4 percent in accommodation and food service.

Regarding hazardous work, it was registered that 236,498 (31% of children in employment) were found in this situation. Roughly, 42 percent of the hazard work occurs between ages 15 to 17, followed by 16 percent in 12 to 14 years old and 5 percent in the 5 to 11 range.

Gender

Women-to-male ratio on labour force participation is high at 93 percent, hence proves to be a good indicator for women. However, the ratio of monthly earning income between genders falls to 70 percent, and women appear to have lower educational attainment, mainly with regards to tertiary level. Moreover, the country also scored low in the political empowerment indicator: 26 percent of seats in the parliament belong to women and 5 percent of ministerial position is held by women. The only indicator where women have actually scored higher than men was at healthy life expectancy, with 63 and 59 years old, respectively.⁷³

It is estimated that 84 percent of trade union members are women and are concentrated in the garment industry. Women have an underrepresentation in union leadership at the federation level, though. This trend is apparent when focusing on the composition of the bargaining teams, where 31 percent of participants are women. A survey highlighted that unions have a plethora of policies from specific targets of women representation in various structures to policy allocation for women in union education and training. The provision of gender-sensitivity training and reproductive health programs is also very much prevalent in the garment workplaces. However, some large sectors, such

as agriculture, the informal economy, construction, and services, still have small or ineffective unions.⁷⁴

According to 2013 ADB's report on Gender Equality in the Labour Market, women's labour market participation in Cambodia is lower than men's due to inadequate employment and decent work opportunities, domestic labour and care constraints, and social norms. In 2012, the gender labour force participation gap was at 7.5 percent; however, the rate varies depending on the age group.⁷⁵

Women's employment rates have increased dramatically over the past decade, led especially by formal wage employment in the garment sector. Women also enter the labour market at a younger age whereas men are typically encouraged to stay in education for longer. Lay-off due to the recent global financial recession hit the garment industry and thereby especially with young women workers.⁷⁶

Youth

The labour force's participation rate of youth (aged 15-24) was estimated at 72 percent in 2013. In absolute terms, it corresponds to 2.2 million young workers, of which 1.1 million are male and 1.1 are women. Youth is generally employed in rural areas rather than urban areas, with 66 percent and 52 percent of participation rate, respectively.

The proportion of youth not in employment, education or training (i.e. the NEET rate) is a broad measure of untapped potential of youth and has been estimated at 9 percent in 2012, with men at 5 percent and women at 12 percent. This group is neither improving their future employability through investment in skills nor gaining experience through employment. This segment is at risk of both labour market and social exclusion.

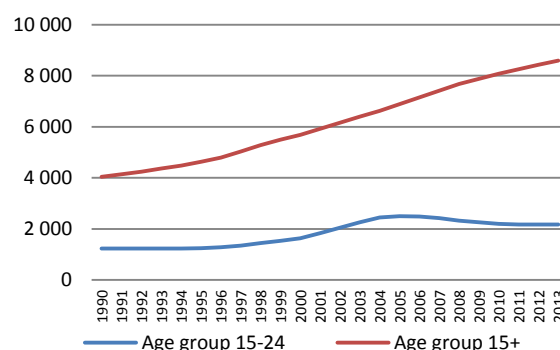
The vast majority of young Cambodians are working, but the quality of employment is often low. Among the employed youth, self-employment represents 66 percent, summing 18 percent young own-account workers, 47 percent young contributing (unpaid) family workers and 1.3 percent young employers.

Central issues are confronting youth in Cambodia: The quality of employment; more young people receive below-average wages; and informal employment is estimated at 98 percent. One strong indicator for this scenario is the considerably high skill mismatch among (4.2 percent overeducated; 56 percent undereducated)

Cambodians, where a high share of undereducated youth has to perform high skill-based activities.⁷⁷

It is interesting to note that the youth labour force participation rate has since 2004 experienced a slow declining rate. This is most likely related to the increasing school enrolment trends (see also the section Education).

Figure 10: Labour force participation rate⁷⁸ (1990-2013), ('000)



EDUCATION

Almost every Cambodian has attended school, which is rather impressive considering Cambodia's level of development, and the turmoil they experienced. As impressive as this might be, few have progressed into secondary or tertiary education.

