

KINGDOM OF CAMBODIA

INTERNATIONAL LABOUR ORGANIZATION
BETTER FACTORIES CAMBODIA

THIRTY FIRST SYNTHESIS REPORT ON WORKING CONDITIONS IN CAMBODIA'S GARMENT SECTOR



Report period : 1 May 2013 – 30 Apr 2014

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Better Factories Cambodia Synthesis Report

1 May 2013 – 30 April 2014

371 Factories Monitored

1. Executive Summary

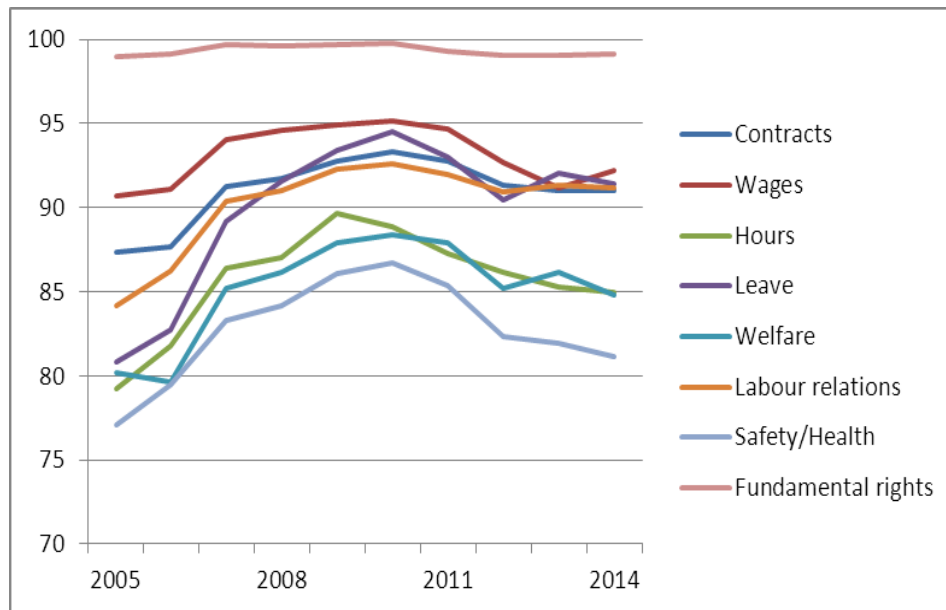
The chief purpose of the Better Factories Cambodia Synthesis Reports is to provide an overview of working conditions in the Cambodian garment and footwear industries, and to enable stakeholders to use this information to improve working conditions.

The data presented in this 31st Synthesis Report reveals a mixed picture of working conditions and respect for worker rights in the 362 garment factories and nine footwear factories assessed over the year-long period from May 2013 to April 2014.¹

Compliance with legal requirements by category shows both advances and declines. The graph below registers a slight increase in correct payment of wages, and historically high levels of compliance on fundamental rights. However, this report notes several changes within this category, including an increase to four percent (4%) in the number of factories with confirmed child labour cases, and another increase in the number of factories with strikes—now 24%, up from 19% in our July 2013 report and only 8% in our 2011 November report.

We note declines in compliance with legal requirements in the worker health and safety category. Within this category, there are some notable improvements—an 8% increase since the previous report in factories providing protective equipment to workers—but declines on these measures have led advances over the last year.

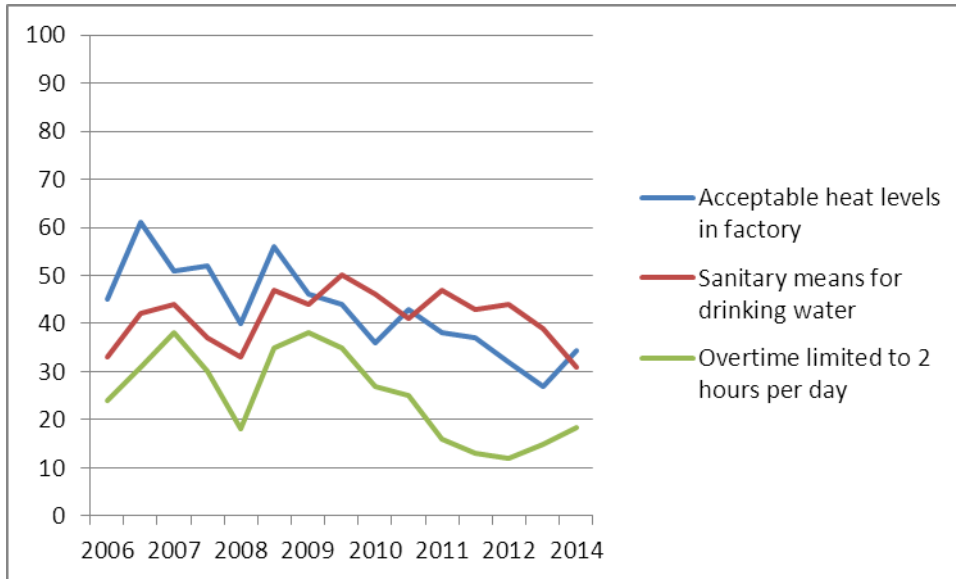
Graph 1: Factory compliance (percentage) by category, 2005 – 2014 (Garment industry-wide)²



The aggregate measures conceal some important changes on critical issues for workers and the industry. For example, while two-thirds of factories covered by this report have excessive heat levels, we note an eight percent (8%) increase over the previous report in the number of factories that have taken steps to reduce heat levels.

