

KINGDOM OF CAMBODIA  
INTERNATIONAL LABOUR ORGANIZATION  
BETTER FACTORIES CAMBODIA

# THIRTIETH SYNTHESIS REPORT ON WORKING CONDITIONS IN CAMBODIA'S GARMENT SECTOR



**Publication date** : 18 July 2013  
**Report period** : 1 November 2012 – 30 April 2013

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First published (2013)

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Better Factories Cambodia: Thirtieth synthesis report on working conditions in Cambodia's garment sector / International Labour Office ; International Finance Corporation. - Geneva: ILO, 2013

1 v.

Better Work Synthesis Reports: ISSN 2227-958X (web pdf)

International Labour Office; International Finance Corporation  
clothing industry / textile industry / working conditions / workers rights / labour legislation / ILO Convention / international labour standards / comment / application / Cambodia

*ILO Cataloguing in Publication Data*

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# Better Factories Cambodia Synthesis Report

1 November 2012 – 30 April 2013

155 Factories Monitored

## 1. Executive Summary

The chief purpose of the Better Factories Cambodia Synthesis Reports is to provide an overview of working conditions in the Cambodian garment and footwear industries, and to enable stakeholders to use this information to improve working conditions.

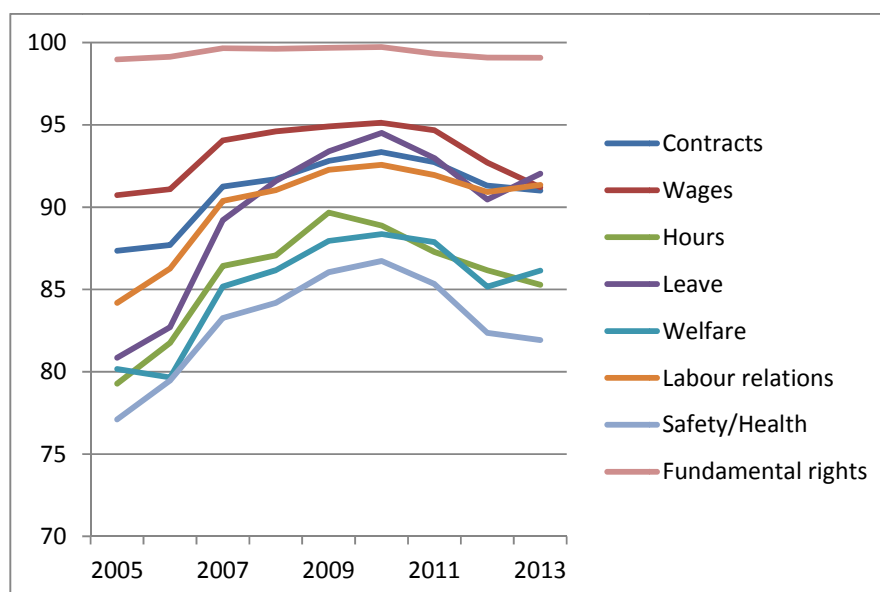
This report demonstrates that improvements are not being made in many areas including fire safety, child labour, and worker safety and health. At the moment when global garment and footwear buyers are publicly stating that they seek factories and business partners that show workers more consideration, the current and recent Synthesis Reports reveal a lack of attention to working conditions. This can have a direct impact on workers and on the health of the industry as a whole.

Some of this deterioration in working conditions may be attributed to the rapid growth of the industry. However, industry growth need not and should not result in poor working conditions. While individual factories must take responsibility for making positive changes, sector-wide change is unlikely without the sustained and targeted intervention of industry players such as GMAC, unions, and the Royal Government of Cambodia.

In the aftermath of the deaths of more than 1,100 garment workers in the Rana Plaza disaster in Bangladesh, and the death of two Cambodian workers at a footwear factory in May, global buyers are demanding that Cambodia's industry make good on its commitment to decent work.

Unfortunately, the data reveal waning attention to working conditions in this reporting period, and over the last three years:

Graph 1: Factory compliance (percentage) by category, 2005 – 2013 (Garment industry-wide)<sup>1</sup>





Two themes—fire safety and worker safety and health—rise to the top in this report because significant numbers of factories are failing to comply with the law and because assessments show that compliance is falling.

Investors, the Royal Government of Cambodia, global buyers, unions, and workers benefitted to varying degrees from the impressive improvements in working conditions in the ten years following the signing of the 1999 U.S.-Cambodian trade agreement. These same actors must now take steps to stop and reverse the deterioration in working conditions over the last few years. The industry’s chronically non-compliant factories need to be held accountable, and non-compliance on critical cross-cutting issues highlighted in this report needs to be addressed. If this does not occur, Cambodia’s industry runs the risk of forfeiting the advantages that come from its reputation for decent working conditions.

This report covers 152 garment and three (3) footwear factories. It is BFC’s 30<sup>th</sup> Synthesis Report since the project’s start in 2001 and we take the opportunity of this milestone to look at key compliance issues in the industry over longer periods of time.<sup>2</sup> This report also marks a shift to an annual reporting cycle which will allow BFC to present a fuller picture of compliance in the industry and to introduce additional types of reports, including issue-specific reports.