Table 15: Highest level attained and years of schooling in the population (2010)
Population⁷⁹ 25+, Total and Women

Highest Level Attained		Total	Women
No Schooling		1.5 %	2.1 %
Primary	Begun	35.2 %	37.1 %
	Completed	47.6 %	49.3 %
Secondary	Begun	6.9 %	5.2 %
	Completed	7.9 %	5.8 %
Tertiary	Begun	0.4 %	0.2 %
	Completed	0.5 %	0.4 %
Average year of total schooling		5.8 years	5.4 years

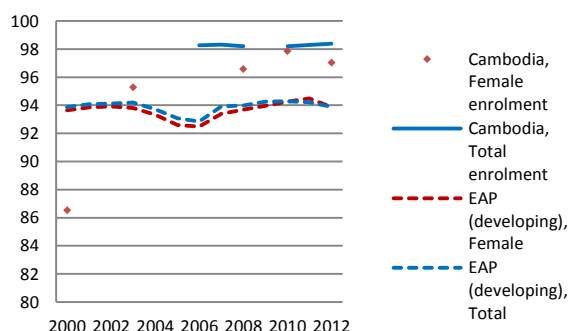
Primary, secondary and tertiary is the internationally defined distinction of education. In Denmark these corresponds to grundskole, gymnasium & university.

The figure in Table 15 also shows the educational attainment of all Cambodians above 25 years, therefore gives a glance of the human capital of the labour force.

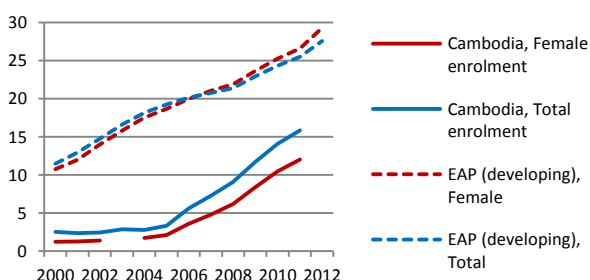
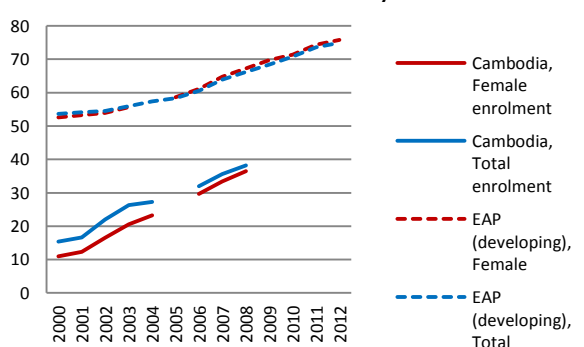
Figure 11: School Enrolment and Level (%) (2000-2012)⁸⁰

Total and Women, Cambodia and East Asia & Pacific

Net enrolment in Primary School



Net enrolment in Secondary School



Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%.

Enrolment into primary schools has steadily increased and currently is higher than the average for developing countries in East Asia and the Pacific.

Enrolment into secondary and tertiary schools also increased since the 2000s, though it's considerably lower than the region's average. Women do not have higher participation in any educational level and the enrolment gender gap is wider than the regional average.

According to an ILO study, too many young people are not benefiting fully from the education system, but still

there has been clear progress in compared to previous generations. Moreover, education has a significant influence on the young person's labour market transition, e.g. 38 percent of youth who completed their transition to stable and/or satisfactory employment had completed education at the secondary level or higher compared to 28 percent of youth remaining in transition.⁸¹

Vocational training

The government of Cambodia, through the Ministry of Education, Youth and Sport (MoEYS), has developed the Education Strategic Plan (ESP) 2014-2018⁸². It's focused on expanding seven key sub-sectors: early childhood education, primary education, secondary and technical education, higher education, non-formal education, youth development and physical education, and sports. The Plan also aims to improve the budget and financial resources available for education.

The latest data on vocational training students in Cambodia is from 2008. They show that the number of students in vocational education has increased from 8,049 in 2000 to 21,167 in 2008. It covers only 2 percent of pupils in secondary education. The table also demonstrates that merely 0.7 percent of the 15-24 year olds were participating in vocational training, while the average in the South Eastern Asia region was 1.6 percent.

Table 16: Vocational Training⁸³ (2008)

Pupils in vocational training	Cambodia	21,167
Pupils in vocational training, women (%)	Cambodia	47 %
	South Asia	31 %
Ratio of pupils in vocational student to all pupils in secondary education	Cambodia	2.0 %
	South Asia	1.2 %
Ratio of pupils in vocational training out of 15-24 year olds	Cambodia	0.7 %
	South Eastern Asia	1.6 %
Cambodia's ratio of pupils in vocational training to all pupils in secondary education were calculated on average for the period 2006-2008, while the South Asia region is an average of the period 2006-2009.		
The ratio of 15-24 year olds is calculated on average in the period 2005-2010. ⁸⁴		

A study of skills for employability in the informal economy has showed that few have completed vocational training. It also reported lack of skills within basic literacy and numeracy, technical training, English