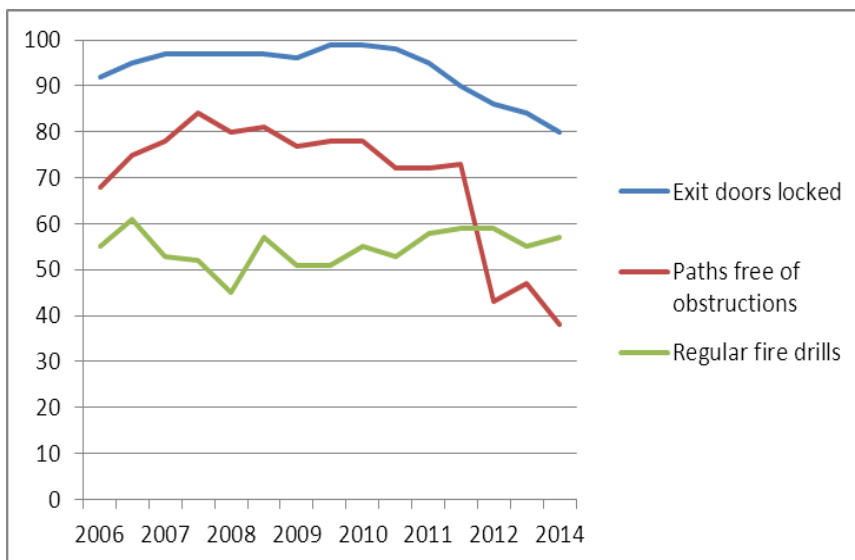
Heat levels is one of several fainting-related issues tracked in this report. Compliance with overtime limits is another. This data also shows modest improvement in overtime limited to two hours per day—to 18% from 15% and 12% over the last two reporting cycles—albeit from a very low compliance level.

Graph 2: Key Fainting-related measures, 2006 –2014 (Garment industry-wide)



Fire safety and emergency preparations are also key issues in the Cambodian industry. Compliance with key measures has improved slowly or decreased in factories covered. For example, more than 20% of factories still have locked emergency exits.

Graph 3: Key Fire Safety Compliance Measures, 2006 –2014 (Garment industry-wide)



The Compliance Status and Fundamental Rights sections below details improvements and declines on these and other issues.



2. Institutional Context

Overshadowing factory-level changes in working conditions were major shifts in the national and global contexts for the project’s three core partners—unions and workers, the Garment Manufacturers Association in Cambodia (GMAC), and the Royal Government of Cambodia (RGC).

A brief list of these shifts in the last year includes partial collapses of structures at two Phnom Penh-area factories resulting in the deaths of two workers, an increase in the incidence of strikes, an industry-wide wage protest, an increase in strike-related violence, attempts to expand use of the courts and the criminal code in industrial disputes, the killings of six wage protesters and bystanders by security forces in November 2013 and January 2014, and the imprisonment and trial of 25 workers, rights activists, and bystanders.

Shifts at the policy level have been equally momentous: two minimum wage increases in a nine-month period, an effort to revamp the government’s minimum wage-setting mechanism, suspension of union registrations by the government, and a renewed push for a trade union law. This 12-month period also saw the re-introduction of transparency in Better Factories Cambodia’s reporting on factory-level working conditions. Those findings and the initial report summarizing the impact of the programme can be found at www.betterfactories.org/transparency.³

The backdrop for these events has been an on-again/off-again national political crisis after disputed results from national elections in July 2013. The political contest has included debates over minimum wage levels and freedom of association, and—in spite of some encouraging changes at the factory level following the return to transparent reporting by this project⁴—largely negative media attention for Cambodia and its leading export industry.

Also in the backdrop are two key competitors—Bangladesh and Myanmar (Burma)—who introduced a number of changes over the last year including higher wage levels, changes in labour policy, and investments in their industrial infrastructure.

Growth. Despite this competition, Ministry of Commerce shows that garment and footwear exports from Cambodia grew by US\$ 560 m.—or 12%—in 2013.

Table 1: Growth in the Cambodian garment and footwear industries, 2012 - 13⁵

	2012	2013
Exports (US\$)	4.76b.	5.32b.
Factories	436	528
Workers	436,604	533,486

Wages. Following a US\$15 per month increase in the sectoral minimum wage to US\$80 on 1 May 2013, the Labour Advisory Committee—a government-led tripartite group—announced an increase to US\$95 per month in late December 2013. Widespread protests and strikes by workers led the Ministry of Labour and Vocational Training to increase the industry’s minimum wage to US\$100 per month starting on 1 February 2014. ILO and World Bank analyses in 2014 confirm that the recent increase marked the first time that the sector’s inflation-adjusted minimum wage has risen above its 2001 level.