## 2. Institutional Context

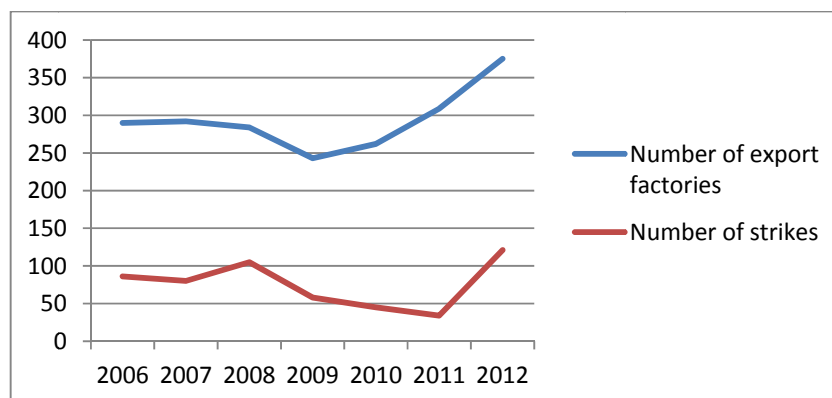
Growth. The industry continues to grow rapidly. According to the Ministry of Commerce, the number of export factories jumped to 412 from 384—an eight percent (8%) increase in the six months between November 2012 and April 2013—and the number of workers in export factories grew to 394,262 from 374,318, an increase of over five percent (5%).<sup>3</sup> The worsening of some working conditions noted in this report may be driven in part by growth of the industry, as managers struggle to keep up with a surge in orders.<sup>4</sup>

Industrial Relations. The total number of strikes in the industry fell 12% from 67 strikes in the previous reporting period to 59 in this period, according to data provided by GMAC. However, the number of strikes has risen dramatically between 2010 and 2012—up nearly 170%.

The causes of strikes are varied but the number and length of strikes as well as the hundreds of thousands production hours lost annually point to the need for more mature industrial relations between workers and their managers, and meaningful enforcement of legal requirements by the Royal Government of Cambodia.

The graph below suggests that this surge in strikes correlates with the growth in the industry. (See Section 3 for a discussion of strikes and unions in this reporting period.)

Graph 2: Number of strikes and number of export factories, 2006 - 2013<sup>5</sup> (Garment industry-wide)





The Arbitration Council registered 121 cases during the reporting period, of which 100 were garment factory-related. Thirty-nine (39) of the garment factory-related cases were resolved through mediation before going to arbitration. The top five issues referred to the Arbitration Council during this period were:

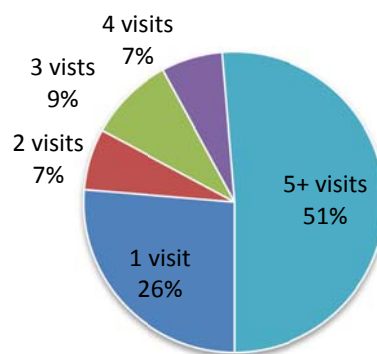
1. Wages and bonus payments
2. Discipline and termination
3. General working conditions
4. Occupational safety and health
5. Labour rights of women

Finally, the Court of Appeals returned the case against former Bavet City Governor Chhouk Bandith in March 2013 to the Svey Rieng Provincial Court for re-investigation. Bandith was accused of “unintentional injuries” in the February 2012 shooting of three garment workers who were part of a 6,000-worker protest for better working conditions. The lower court dropped the charges in December 2012.<sup>6</sup> The defendant refused to appear at two hearings, and was sentenced on 25 June 2013 to one and a half years in prison. As of this writing, Mr. Bandith has not been detained.

Wages. The Royal Government of Cambodia announced an agreement of the Labor Advisory Committee—a tri-partite committee—to increase the industry’s minimum wage to US\$75 from \$61 per month starting on 1 May 2013. A mandatory monthly health care benefit of \$5 is now included in the minimum wage for a total of \$80 per month.

### 3. Compliance Status

The rapid growth in the industry means that just over one quarter of the factories covered in this report are new and have only had one BFC assessment. However, a majority of the 152 garment factories in this report have received **five or more assessments** from BFC. These factories have had many opportunities to note, understand, and correct non-compliance with the law reported by BFC.



#### Findings on Selected Working Conditions

Wages. It is important to note issues that have seen improvements in the current report. Three of the top five improvements relate to proper payment of wages:

- Workers who work regularly were paid the correct attendance bonus and other mandatory wage supplements (18% improvement)
- Workers were paid during normal working hours (10% improvement)