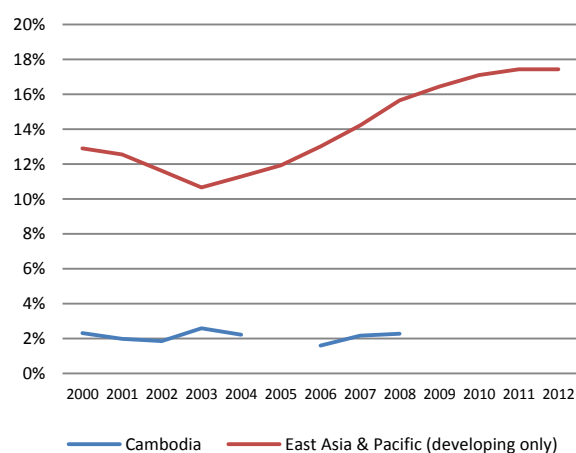
literacy and softer skills such as communication, teamwork, etc.⁸⁵

A National TVET Development Plan (NTDP) drew a 25-year development plan for Technical and Vocational Education and Training (TVET) from 1996 to 2020 with four steps. Step 3 (2009-2014) is focused on strengthening the Technical Institute (TI) and Sectoral Council links, expanding competency standards program, improve all aspects of the post-secondary TVET system and develop training to all provinces.⁸⁶ Step 4, from 2015 to 2020, will focus on distance education for technology and expanding the number of responsive training providers.⁸⁷

Over all, there are many public and private institutions that provide TVET. It is estimated that 48% of firms are offering formal training programs for their permanent, full-time employees.⁸⁸ Among others, the Directorate General of Technical and Vocational Education and Training (DGTNET) has 38 institutes and centers serving 24 provinces and offering programs from basic skills training to advanced degrees. They train approximately 2,000 individuals each year, but operating with a limited budget.

There are also approximately 60,000 small enterprises that provide skills training, either in the form of apprenticeships against fee and free labour or through free apprenticeships and unpaid labour.⁸⁹ Every year small enterprises train an estimated 30,000 within family businesses and another estimated 80,000 through paid-for apprenticeships.

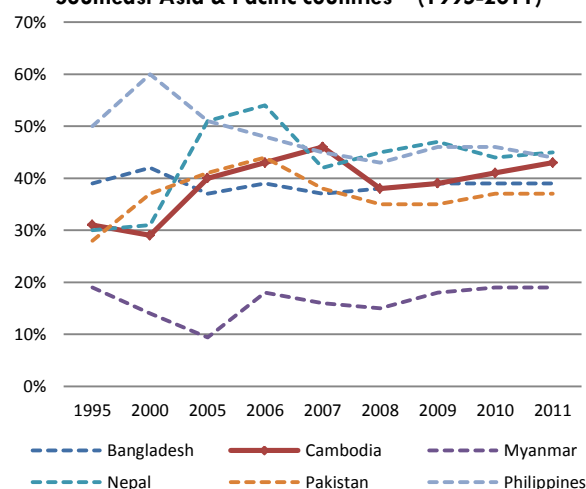
Figure 12: Vocational training trends: students in secondary school enrolled in vocational programs⁹⁰
2000-2012, both sexes, %



SOCIAL PROTECTION

The Government has taken steps to comprehensive social protection system. New legislation and strategies have been formulated and institutional structures built to expand the coverage of social security, social assistance, and health. The National Strategic Development Plan of 2010 has an important role of social protection in tackling poverty. Moreover, the first National Social Protection Strategy for the Poor and Vulnerable (2011-2015) was adopted in March 2011.

Figure 13: Total health-care expenditure not financed by private household's out-of-pocket payments (%) Southeast Asia & Pacific countries⁹¹ (1995-2011)



Changes of priorities have been observed of the public spending on social protection. The spending has been on a rise, increasing 11 percent per year since 2007. It has reached a total public social security expenditure and health expenditure of 2.2 percent of GDP in 2013. Around one out of four (26%) of the population is covered by health social protection.

Table 17: Public spending on social protection schemes⁹² (2013)

Public social protection expenditure, excl. health	Riel	501 billion
	US\$	124 million
	% of GDP	0.8 %
	per capita	8.1 US\$
Public health care	% of GDP	1.5 %
Health social protection coverage	% of population	26 %
Trends in government expenditure in health	% changes per year (2007-2011)	11 %

The National Social Security Fund (NSSF) for formal workers currently only contains employment injury, but is planned to include old-age pension and health insurance, to be introduced in 2013 and 2015, respectively. The National Social Security Fund for civil servants (NSSF-C) includes old-age pensions, employment injury, funeral grants, maternity and sick leave. The National Social Security Fund for war veterans, armed forced and policy also exists (NSSF-V). NSSF-C is planned to include worker contribution. NSSF covers 700,000 employees and NSSF-C covers 180,000 both were introduced in 2008.

