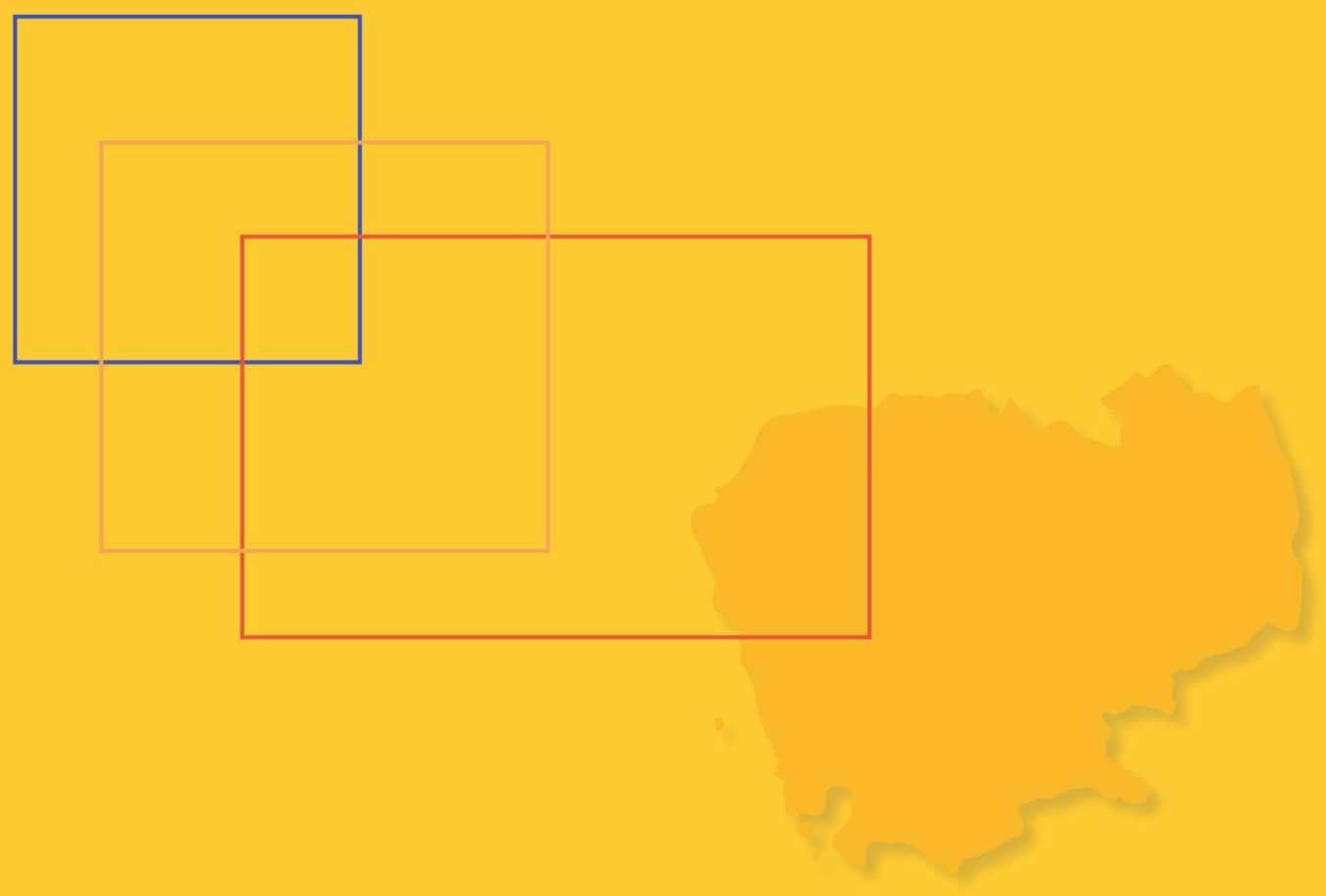

Promoting employment in Cambodia: Analysis and options

Elizabeth Morris

International Labour Office

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Boxes

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CAMFEBA	Cambodian Federation of Employers and Business Associations
CBT	community-based training
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Research Institute
CEF	Cambodian Economic Forum
CIB	Cambodia Investment Board
CIPS	Cambodia Inter-Censal Population Survey
CIS-STAT	Interstate Statistical Committee of the Commonwealth of Independent States
CSES	Cambodia Socio-Economic Survey
DAFF	Department of Agriculture, Forestry and Fisheries
EEOW	Expansion of Employment Opportunities for Women
EIC	Economic Institute of Cambodia
EITI	Extractive Industry Transparency Initiative
EPZ	export processing zone
ERD	Economic Relations Division
EWC	European Works Council
GDP	gross domestic product
GER	gross enrolment ratio
GSP	Generalized System of Preferences
HIV/AIDS	Human Immunodeficiency Virus and Acquired Immunodeficiency Syndrome
HRREDO	Human Resources and Rural Economic Development Organization
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
IMF	International Monetary Fund
IRAP	Integrated Rural Accessibility Planning
KILM	Key Indicators of the Labour Market
LED	local economic development
MFA	Multi-Fibre Agreement
MIME	Ministry of Industry, Mines and Energy
MOEYS	Ministry of Education, Youth and Sport (MOEYS)
MOLVT	Ministry of Labour and Vocational Training
MOP	Ministry of Planning
MOPS	Moving Out of Poverty Survey
MOSALVY	Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation
MOWA	Ministry of Women's Affairs
MSE	micro and small enterprise
NER	net enrolment ratio
NGO	non-government organization
NIS	National Institute of Statistics
NPRS	National Poverty Reduction Strategy
NSDP	National Strategic Development Plan

NTB	National Training Board
NTF	National Training Fund
NTTI	National Technical Training Institute
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OTOP	One Tambon One Product (One Village One Product)
PEMEX	Pétroleos Mexicanos
PPP	purchasing power parity
PTC	provincial training centre
SEDP	Socio-Economic Development Plan
SESC	Socio-Economic Survey of Cambodia
Sida	Swedish International Development Agency
SIYB	Start and Improve Your Business
SME	small and medium enterprise
SNA	United Nations System of National Accounts
TREE	Training for Rural Economic Empowerment
TVET	technical and vocational education and training
UCW	Understanding Children's Work
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNIFEM	United Nations Development Fund for Women
WID	Women in Development
WTO	World Trade Organization

Most Cambodians earn income by contributing their labour to produce goods and services – whether in the countryside or cities, informal economy or formal sector, paid jobs or self-employment, private sector or government jobs. However, despite recent rapid economic growth in Cambodia, with many jobs created in manufacturing, construction and tourism, adequate numbers of good jobs have not materialized to lift large numbers of workers out of poverty. Challenges facing Cambodia include youth employment in urban areas and inadequate earnings in the agricultural sector and the informal economy. Women typically carry a double burden entering the labour force to earn income for their families and shouldering responsibility for household chores and child care.