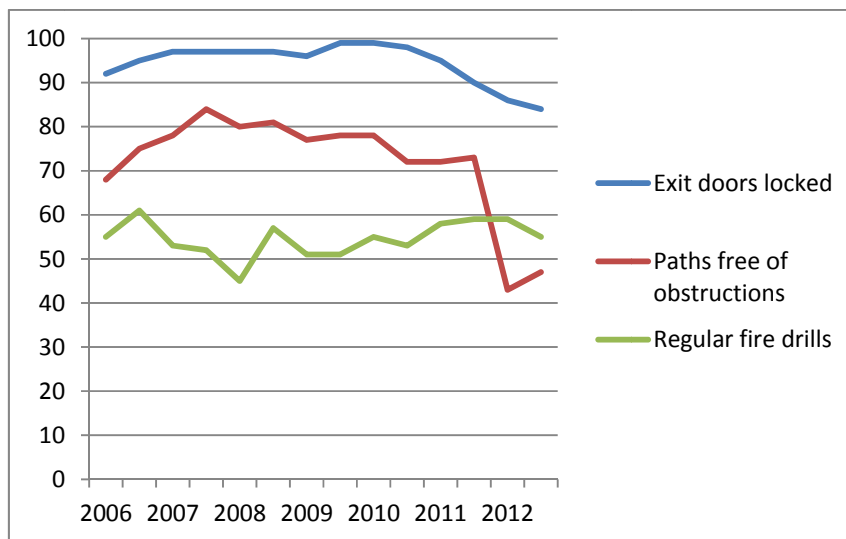


- Sick leave is paid as required by the factory’s internal regulations (9% improvement)

**Fire Safety.** Some measures including availability of fire extinguishers, clearly marked emergency exits, and emergency procedures show strong compliance with the law. But compliance with other measures has decreased and is unacceptably low. Of the factories covered in this report:

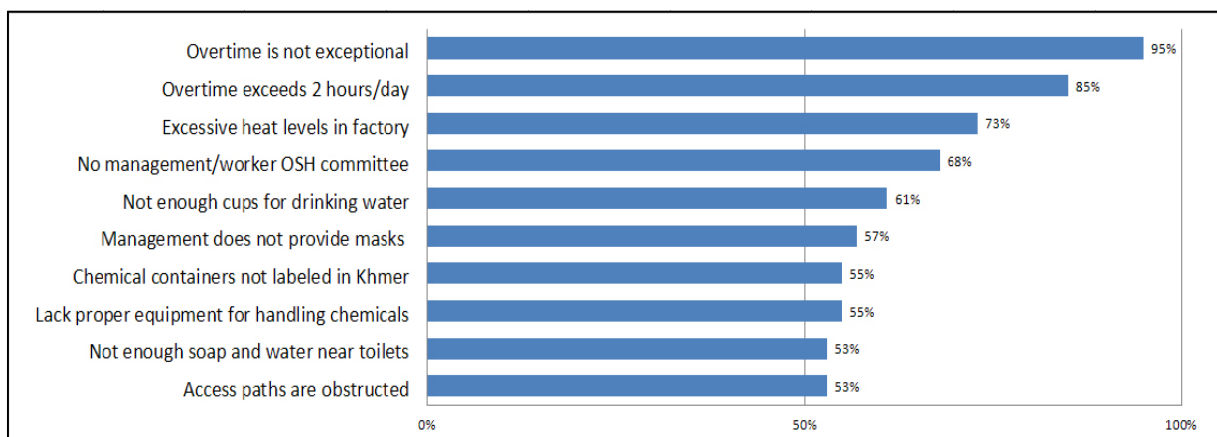
- Twenty-four factories (15%) kept emergency exit doors locked during working hours—a significant decrease in compliance over the last three years
- Nearly 70 factories (45%) failed to conduct emergency fire drills every six months
- Eighty factories (53%) had obstructed access paths—another decrease in compliance over the last year

**Graph 3: Key Fire Safety Compliance Measures, 2006 –2013 (Garment industry-wide)**



**Worker Health and Safety.** Ten of the leading non-compliance issues in this reporting period impact worker health and safety, and the industry’s fainting problem.<sup>7</sup> (An additional ten leading non-compliance issues can be found in Annex 3).

**Graph 4: Top non-compliance issues (6 months to date)**





Graph 5: Key Workers Safety and Health Measures, 2006 –2013 (Garment industry-wide)