Table 18: Benefits, coverage and contributions to pension schemes⁹³ (2010)

Social benefits for the active age	% of GDP	0.1 %
Pensionable age receiving an old age pension (age 55+)	Proportion of total	5 %
Active contributors to a pension scheme	15-64 years	0 %

Informal and self-employed workers are not covered by the NSSF, but the Law on Social Security Schemes opens up for the Minister in charge of Social Security to issue *Prakas* (decrees), on social security coverage for self-employed, seasonal or occasional workers.⁹⁴

Table 19: Coverage of NSSF and NSSF-C⁹⁵ (2012)

Coverage of NSSF	700,000
Coverage of NSSF-C	180,000
Coverage of labour force	11 %
Coverage to waged workers	34 %
Coverage to formal workers	71 %

Non-contributory social protection programmes are planned to be implemented through the "National Social Protection Strategy for the Poor and Vulnerable (NSPS). The Social Protection Coordination Unit (SPCU) will be in charge of the programmes. The programs include community-based health insurance, health equity funds, food or cash for public works, vocational training, conditional and unconditional cash transfers and social subsidies. Cambodia already has several similar programmes running, but most are patchy and ad hoc. Pilot testing are running until 2015, when new schemes ought to be developed.

GENERAL ECONOMIC PERFORMANCE

Cambodia has moved closer to lower middle-income status and experienced strong economic growth over the last decade. Cambodian GDP average grew over 8 percent in the last decade and over 7 percent since 2011, which is expected to continue through 2015 to 2016. It is noteworthy that the GDP growth experienced a sharp downturn between 2008 and 2009 which was related to the global financial crisis (2007-2008).

Table 20: General Economic Performance Key Facts⁹⁶ (2014 est.)

GDP (US\$)	GDP real growth	Doing Business	HDI ⁹⁷ (2013)	Gini Index (2008)
16.9 billion	7.2 %	135 of 189 countries	0.584 136 of 187 countries	37.9 72 of 141 countries

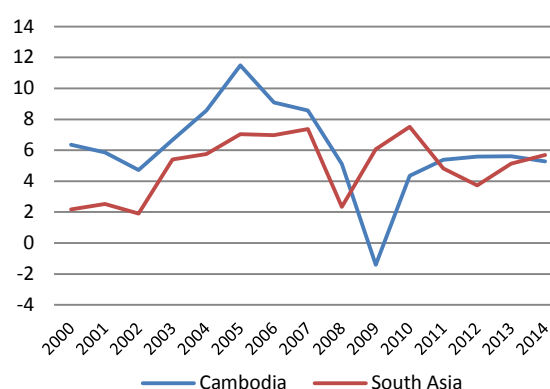
A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to the start-up and operation of a local firm.⁹⁸

The Human Development Index (HDI) measures the average of a long and healthy life, access to knowledge, and a decent standard of living.

The first country in the Gini Index's ranking has the highest inequality while the number 141 has the highest equality.

Cambodia's garment sector was especially hard hit and thousands of workers lost their jobs. Cambodia has managed to withstand strong domestic pressures and to maintain high economic growth despite political uncertainty and labour unrest since the second half of 2013.

Figure 14: GDP growth in Cambodia⁹⁹ (2000-2014)

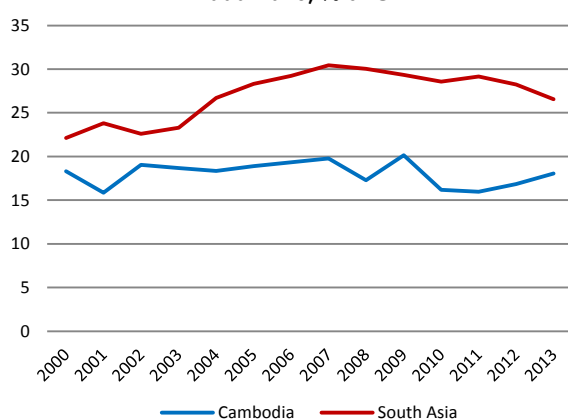


The tourism, garment, construction and real estate, and agriculture sectors accounted for the bulk of growth. Exploitable oil deposits were found beneath

Cambodia's territorial waters in 2005, but a commercial extraction bonanza has not yet been achieved. The country remains dependent of donor assistance that covers 30 percent of the government budget.