Garment worker wage protests ended when military forces fired on protesters on 3 January 2014, killing five and wounding at least 40. In addition to wage protests by garment workers, Cambodia has also experienced strikes among low-wage workers in petrol stations, transportation companies, brewery workers, and sanitation workers.

A new government committee led by a former Minister of Economy and Finance began work in January 2014 on creation of a new minimum wage-setting policy.

Industrial Relations. In the period covered by this report, the total number of strikes in the industry rose by 8% and the number of lost person-days increased to 895,553 between May 2013 and April 2014, up from 628,759 between May 2012 and April 2013. The number of strikes has risen dramatically between 2010 and 2013—up nearly 250%.⁶

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

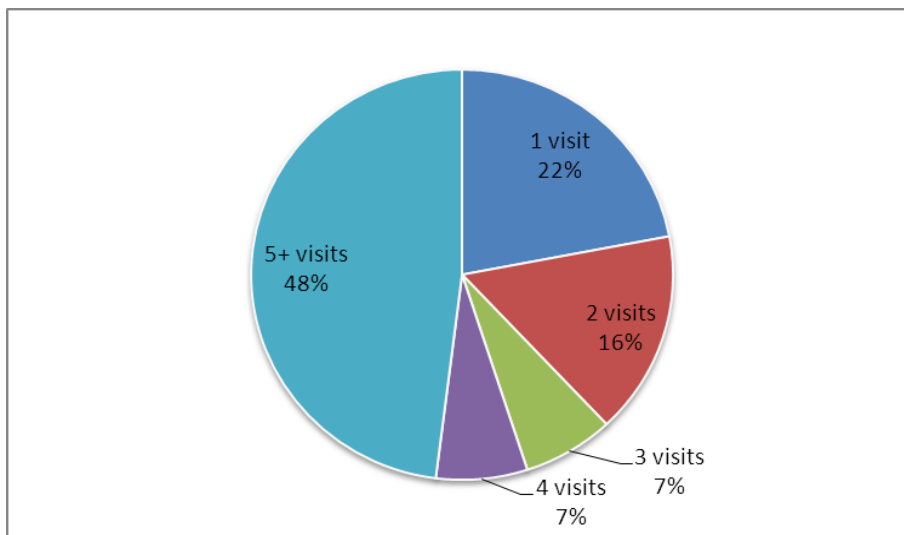
The Arbitration Council registered 310 cases during the reporting period, of which 271 were garment or footwear factory-related. Eighteen of the garment factory-related cases were resolved through mediation before going to arbitration. The top issues referred to the Arbitration Council during this period were:

1. Wages and bonus payments
2. Discipline and termination
3. Occupational safety and health

3. Compliance Status

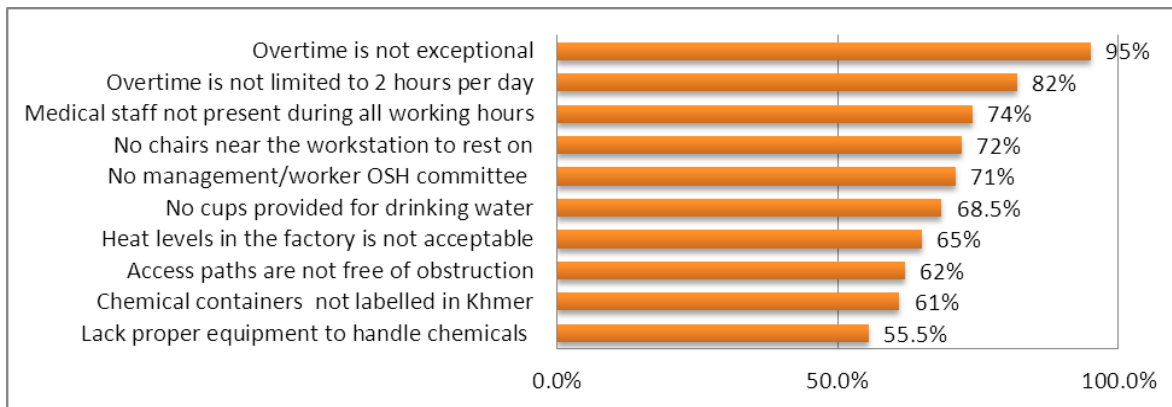
The flat and lower aggregate compliance levels shown in Graph 1 can be attributed in part to the rapid growth of the industry and the large number of new garment and footwear factories in Cambodia—more than one-fifth of the factories in this report were assessed for the first time. However, more than three-quarters of the 362 garment factories covered here have had two or more Better Factories Cambodia assessments.

Graph 4: Number of assessments per factory (12 months to date)



Ten of the top 20 non-compliance issues in factories covered by this report appear in the graph below. Additional issues in the top 20 appear in Annex 2. The majority of these non-compliance issues relate to worker welfare or worker health and safety. The absence of Occupational Health and Safety Committees in 71% of factories underlines the lack of engagement between workers and management on these issues and presumably contributes to high levels of non-compliance on heat levels (65%), obstructed access paths (62%), and lack of proper equipment for workers required to handle chemicals (55%).