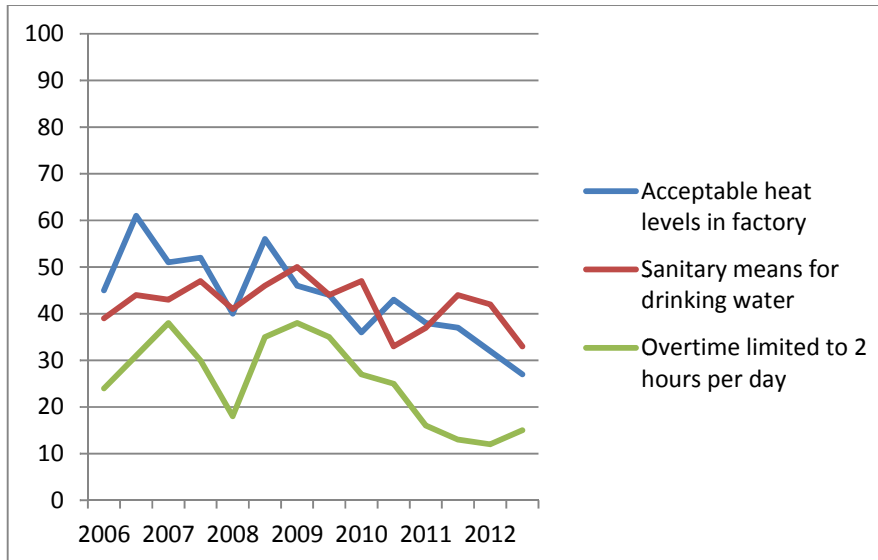


Table 1: Non-Compliance with Fundamental Rights at Work

	Current report	Nov 2012	May 2012	Nov 2011	May 2011
Child Labour (factories with confirmed underage workers)	2%	1%	7%	9%	0%
Forced Labour (factories used forced labour)	0%	0%	0%	0%	0%
Discrimination <sup>8</sup> (factories engaged in discrimination)	16%	18%	19%	18%	13%
Unions <sup>9</sup> (factories with one or more union)	69%	71%	73%	66%	76%
Unionization Rate (CIDS Garment Workers Survey) <sup>10</sup>	58%	58%	58%	58%	58%
Freedom of Association <sup>11</sup> (factories interfered with FOA)	7%	9%	6%	5%	2%
Anti-union Discrimination (factories engaged in discrimination)	2%	5%	3%	4%	3%
Strikes (factories with strikes)	19%	20%	11%	8%	21%
Strikes failing to comply with one or more legal requirements <sup>12</sup>	100%	100%	100%	100%	100%

**Child Labour.** BFC monitors suspected child labourers in 13 factories covered by this report. BFC was able to conduct field investigations of workers in only three of the 13 factories, confirming that six children under 15 years old were at work in these three factories.

The lack of a universal birth registration system in Cambodia and falsification of age-verifying documents significantly impede the detection of underage workers, and make BFC child labor investigations and remediation time-consuming. The ability of BFC to investigate suspected cases of child labor also depends on the cooperation of factory management and the availability of BFC resources. As a result, the prevalence of child labour in the Cambodian garment and footwear industries is likely greater than the factory-level data in recent Synthesis Reports indicates. Other limitations in detecting underage workers, extensive guidance for factories, and the BFC investigation and remediation procedures are described in BFC’s Child Labour Guidance paper available at <http://betterfactories.org/?p=3201>. BFC has recently hired a full-time consultant to conduct field investigations and address the child labour issue in a more comprehensive manner.



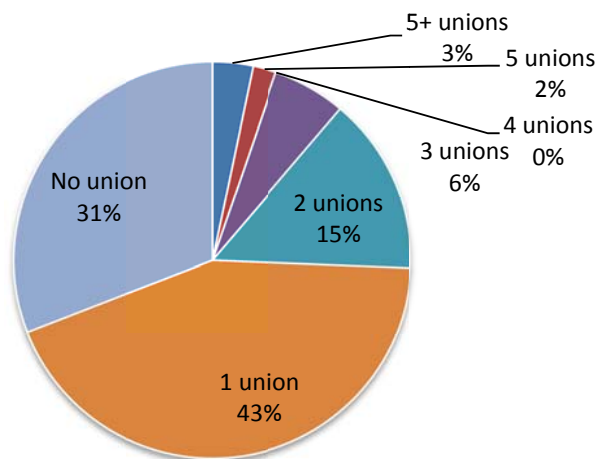
Strikes. All 40 strikes (100%) recorded at the factories covered by this report failed to follow the legal requirements. This is essentially unchanged over the last three years and longer. Bringing strikes into compliance with the law deserves the focused attention of government, management, and in particular, workers and their organizations.

The chart below shows the prevalence of unions in the 152 garment factories covered in this reporting period. Three-quarters of these factories have no union at all or only one union, and one quarter have two or more unions.

Of the 29 factories (19%) in this report that had strikes, nearly half (46%) had only one active union.

Of the 40 factories in this report that have two or more active unions, 38% (15 factories) had strikes. Of the 112 factories with one or no unions, only 14% experienced strikes.

Registered unions per factory (6 months to date)