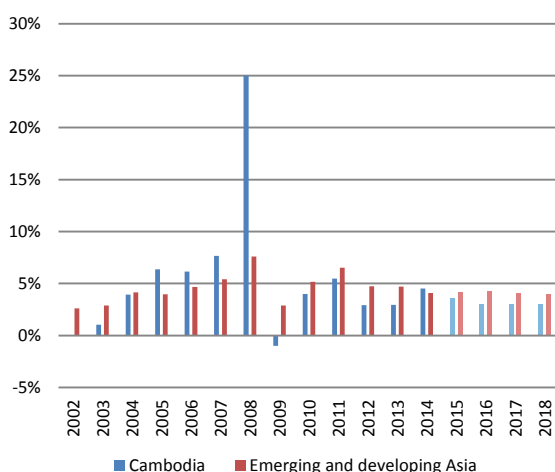
On average, Cambodia's fixed capital formation has been lower than the South Asia's. The downturn in 2007-2009 is most likely related to the global financial crisis in that period. The country has a slightly upturn since 2011 while the South Asia average is on a slow decline.

Figure 15: Gross Fixed Capital Formation¹⁰⁰
2000-2013, % of GDP



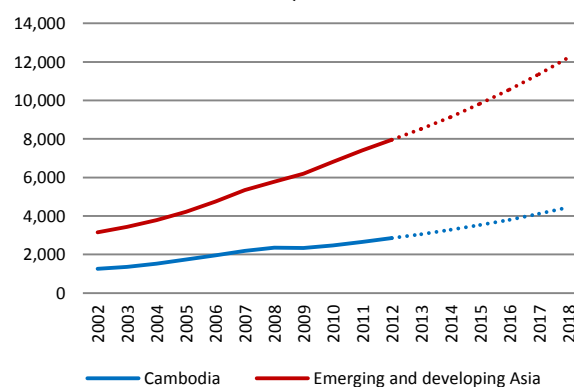
Inflation exploded in 2008, especially price of rice and other staples skyrocketed, and reached 25 percent. It was brought under control the next year and stayed below 5 percent since 2011 and is projected to remain below the average of developing countries in Asia. This also explains why the consumer prices inflation stability has kept the real wages following close the nominal wage trends.

Figure 16: Inflation, trend and forecast¹⁰¹, 2002-2018



On the 2014 Human Development Index (HDI), the country was ranked 136 out of 187 countries. It is below the average of medium human development group and also below the East Asia & Pacific's average.¹⁰² This low ranking is also reflected by the GDP per capita measured in Purchasing Power Parity (PPP) at US\$3,300 (see below). Cambodia is lacking behind the Asian developing countries' average, which does include regional powerhouses like China and India.

Figure 17: GDP per capita (PPP), trend and forecast¹⁰³
2002-2018, Current US\$



Cambodia has gone through an impressive poverty reduction. The country still has more working poor than the South-East Asia and the Pacific's average in terms of living with US\$2 a day, which was estimated as 40% and 33%, respectively. But the ratio of working poor living below US\$1.25 a day is now lower (9.7%) in comparison with the South-East Asia & the Pacific's average. This is related to the expanding garment industry sector along with the waged and salaried workers.

Table 21: Working Poor¹⁰⁴ (2004-2011), Age 15+

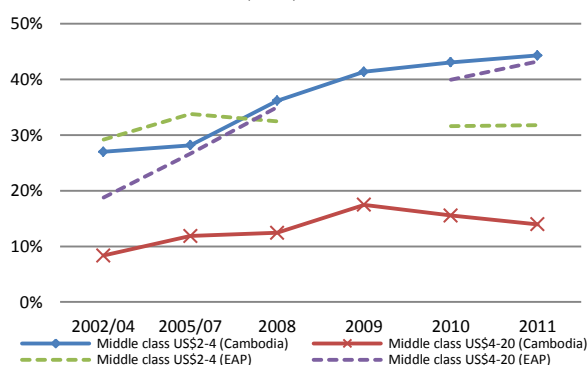
Region	Share of workers in total employment	
	1.25 US\$ a day	2 US\$ a day
Cambodia (2004)	30 %	62 %
Cambodia (2011)	9.7 %	40 %
South-East Asia & the Pacific (2004)	22 %	48 %
South-East Asia & the Pacific (2011)	12 %	33 %

Working poor measures employed people living for less than US\$1.25 and US\$2 a day, as proportion of total employment in that group.

This poverty reduction has turned into a fast increasing lower middle-class while the higher middle-class has not

experienced the same rising trend (see table below). The lower middle-class' pace has declined significantly, though; and the vast majority of families who escaped poverty were only able to do so by a small margin.