Graph 5: Top non-compliance issues (12 months to date)



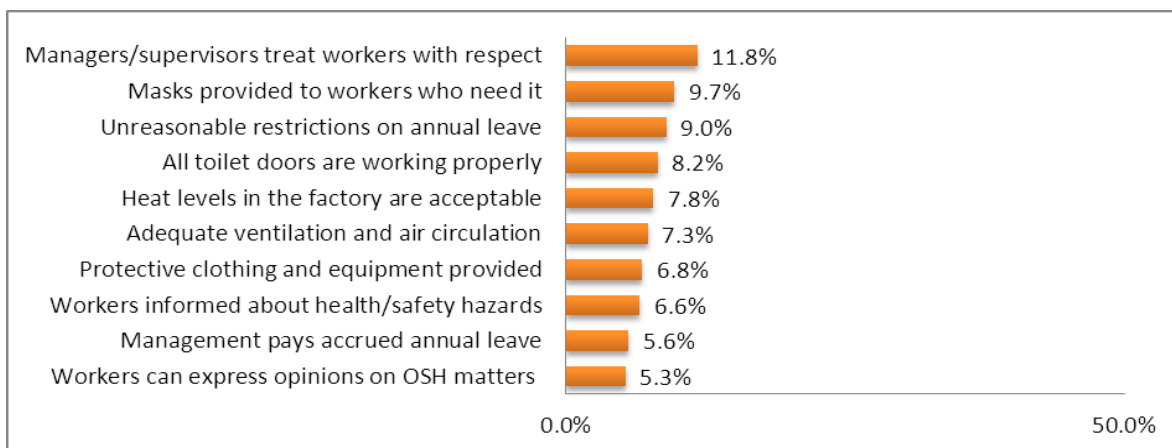
The following two graphs show ten of the twenty top areas of positive and negative compliance changes in Cambodian garment factories in the current reporting period. The graphs compare current levels of compliance (%) with levels of compliance 12 months ago for each individual issue. (Annex 3 contains other improvements and declines in compliance).

We note improvements in factory-floor relationships—a nearly 12% increase in the number of factories in which workers report that supervisors treat them with respect. Also worth noting are improvements in handling of annual leave, both requests (+9%) and payment issues (+5.6%). While the graphs above point to low compliance on specific worker health and safety issues (Graph 5) and in the aggregate (Graph 1), there is progress on several issues:

- Acceptable heat levels in the factory (+7.8%)
- Ventilation and air circulation (+7.3%)
- Workers are provided protective equipment (+6.8%)

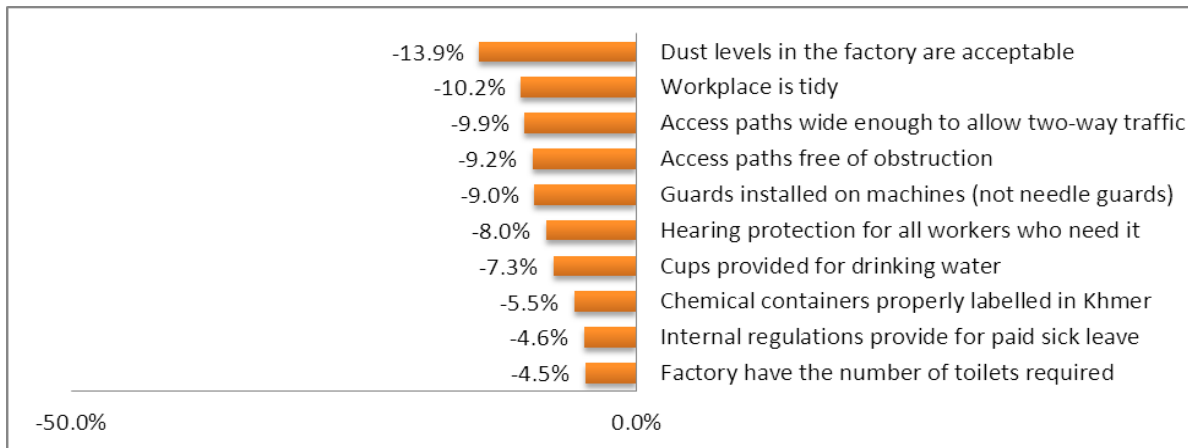
Finally, workers report that they are better informed (+6.6%) and can more freely express concerns (+5.3%) about health and safety issues.

Graph 6: Areas of Positive Change (12 months to date)



Consistent with the top non-compliance issues shown above (Graph 5), we note deterioration in compliance on issues related to worker health and safety, including acceptable dust levels (-13.9%), hearing protection for workers (-8%), fewer factories providing cups for drinking water (-7.3%), and a fall in the number of factories that label chemicals in Khmer (-5.5%). Declines in the number of factories with access paths that are wide enough (-9.9%) and unobstructed (-9.2%) is likely a product of the increase in the number of orders coming to Cambodia over the last year, and these declines raise concerns about fire safety.

Graph 7: Areas of Negative Change (12months to date)



This report also tracks changes in compliance on an additional 32 key issues over the last five reporting cycles. Significant changes on several of these issues have been discussed elsewhere in this report, but the table below describes progress on two important fronts: the number of factories keeping a single payroll is up to 60% from 52% in the previous report, and correct payment of the attendance bonus to workers who use annual leave is now at 66%, up 8% since our 2012 report.