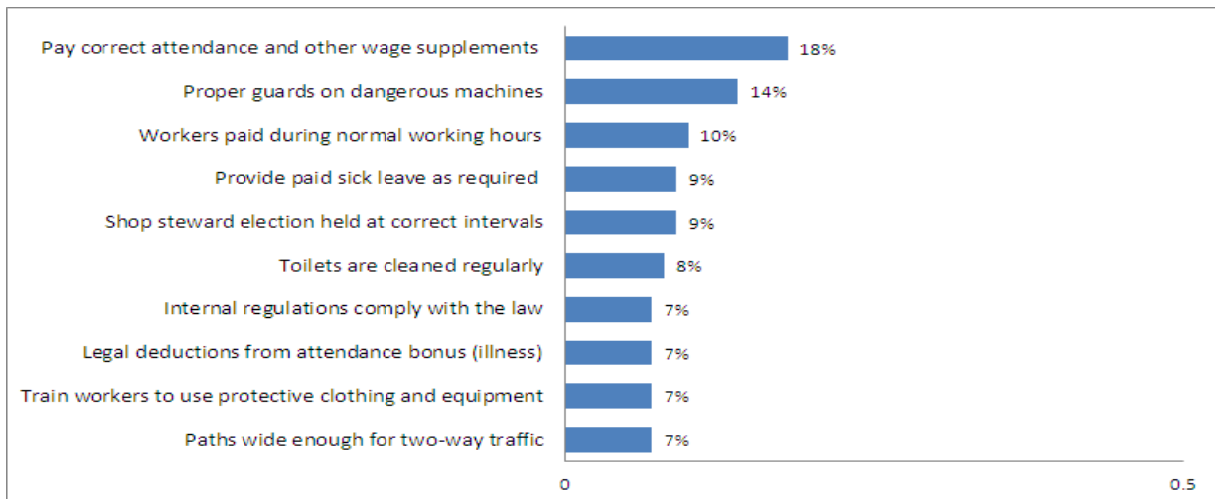






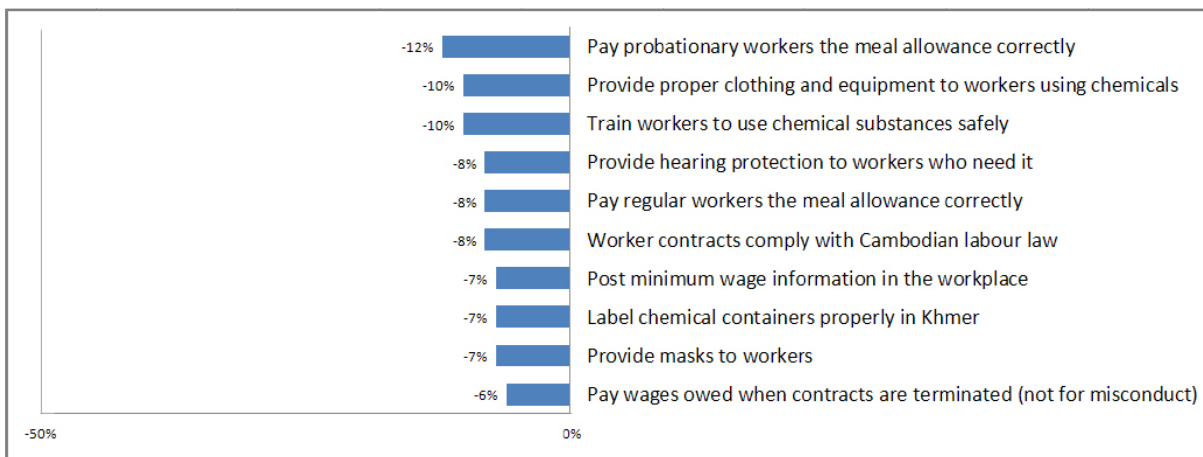
**Graph 6: Areas of Positive Change** (6 months to date)

As noted above, three of the top five improvements relate to proper payment of wages. This graph shows ten of the twenty top areas of improvement in Cambodian garment factories in the current reporting period. The graph compares the current level of compliance (%) with the level of compliance six (6) months ago for each individual issue. (Annex 4 contains other improvements).



**Graph 7: Areas of Negative Change** (6 months to date)

It is critical that the negative trends shown in this graph are reversed, particularly those that directly impact on preparedness for emergencies, and workers’ health and safety. The graph shows ten of the twenty top areas of falling compliance in Cambodian garment factories in the current reporting period. (Annex 4 contains other negative changes).



**Footwear**

BFC marked the completion of its pilot Footwear Programme in February 2013 with the release of a special report, “Footwear Pilot Program 2012” (available at <http://betterwork.com/cambodia/wp-content/uploads/2013/04/Footwear-Pilot-Program-2012-EN.pdf>). The nine footwear factories assessed in 2012—including three factories assessed in this



reporting period—employed 19,755 workers and evidenced many of the same issues seen in the garment sector. In addition, the report noted that chemical safety and cross-cultural difficulties involving foreign supervisors appear to be troublesome issues for the Cambodian footwear industry.

#### 4. Conclusion and Next Steps

BFC’s monitoring, advisory, and training work is focused primarily at the individual factory level, but many of the issues that appear in this report are systemic in nature and require intervention relating to national policies or to relationships and pressures in the global supply chain. Actions that industry players can take that can complement individual factory efforts are:

- **Royal Government of Cambodia** can strengthen enforcement mechanisms to uphold the labour law. This is particularly important in perennially non-compliant factories that resist change.
- Employers’ organizations such as **GMAC** can assist by fostering a culture of compliance among their members, recognizing those with excellent working conditions, and problem-solving and strategizing with members that cannot or will not meet the required compliance standards.
- **Trade Unions and civil society groups** have vital roles in this process. These organizations may be best placed to highlight the data in this report on a broad scale and to use the data to lobby for changes in the actions of unions at the plant level, and in management practices, with the goal of improving working conditions.
- **International buyers** sourcing from Cambodia wield considerable influence over the factories in which they source. While buyer influence helps to make changes in individual factories, more buyers can approach challenges on an industry-wide basis and publicly commit to compliance with Cambodian labour law and Arbitration Council decisions throughout their entire supplier base.

**Better Factories Cambodia** can also do more. First, BFC will continue to share its data on chronically non-complaint factories with relevant ministries in an effort to strengthen legal enforcement. Second, BFC—in partnership with other stakeholders—will pursue efforts to engage more international buyers in the program. BFC has direct relationships with nearly 40 buyers sourcing from Cambodia. These buyers not only subscribe to receive monitoring reports, but also encourage factories to participate in training programs or advisory services. Buyers also provide critical support to BFC’s advocacy activities. Still, the majority of buyers purchasing garments and footwear made in Cambodia are not engaged with BFC and may not be exerting leverage to improve working conditions.