Figure 18: Middle-classes' trends in Cambodia and South East Asia (SEA)¹⁰⁵, 2002-2011



The doing business of entrepreneurs is measured on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business, and in terms of regulations. In majority, the country has low rankings. On this background, according to the 2015 Ease of Doing Business rank, Cambodia occupies the 135th position out of 189 countries. Overall the country lost one position from the Doing Business 2014 ranking, suggesting that the investment environment has marginally worsened since the previous years.

The highest ranking is on Getting Credit (12 out of 189 countries), which is on a quite high level. In contrast, there are extremely low rankings on Starting a Business (184), Dealing with Construction Permits (183), and Enforcing Contracts (178). These latter aspects could be a signal of the difficulties of workers leaving the informal economy into formal sectors promoting more productive enterprises with higher incomes.

Table 22: Ease of Doing Business¹⁰⁶

Topics	2015	2014	Change
Starting a Business	184	183	↓ -1
Dealing with Construction Permits	183	181	↓ -2
Getting Electricity	139	137	↓ -2
Registering Property	100	99	↓ -1
Getting Credit	12	10	↓ -2
Protecting Investors	92	89	↓ -3
Paying Taxes	90	85	↓ -5
Trading Across Borders	124	120	↓ -4
Enforcing Contracts	178	178	No Change
Resolving Insolvency	84	83	↓ -1

Doing Business 2014 indicators are ranking from 1 (top) to 189 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business surroundings that matter to firms and investors or that affects the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Although expensive new cars fill the capital's streets as a resurgent middle class has emerged to take advantage of new business opportunities, the business environment is affected by corruption.

On the Governance Indicators, Rule of Law and Regulatory Quality have had the lowest improvements. Voice & Accountability is the only indicator that has worsened since 2008. On the other hand, control of corruption has had the biggest improvement, though it still remains low. Still, corruption and weak public service delivery impede inclusive development.

Table 23: Cambodia's Governance Indicators¹⁰⁷ (2008-2013)

Year	Voice & Accountability	Political Stability	Government Effectiveness
2008	-0.97 / 21%	-0.34 / 32%	-0.95 / 16%
2013	-0.98 / 20%	-0.16 / 40%	-0.92 / 19%
Year	Regulatory Quality	Rule of Law	Control of Corruption
2008	-0.44 / 37%	-1.11 / 12%	-1.20 / 7%
2013	-0.35 / 39%	-0.99 / 16%	-1.01 / 16%

Note: The Governance Indicators score from -2.5 to 2.5 while the percentiles rank from 0 (lowest) to 100 (highest).¹⁰⁸

As demonstrated in this report, an economic challenge for Cambodia over the next decade will be to improve the economic environment in which the private sector can create enough jobs to handle Cambodia's demographic imbalance.

TRADE

With exports at 40 percent and import of 59 percent of GDP, trade plays a major role in Cambodia's economy. The country also has a large inflow of foreign direct investment (FDI), close to US\$700 million, and decreased since 2013. Trade figures are to some extent difficult to interpret since some goods are freely smuggled between Cambodia and Thailand, and large volumes of Cambodian imports are undocumented and untaxed.¹⁰⁹

Table 24: Trade and Foreign Direct Investment (FDI)¹¹⁰
2014, US\$ and % of GDP

Exports	Imports	FDI flow ¹¹¹ (av. 2009-13)	FDI Stock
7.6 billion US\$	11 billion US\$	699 million US\$	29 billion US\$
45% of GDP	63% of GDP	7.6% of GDP	173% of GDP

The labour intensive production of readymade garment is the dominant export sector. The garment industry accounts for about 70 percent of Cambodia's total exports. These are largely exported to the United States and the European Union. Mining also is attracting some investor interests and the government has touted opportunities for mining bauxite, gold, iron, and gems. In addition, the tourism industry has continued to rapidly expand and prove is that foreign arrivals reached over 3 million visitors in 2012.¹¹²

The largest part of Cambodia's imports is textiles, such as light rubberized knitted fabric, follow by mineral products, such as refined petroleum. The country mainly imports from China, Thailand and Vietnam.¹¹³

Trade Agreements

Although member of the ASEAN custom organization, due to internal political unrest, Cambodia was only accepted as a member in 1999 and now is one of the four least developed countries integrating the regional block. Due to proximity between the CLMV countries (Cambodia-Laos-Myanmar-Vietnam), their economic development is focused on infrastructure areas, such as transport, tourism and power transmission.¹¹⁴

Cambodia benefits from the United States' Generalised System of Preferences (GSP). These are unilateral trade benefits from the U.S. government, allowing duty and quota free access for some product. In 2012, the United States and Cambodia agreed to begin exploratory discussions of a potential bilateral investment treaty (BIT).