The data below also shows that almost all factories (98%) consistently pay the correct minimum wage to regular workers. However, 15% of casual workers and 8% of piece-rate workers are not paid the minimum wage, and compliance with their overtime payment are also lower than for regular workers.

Table 2: Comparative findings on selected working conditions (last five reporting cycles):

Legal Requirement	Percentage of factories in compliance				
	(31 st)	(30 th)	(29 th)	(28 th)	(27 th)
Payment for maternity leave	76%	75%	77%	83%	78%
Exceptional overtime	6%	5%	4%	3%	5%
Overtime limited to 2 hours per day	18%	15%	12%	14%	16%
Only one payroll ledger that accurately reflects wages paid to workers	60%	52%	55%	61%	67%
Voluntary and exceptional work on Sundays	74%	72%	73%	71%	70%
Payment of \$10 attendance bonus when workers take annual leave	66%	63%	58%	61%	62%



Sufficient soap and water available near the toilets	46%	47%	48%	54%	48%
Written health and safety policy in Khmer	69%	68%	64%	62%	65%
Consultations with workers when developing the health and safety policy	59%	57%	54%	57%	56%
Heat levels in the factory	35%	27%	32%	38%	38%
Minimum wage for regular workers	98%	97%	97%	97%	98%
Minimum wage for casual workers	85%	92%	92%	90%	84%
Minimum wage for piece-rate workers	92%	91%	95%	98%	93%
Correct OT rate for regular workers	97%	97%	97%	100%	99%
Correct OT rate for casual workers	94%	92%	100%	100%	100%
Correct OT rate for piece-rate workers	81%	81%	71%	87%	93%
Eighteen (18) days of annual leave	95%	96%	95%	97%	98%
Not unreasonably restricting workers from taking annual leave	80%	74%	77%	76%	72%
Paid sick leave	73%	76%	68%	73%	78%
Voluntary overtime	86%	86%	89%	86%	87%
Provision of personal protective equipment	49%	41%	48%	54%	51%
Needle guards installed on sewing machines	62%	64%	58%	66%	66%
At least 24 consecutive hours off per week	99%	100%	95%	100%	100%
Weekly time off on Sunday	98%	97%	94%	99%	98%
Factory works on Sundays	13%	14%	11%	20%	22%
Not unreasonably restricting workers from taking sick leave	93%	89%	93%	89%	88%
Health and safety policy written in Khmer	69%	68%	64%	62%	65%
Safety and health information in Khmer posted in the workplace	91%	92%	92%	95%	94%
First-aid boxes in the workplace	57%	61%	59%	72%	72%
No payment to get a job	99%	99%	98%	99%	98%
Rotating fixed duration contracts not used to avoid providing workers' entitlements to maternity leave, seniority bonus, and/or annual leave	69%	71%	63%	66%	67%
All workers employed for longer than two years total considered to be employed under an unspecified duration contract	67%	70%	75%	74%	76%

Compliance with Fundamental Rights at Work

We note little movement in the percentage of factories complying with requirements to protect workers fundamental rights. Three issues impacting not only worker rights but the industry's global reputation are of particular concern. One, we have seen an increase over the last year—from two percent to four percent—in the number of factories with confirmed child labour cases. Two, we note an increase in the number of factories with strikes and no change in the percentage of strikes (100%) that failed to meet the legal requirements. Three, the data reveals an increase in the number of factories engaged in discrimination against workers. Specifically, we have witnessed an increase in the number of factories offering short-term rotating contracts to men and longer-term, more secure contracts to women workers.

Table 3: Compliance with Fundamental Rights, 2011 - 2014

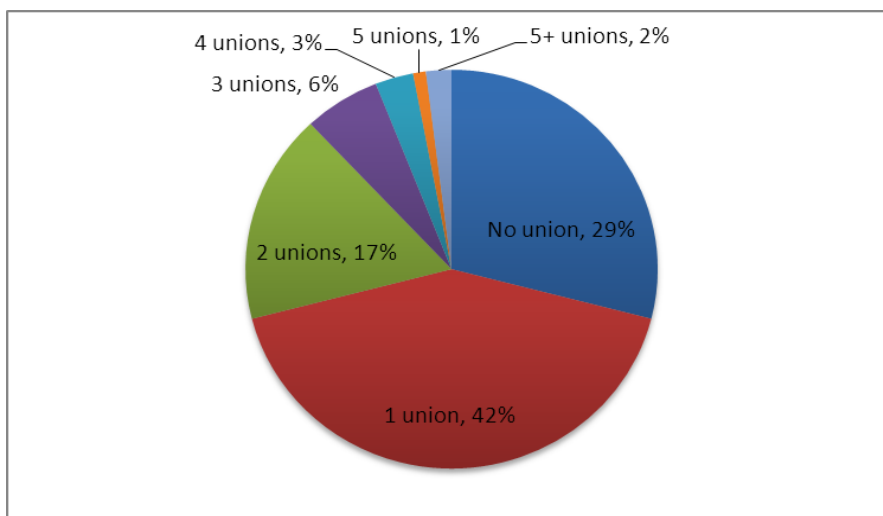
	Current report	May 2013	Nov 2012	May 2012	Nov 2011
Child Labour (factories with confirmed underage workers)	4%	2%	1%	7%	9%
Forced Labour (factories used forced labour)	0%	0%	0%	0%	0%
Discrimination (factories engaged in discrimination)	20%	16%	18%	19%	18%
Unions (factories with one or more union)	71%	69%	71%	73%	66%
Freedom of Association (factories interfered with FOA)	9%	7%	9%	6%	5%
Anti-union Discrimination (factories engaged in discrimination)	3%	2%	5%	3%	4%
Strikes (factories with strikes)	24%	19%	20%	11%	8%
Strikes failing to comply with one or more legal requirements	100%	100%	100%	100%	100%