More specifically, BFC is pushing the plan below to help drive improvements in fire/emergency safety in the Cambodian garment industry:

- BFC and MoLVT held a “Fire Safety and Occupational Accident Prevention” contest. 1,300 workers participated in a celebration of World Day for Safety and Health in which the contest winners received their awards. (April 2013)
- Locked emergency exits and failure to hold regular evacuation drills are now zero-tolerance issues. Violations are reported promptly by BFC to international buyers (June 2013)
- A Fire Safety Checklist and Best Practices sheet was sent to GMAC and the Occupational Safety and Health Department of MoLVT, as well as to all factories. Checklists are reviewed following BFC assessments. (May 2013)
- “What to Look For” fire safety factsheets were sent to unions and shop stewards (June/July 2013)

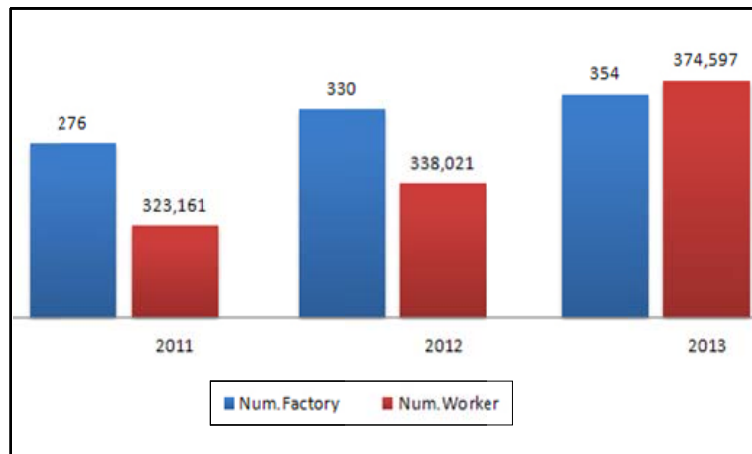


- BFC Factory Advisors will conduct fire safety training with all Performance Improvement Consultative Committees<sup>13</sup> (July/August 2013)
- BFC will launch a mobile phone quiz for garment workers that includes two fire safety questions. (July/August 2013)
- BFC will disseminate key information to GMAC, all factories, and worker representatives on the new Fire Safety Law when approved by the National Assembly



**Annex 1**

**Number of workers and factories covered by Better Factories Cambodia (Garment Industry-wide)**



The number of factories shown includes all active factories (not closed or suspended) that have registered with and been monitored by Better Factories Cambodia. The employment figures are drawn from the most recent monitoring report for every active factory with monitoring data in the IMS on the relevant date. Newly registered factories are not reflected in these figures until after they have been monitored and a report has been issued.

The figures may not line up precisely with those reflected in previous reports due to factory closings and re-openings that were discovered outside of the Synthesis Report period. The figures also differ from the Ministry of Commerce figures, primarily due to differences in the time at which information becomes available to each, and the fact that the figures above only include active factories that have been monitored. Better Factories Cambodia typically does not visit newly registered factories until six months after their registration. As a result, during times of rapid growth, the figures do not fully reflect the expansion in the sector.



**Annex 2**

**Comparative findings on selected working conditions (last five reporting cycles):**

Legal Requirement	Percentage of factories in compliance				
	(30 <sup>th</sup> )	(29 <sup>th</sup> )	(28 <sup>th</sup> )	(27 <sup>th</sup> )	(26 <sup>th</sup> )
Payment for maternity leave <sup>14</sup>	75%	77%	83%	78%	82%
Exceptional overtime	5%	4%	3%	5%	7%
Overtime limited to 2 hours per day	15%	12%	14%	16%	25%
Only one payroll ledger that accurately reflects wages paid to workers	52%	55%	61%	67%	73%
Voluntary and exceptional work on Sundays	72%	73%	71%	70%	66%
Payment of \$7 attendance bonus when workers take annual leave	63%	58%	61%	62%	69%
Sufficient soap and water available near the toilets	47%	48%	54 %	48%	49%
Written health and safety policy in Khmer	68%	64%	62%	65%	65%
Consultations with workers when developing the health and safety policy	57%	54%	57%	56%	62%
Heat levels in the factory	27%	32%	38 %	38%	43%
Minimum wage for regular workers	97%	97%	97%	98%	97%
Minimum wage for casual workers	92%	92%	90%	84%	79%
Minimum wage for piece-rate workers	91%	95%	98%	93%	98%
Correct OT rate for regular workers	97%	97%	100%	99%	100%
Correct OT rate for casual workers	92%	100%	100%	100%	98%
Correct OT rate for piece-rate workers	81%	71%	87%	93%	92%
18 days of annual leave	96%	95%	97%	98%	97%
Not unreasonably restricting workers from taking annual leave	74%	77%	76%	72%	80%
Paid sick leave	76%	68%	73%	78%	77%
Voluntary overtime	86%	89%	86%	87%	89%
Provision of personal protective equipment	41%	48%	54%	51%	54%
Needle guards installed on sewing machines	64%	58%	66%	66%	65%
At least 24 consecutive hours off per week	100%	95%	100%	100%	99%
Weekly time off on Sunday	97%	94%	99%	98%	97%
Factory works on Sundays	14%	11%	20%	22%	28%
Not unreasonably restricting workers from taking sick leave	89%	93%	89%	88%	91%
Health and safety policy written in Khmer	68%	64%	62%	65%	65%
Safety and health information in Khmer posted in the workplace	92%	92%	95%	94%	89%
First-aid boxes in the workplace	61%	59%	72%	72%	66%
No payment to get a job	99%	98%	99%	98%	98%
Rotating short-term contracts not used to avoid providing workers' entitlements to maternity leave, seniority bonus, and/or annual leave	71%	63%	66%	67%	63%
All workers employed for longer than two years total considered to be employed under an unspecified duration contract	70%	75%	74%	76%	72%