Cambodia also benefits from the EU's unilateral Generalised System of Preferences - Everything But Arms (EBA), which allows duty and quota free access for all products except arms. A country can be removed from EBA, if it seriously and systematically violates principles of human rights and of the ILO Core Conventions. Following the land gaps, EBA has been mentioned in the EU as leverage against Cambodia.¹¹⁵

Figure 19: Cambodia's products share of exports (2013)¹¹⁶

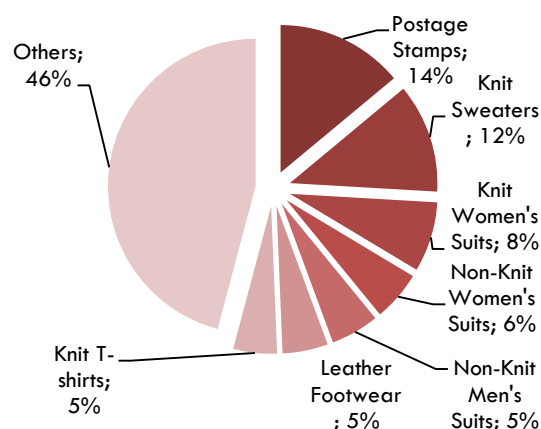
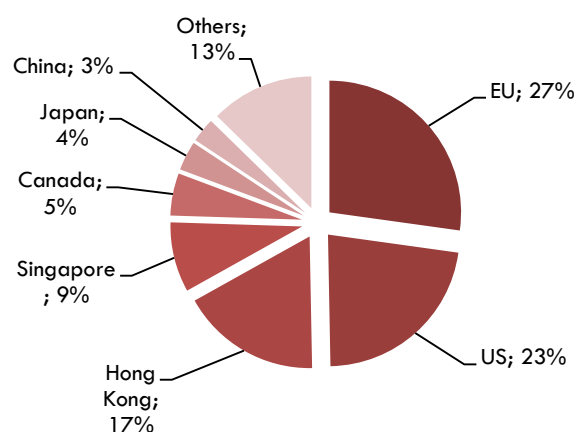


Figure 20: Cambodia's main export markets (2013)¹¹⁷



Export Processing Zones

Cambodia started operating Special Economic Zones in 2005, and today there are 30 zones¹¹⁸. There are no special laws or exemptions from labour laws to export processing zones.¹¹⁹

Previous reports noted problems in relation to incorrect payment of wages, involuntary and excessive overtime and anti-union discrimination.¹²⁰ Many workers do not know much about the end of the quota system or the potential factory closures.

APPENDIX: ADDITIONAL DATA

Table 25: Ratified ILO Conventions¹²¹

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1999
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1999
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1969
	C105 - Abolition of Forced Labour Convention, 1957	1999
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1999
	C182 - Worst Forms of Child Labour Convention, 1999	2006
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1999
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1999
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	Not ratified
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	1971
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	Not ratified
Up-to-date Conventions		
Labour Administration	C150 - Labour Administration Convention, 1978	1999
<p>Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.</p> <p>Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market.</p> <p>In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.</p>		