Child Labour. Better Factories Cambodia monitors factories for suspected child labourers and conducts field investigations to confirm cases. Field investigations of suspected child labourers in this report confirmed that 4% of factories covered in this report employed workers who were under 15 years old at the time of hiring.

The lack of a universal birth registration system in Cambodia and falsification of age-verifying documents significantly impede the detection of underage workers for factory management and Better Factories Cambodia monitors. Suspected cases of child labour must be further investigated. As investigations are resource-intensive, Better Factories Cambodia investigates only a sample of possible cases, so 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.⁷

Freedom of association and strikes. The data available for this report can help inform the current policy debate concerning regulation of unions and protections for organizing and collective bargaining rights. Of the 362 garment factories covered in this report, nearly three-quarters (257 factories, 71%) have one registered union, or no union at all. A further 17% of factories had two unions present, and 12% had three or more unions.

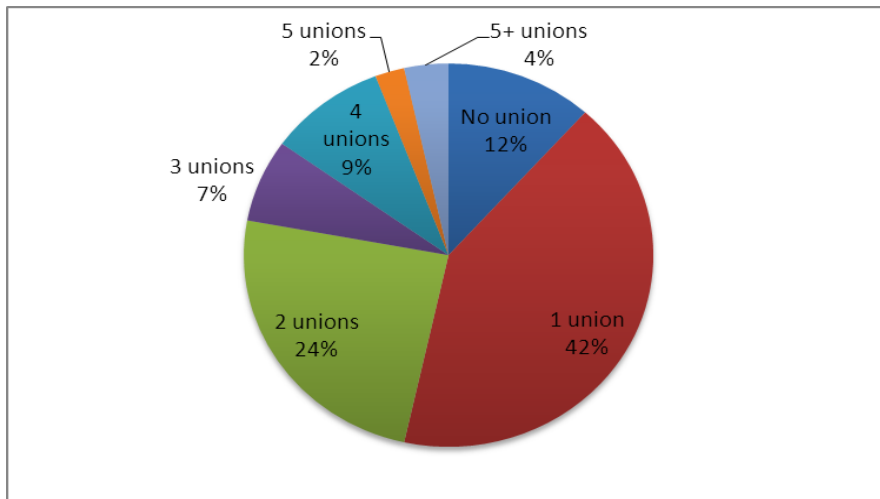
Graph 8: Registered unions per factory (12 months to date)



Strikes. All 108 strikes (100%) recorded in this reporting period failed to meet at least one of the legal requirements. This is essentially unchanged over the last four years. Bringing strikes into compliance with the law deserves the focused attention of government, management, and in particular, workers and their organizations.

Eighty-six factories in this report (24%) had strikes between May 2013 and the end of April 2014 and 276 factories (76%) had no strikes. Of the eighty-six factories that had strikes, ten had no registered union, and 36 had one registered union. The remaining 40 factories with strikes had two or more registered unions.

Graph 9: Number of unions in factories that had strikes



Summary of footwear factory findings

Better Factories Cambodia assessments of footwear factories continued in 2013 following a successful pilot programme in 2012. The Cambodian footwear industry is considerably younger than the garment industry and the sample size—only nine footwear factories—in this report is considerably smaller. Accordingly, we have broken out compliance data on key issues for footwear factories, and summarize it separately below.

Fire safety. Eight of the nine footwear factories included in this report complied with requirements for clearly marked emergency exits and escape routes, but only 56% of factories conducted emergency drills every six months, and only 44% kept emergency exits unlocked during working hours.

Fainting-related measures. Eight out the nine factories had excessive heat levels and 67% exceeded the two-hour per day limit on overtime. Only 22% of the factories assessed, however, failed to provide safe drinking water workers.

Fundamental Rights. Two of the nine footwear factories were found to be employing children under 15 years old. Discrimination against workers on the basis of sex was found in three of the nine factories. Finally, 44% of the factories included in this report had a total of strikes, involving more than 78,878 person days.



4. Conclusions and next steps

Addressing the root causes of the Cambodian industry's tumultuous year is beyond the brief of the Better Factories Cambodia project—providing independent monitoring and supporting improvements in working conditions at the factory level. However, industry players can take concrete, measurable actions to complement individual factory efforts:

- **Royal Government of Cambodia** can make effective use of numerous enforcement mechanisms to uphold the provisions in the labour law, especially in factories with low compliance.
- **Employers** have an obligation to improve working conditions even in the absence of effective enforcement of legal requirements. **GMAC** can foster a culture of compliance among their members.
- **Trade Unions** should strengthen their understanding of and commitment to the responsibilities of unions—including following strike procedures. Unions are in a position to use the data in this report as well as the information recently made available through transparent reporting to engage management and/or employer organizations in dialogue and collective bargaining to find solutions to factory- and industry-level problems.
- **International buyers** sourcing from Cambodia wield considerable influence in the factories in which they source. Their willingness to engage suppliers using this report and data from the project's Transparency database can help drive improvements in factories and thereby improve working conditions and the industry's reputation globally.