### Annex 3

#### Top non-compliance issues (6 months to date)

This table shows an additional ten of the twenty most common non-compliance findings in Cambodian garment factories.

Assessment findings	Non-Compliance
Is the workplace well lit?	95%
Do workers who work sitting down have adjustable chairs with backrests?	88%
Do workers who work standing up have chairs near the workstation to rest on?	74%
Does the infirmary have medical staff working the required number of hours (including overtime)	72%
Does the factory have a functioning and accessible nursing room?	67%
Has management failed to provide an office for stewards?	61%
Do workers understand the calculation of wages?	61%
Has management failed to give workers a 2-hour break to consider the candidates	60%
Does management pay workers within 48 hours after they stop working for the factory?	58%
Does management pay the childcare costs of women employees?	56%



#### Annex 4

#### Top areas of positive and negative change (6 months to date)

Positive Change. The findings below show the ten most improved issues found in factories during the Synthesis Report period that were not cited in Section 3.

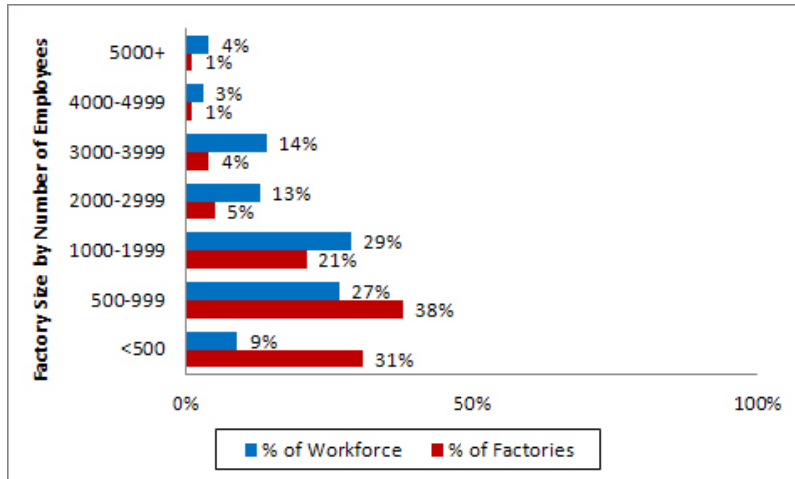
Assessment findings	Compliance
Do any workers work sitting on the floor?	+7%
Does management deduct attendance bonus when workers take leave?	+6%
Are dust levels in the factory acceptable?	+6%
Does management make unauthorized deductions from workers' pay?	+6%
Do sewing machines have functioning needle guards?	+6%
Does management include the entire period of continuous employment when determining workers' entitlements?	+6%
Is the workplace tidy?	+6%
Are reliable documents used to verify age of workers prior to hiring?	+6%
Does management use correct exchange rate when converting to Riels?	+6%
Are stewards provided two paid hours/week to perform functions?	+5%

Negative Change. The findings below show the ten issues that saw the most negative change in factories during the Synthesis Report period that were not cited in Section 3.

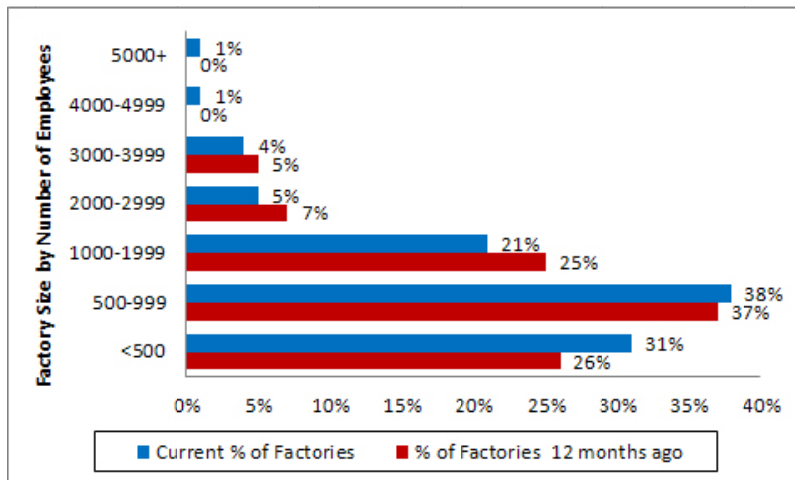
Assessment findings	Non-Compliance
Has management failed to provide an office for stewards?	-12%
Does the factory have a functioning and accessible nursing room?	-11%
Has management failed to provide separate ballots for shop stewards and assistant shop stewards?	-10%
Does the infirmary have enough beds?	-8%
Do workers understand the calculations of wages?	7%
Do managers and supervisors have clear OSH responsibilities?	7%
Has management failed to elect the correct number of shop stewards?	-6%
Does management post the list of public holidays in the factory?	-6%
Does management post the overtime permission in the factory?	-6%
Is the workplace well lit?	-6%



**Annex 5**  
**Factories and workforce by factory size (6 Months to date)**



**Changes in factory size (last 12 months)**



Although the industry has been expanding overall, there has not been a significant shift in the distribution of factories based on their size.