Table 26: Status of trade union in Cambodia

Trade Unions in Cambodia¹²²							
Members, Dues, Collective Bargaining Agreements (CBA) and Occupational Safety and Health committees							
Trade Union	Affiliation To national trade union centre	Total Members	Women Members	Dues (per month)	No. of CBAs	Workers covered by CBAs	No. of OSH committees at workplaces
FTUWKC Free Trade Union of Workers of the Kingdom of Cambodia	-	60,000	54,000	\$0.25	1	2,300	
CITA Cambodian Independent Teacher's Association	-	-	-	-	-	-	-
CAC Cambodian Asian Confederation	CCWR/NACC	8,542	6,214	\$0.25	3	3149	-
CIUF Cambodia Industrial Union Federation	NACC	2,975	2,691	\$0.25	-	-	-
CLUF Cambodia Labour Union Federation	CCWR/NACC	78,854	60,867	\$0.25	32	37,541	-
DISUF Democratic Independent Solidarity Union Federation	CCWR/NACC	3,221	2,839	\$0.25	-	-	-
NEAD National Educators' Association For Development	CCWR/NACC	8,527	4,042	\$0.25	-	-	-
OITA Occupational and Transportation Association	CCWR/NACC	3,345	394	\$0.25	-	-	-
TAC Teachers Association of Cambodia	CCWR/NACC	13,692	10,163	\$0.25	-	-	-
TUFDW Trade Union Federation Democracy of Workers	CCWR/NACC	17,273	15,574	\$0.25	4	4,892	-
TUWFPD Trade Union Workers Federation of Progress Democracy	CCWR/NACC	7,465	6,528	\$0.25	4	6,238	-
USWUF United Struggle for Women Union Federation	CCWR/NACC	2,143	1,636	\$0.25	-	-	-
CFWR Cambodia Federation For Workers' Rights	CIC/NACC	7,478	5,997	\$0.25	-	-	-
CFWU Cambodia Federation Voices' of Worker Union (CFWU) having	CIC/NACC	2,431	1,987	\$0.25	-	-	-
LDUF Labor Development Union Federation	CIC/NACC	4,635	3,647	\$0.25	-	-	-
NUCW National Union Federation Cambodia Worker	CIC/NACC	8,728	7,973	\$0.25	-	-	-
C.CAWDU Coalition of Cambodian Apparel Worker Democratic Union	CLC	73,390	62,380	\$1	4	12,500	18
CICA Cambodian Independent Civil Servant Association (No more CLC Member)	CLC	1,494	419	\$0.5	-	-	-
BWTUC (Building Wood Workers Trade union of Cambodia) Construction Sector	CLC	2,250	747	\$0.50	3	635	0
CTSWF Cambodian Tourist and Service's Workers Federation	CLC	4,300	2,385	\$1	14	3,245	-
FAPD Farmers Assn. for Peace & Development	CLC	1,633	815	\$0.50	0	0	0
IDEA Independent Democratic of Informal Economic Association	-	4,519	533	\$0.5	-	-	-
WDURG Workers Union Democratic of Rackhorn Group	-	50	-	-	-	-	-
CIFUF Cambodia Industrial Food Union Federation	CUNIC/NACC	7,345	4,395	\$0.25	-	-	-
FUKDW Federal Union of Khmer Democracy Workers	CUNIC/NACC	10,169	8,939	\$0.25	3	3,973	-
PWUF Prosperity of Workers Union Federation	CUNIC/NACC	12,882	11,542	\$0.25	-	-	-
WFUF Workers Freedom Union Federation	CUNIC/NACC	2,750	2,465	\$0.25	-	-	-
CFITU Cambodia Federation of Independent Trade Unions	CCTU	7,985	7186	\$0.25	1	573	4 factories

CUF Cambodia Union Federation	CCTU	88,110	70,487	\$0.25	10	8,416	10 factories
CWLFU Cambodia Workers Labour Federation Union	CCTU	14,000	11,900	\$0.25	3	3,015	3 factories
DISUF Democratic Independent Solidarity Union Federation	NACC	32,005					
CFTU Cambodia Federation Trade Union	CUNIC/NACC	2,237	1,975	\$0.25	-	-	-
TWUF Trade Workers Union Federation	CUNIC/NACC	2,234	1,667	\$0.25	-	-	-
DTFUD DhamaThpatay Federation Union	CCTU	4,928			-	-	-
FBWW Federation of Building and Wood Workers	CCTU	654	196	\$0.25	-	-	1 factory
FUDWR Federation Union Development Workers Right	CCTU	4,150	3,320	\$0.25	-	-	-
FUF Free Union Federation of Khmer Labour	CCTU	3,766	3012	\$0.25	-	-	-
FUS Federation Union of Solidarity	CCTU	3,257	2606	\$0.25	-	-	1 factory
TUFIKEL Trade Union Federation for Increasing Khmer Employees Lifestyle	CCTU	2,200	1,760	\$0.25	-	-	1 factory
UFID Union Federation of Independent and Democratic	CCTU	11,451	9,160	\$0.25	1	859	1 factory
WUF Workers Union Federation	CCTU	2,450	1,960	\$0.25	0	0	0
CWFDFU Cambodian Worker's Force Democratic Federation Union	CCTU	861	689	\$0.25	0	0	0
TUFCWP Trade Union Federation Cambodia Workers Power	CCTU	1,200	1,000	\$0.25	0	0	0
TUFCWL Trade Union Federation Khmer Workers League	CCTU	1,589	1,271	\$0.25	0	0	0
KKLF Koun Khmer Labor Federation	CCTU	423	338	\$0.25	0	0	0
CLWBUF Cambodia Labour of Worker Building Union Fedaretion	CCTU	120	96	\$0.25	0	0	0
UNICAM Labour Union Federation of Cambodia Services	CCTU	2,756	2,204	\$0.25	0	0	0
CRWUF Cambodia Rights Workers Union Federation	CCTU	3,042	2,433	\$0.25	0	0	0
CFLM Cambodia Federation Of Labour Moment	CCTU	654	196	\$0.25	-	-	1 factory
KKLF Koun Khmer Labour Federation	CCTU	-	-	-	-	-	-

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- ¹²² [LO/FTF Council research based on local sources](#)