For its part, **Better Factories Cambodia** has increased the number of global brands participating in the programme since the publication of the previous Synthesis Report. Twenty-seven brands had subscribed to receive 2014 assessments reports from 299 factories by April 2014, up from 18 brands and 213 factories in the same period in 2013.

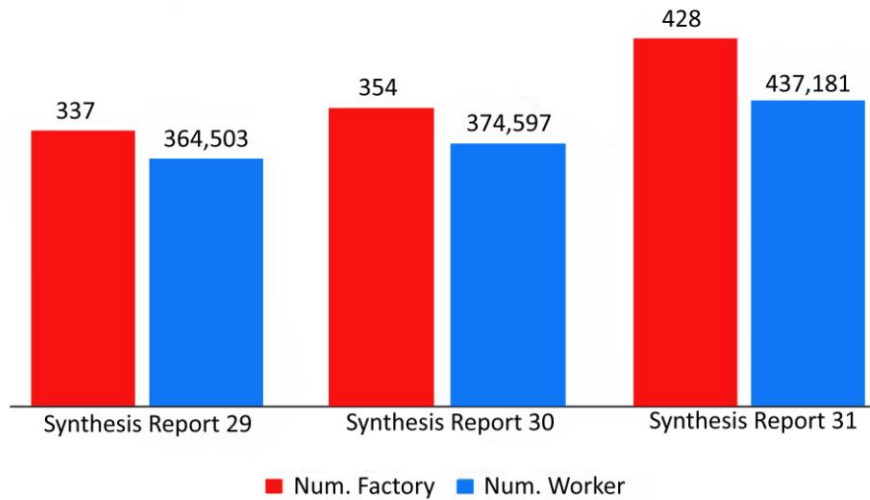
Also up is the number of garment and footwear factories participating in Advisory Services—up to 37 factories in the first quarter of 2014 from 18 in the same period last year. Advisory Services is an intensive process with management and workers to improve industrial relations and working conditions. The project has also used greater transparency since December 2013 to create clearer incentives for factories to make improvements in working conditions, and to enable the government to focus its enforcement powers in areas of greatest need.

To address the lack of understanding of legal requirements among both workers and management, Better Factories Cambodia launched the Cambodian Labour Law Mobile Phone App in September 2013 in three languages: English, Khmer and Chinese. A Korean language app will be available in 2014. The project also created *Kamako Chhnoeum*, an interactive voice response system to improve workers' knowledge of occupational safety and health, personal health, wages and allowances, and strike requirements, among other issues.



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

Additional most common non-compliance findings in Cambodian garment factories

Assessment Findings	Non-Compliance
Do workers undergo a medical examination before being employed?	77.6%
Do workers understand the calculation of wages?	66.6%
Does management get permission from the Labour Inspector before suspending the weekly break?	65.5%
Does the factory have a functioning and accessible nursing room?	64.0%
Does management pay workers within 48 hours after they stop working for the factory?	61.6%
Has management failed to provide an office for stewards?	60.0%
Does management pay the childcare costs of women employees?	56.7%
Did management fail to give workers a 2-hour break to consider the candidates?	54.5%



Annex 3

Positive change. Additional most improved issues found in factories covered by this report.

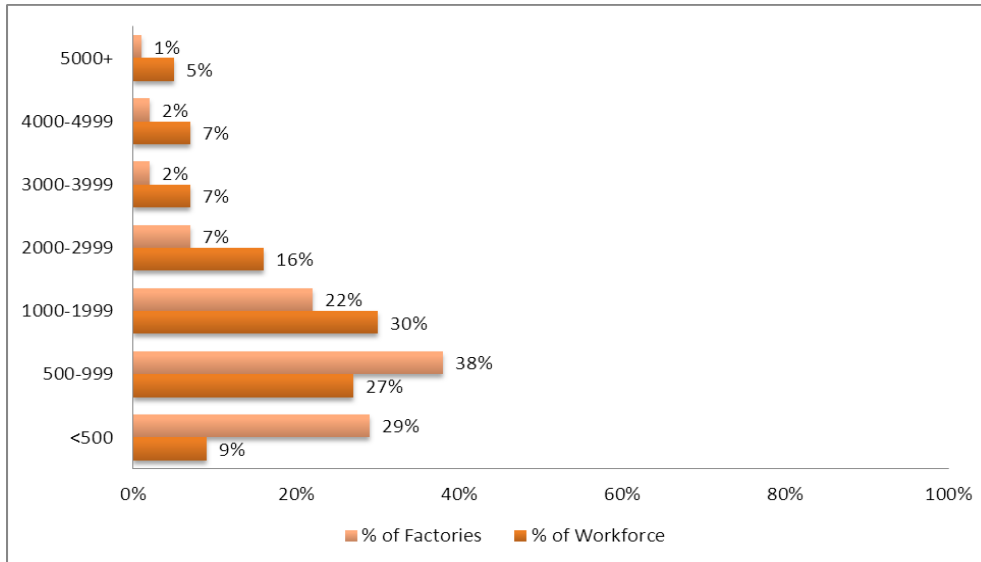
Assessment question	Compliance
Does management post the list of public holidays in the factory?	7.3%
Does management post the overtime permission in the factory?	6.9%
Has management posted minimum wage information in the workplace?	6.6%
Does management keep only one payroll ledger that accurately reflects the wages actually paid to workers?	6.5%
Did management fail to do elect the correct number of shop stewards?	6.2%
Did management fail to give workers a 2-hour break to consider the candidates?	5.5%
Does management unreasonably restrict workers from taking sick leave?	5.0%
Are the fire extinguishers not regularly serviced?	4.7%
Are all the toilets working properly?	4.6%