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## Endnotes

<sup>1</sup> Compliance data for this and other “Garment industry-wide” graphs and tables are compiled from all 2005 – 2013 BFC factory assessments (regardless of the number of factory visits per factory) and extracted from the Better Factories’ IMS database. All assessment questions are grouped into the eight categories shown in the graph.

<sup>2</sup> A complete list of the factories registered with and monitored by Better Factories Cambodia is available on our website at: <http://www.betterfactories.org/monitoring.aspx?z=5&c=1>. Export factories make up the vast majority of BFC-monitored factories.

Most of the graphs and charts in this report reflect current monitoring data from factory reports posted during the past six months. The graphs and charts that reflect this set of monitoring data are labeled “6 Months to date.” Other graphs and charts display industry-wide information. They draw data from the most recent report for every active factory (not closed or suspended) with monitoring data in the Better Factories Cambodia Information Management System (IMS). All percentage figures shown in this report are rounded to the nearest whole number. Assessment information is entered into IMS which makes it possible to produce reports in Khmer, English and Chinese.

During the reporting period, BFC monitors log calls received from union leaders, shop stewards, workers, human resource and administrative staff in all factories. Staff received 107 calls in this reporting period. Common topics for calls included clarification on compensation after contract termination, and gender discrimination (males and females provided with different types of contracts). Many callers complained about involuntary overtime, overtime exceeding 2 hours, and frequent Sunday work. Further, workers asked for clarification on rights related to leave entitlements (annual leave, special leave and sick leave) and the proper procedures for requesting leave.

BFC also logs all cash, meals, or other gifts offered to BFC monitors. Two such offers were made to BFC staff in this reporting period. Those offers were refused by monitors and recorded.

<sup>3</sup> These figures are based on data provided by the Ministry of Commerce. The number of active exporting factories includes all exporting factories that the ministry has indicated are effectively operating.

<sup>4</sup> UN Conference on Trade and Development reported that foreign direct investment grew 73% in 2012 over 2011 levels. [http://unctad.org/sections/dite\\_dir/docs/wir2013/wir13\\_fs\\_kh\\_en.pdf](http://unctad.org/sections/dite_dir/docs/wir2013/wir13_fs_kh_en.pdf). “[The increase is] largely credited to businesses looking to invest in the inexpensive, labour-intensive garment and manufacturing industries”, in Anne Renzenbrink, “Foreign Investment rises 73 pct”, *Phnom Penh Post*, 1 July 2013.

<sup>5</sup> Data from Garment Manufacturers Association of Cambodia, May 2013.

<sup>6</sup> May Titthara, “Bandith charges reinstated”, *Phnom Penh Post*, 5 March 2013.

<sup>7</sup> BFC introduced a strategy to combat factory faintings in 2012, including a CTN comedy show targeting fainting and related worker health issues (<http://betterfactories.org/?p=6527>), the training of Experts by Experience (<http://betterfactories.org/?p=862>), and the factory-focused “One Change” campaign (<http://betterfactories.org/?p=385>).

<sup>8</sup> Discrimination typically involves unfair treatment of pregnant workers (for example, dismissal or non-renewal of contracts when they become visibly pregnant), or unfair treatment of men (for example, failure to hire men because they are perceived as more likely to lead workers to strike).

<sup>9</sup> The number of unions reflects only unions that are active and registered at the time of the monitoring visit.

<sup>10</sup> The unionization rate is drawn from a 2009-2010 survey of 2000 garment workers commissioned by BFC and performed by the Cambodia Institute of Development Study.

<sup>11</sup> These figures represent interference and discrimination occurring only in factories assessed by BFC during the reporting period. Often factories where interference or discrimination occurs have multiple cases of such action during the reporting period. For purposes of this report, BFC reports on the number of factories with this finding, not the number of incidents.

<sup>12</sup> The legal requirements for commencing a strike include striking for reasons permitted by law; attempting to settle the dispute using other peaceful methods first; union members’ approving the strike by secret ballot; and providing 7 working days prior notice to the employer and the Labour Ministry. If workers failed to comply with any one (or more) of these requirements, the strike is included in the figure above. Under Cambodian law, only a court has the authority to declare a strike illegal.

<sup>13</sup> PICCs are worker-management committees responsible for making and implementing improvement plans in factories subscribing to BFC factory advisory services.

<sup>14</sup> This figure is the sum of two compliance questions: payment of half of wages and benefits, and payment of only half wages during maternity leave. This figure includes both types of maternity leave payments. Maternity leave figures have been re-stated to correct a technical error in previous reports that resulted in lower than actual compliance levels.