Negative Change. Additional issues with largest declines found in factories covered by this report.

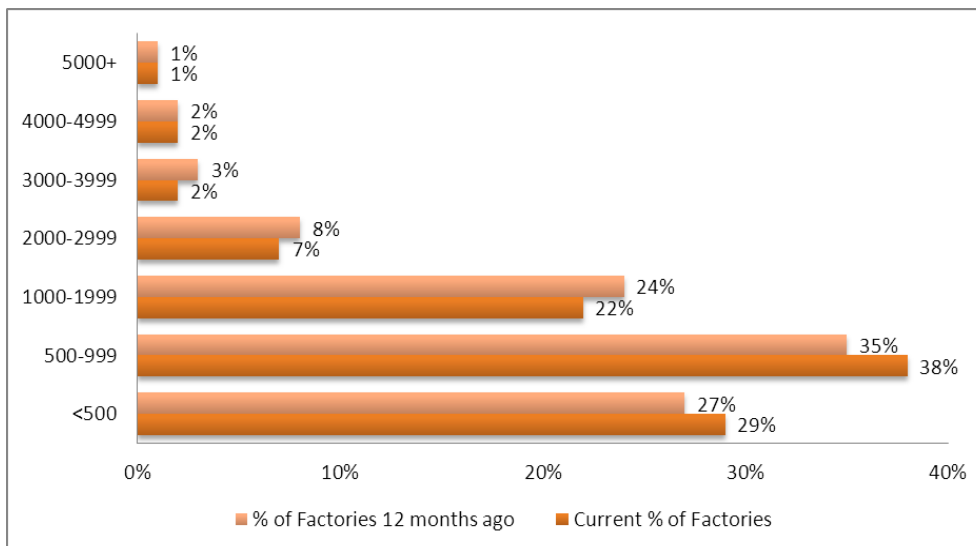
Assessment question	Compliance
Do workers undergo a medical examination before being employed?	-28.30%
Does management get permission from the Labour Inspector before suspending the weekly break?	-17.40%
Does management get permission from the Labour Inspector before workers work overtime?	-15.60%
Do workers understand the calculation of wages?	-6.00%
Did management fail to do provide separate ballots for shop stewards and assistant shop stewards?	-5.60%
What does management deduct?	-5.40%
Does management give workers one hour of paid time off for breast-feeding?	-5.20%
Does management provide periodic first aid training to workers?	-4.90%
Is the piece rate set at a level that permits a worker of average ability working normal hours to earn minimum wage?	-4.80%
Do the factory's internal regulations provide for paid sick leave ⁸ (100% pay for month 1; 60% pay for month 2; 40% pay for month 3; no pay for months 4-6, or better)?	-4.60%

Annex 4

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.



Endnotes

¹ The 31st Synthesis Report marks a move to annual from semi-annual reporting by Better Factories Cambodia. This move allows the project to present a more comprehensive view of changes in working conditions, and aligns its reporting with the seven similar projects in the ILO's Better Work programme. See more details at www.betterwork.org.

² Compliance data for this and other "Garment industry-wide" graphs and tables are compiled from all 2005 – 2014 BFC factory assessments and extracted from the Better Factories' IMS database. All assessment questions are grouped into the eight categories shows in the graph.

³ The second set of factory-level data will be released at www.betterfactories.org/transparency in June 2014. In addition to Better Factories Cambodia, the [Better Work Haiti project](#) discloses factory-level findings, and all other Better Work projects are expected to initiate transparency programmes in 2014 - 2015.

⁴ See the Better Factories Cambodia Transparency Database summary report at www.betterfactories.org/transparency.

⁵ Industry-wide data is provided by the Ministry of Commerce.

⁶ Industry-wide strike data is provided by GMAC. The 'Compliance with Fundamental Rights' section differs as it contains strike data specific to the group of factories assessed during the period covered by this report.

⁷ Extensive guidance for factories and the Better Factories Cambodia investigation and remediation procedures are described in 'Child Labour Guidance' available at <http://betterfactories.org/?p=3201>.

⁸ BFC's interpretation of sick leave requirement is based on MoLVT Notice 14/02 and Arbitration Council awards 26/03, 13/04, 30/04, 62/04, 63/04, 42/12 (1).