This report on promoting employment in Cambodia was prepared in response to a request from the Ministry of Labour and Vocational Training. It includes policy briefs based on national development frameworks such as the Rectangular Strategy and the Cambodia Millennium Development Goals as well as the Decent Work Agenda and Global Employment Agenda of the ILO and the United Nations Development Assistance Framework. In order to move families out of poverty, development strategies need to focus on providing jobs, improving productivity and increasing earnings where people live and work. This means not only looking at ways to introduce and strengthen labour market policies but also placing productive employment at the centre of macroeconomic policies and examining how sectoral strategies for agriculture, industry and services affect jobs and income.

The report served as the basis for two tripartite consultations organized to develop an employment strategy under the National Strategic Development Plan 2006–2010. The first was a workshop held in October 2005 to discuss the policy briefs. Participants at the workshop representing the Ministry of Labour and Vocational Training, Cambodian Federation of Employers and Business Associations and trade unions called for the ILO to develop the analysis and options for presentation to a wider audience.

This report also informed the second consultation at a high-level National Seminar on Employment Promotion in May 2007 opened by His Excellency Deputy Prime Minister Sok An. The seminar brought together a broad range of national stakeholders who identified policy priorities, institutional responsibilities and a time frame for moving forward with an integrated strategy for employment promotion in Cambodia. The participants called for measures to combat poverty, boost development and build infrastructure in rural areas and to support enterprise development through improvements in the regulatory framework and links to international markets. Participants also proposed ways to improve the quality of human resources in order to maximize the benefits to Cambodia of economic growth and natural resources.

On the basis of the recommendations outlined at that consulation, the ILO is providing technical support to address the key priorities and implement action plans. The analysis and options outlined in this report serve as a basis to organize future research and policy development. It is hoped that the report will also contribute to promoting the new target under Goal 1 of the Millennium Development Goals to “Achieve full and productive employment and decent work for all, including women and young people.”

In addition to the people mentioned in the acknowledgements, both among ILO partners in Cambodia and the ILO staff members who contributed to this publication, I would like to record my particular thanks to Elizabeth Morris, Senior Labour Market and Human Resources Policies Specialist, for her longstanding commitment to development in Cambodia culminating in this publication.

Bill Salter
Director
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Bangkok
October 2007

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This report was written at the request of the Minister of Labour and Vocational Training (MOLVT) to serve as a basis for identifying and implementing measures to promote employment and improve training under the National Strategic Development Plan 2006–2010. The initial analysis was used at a Tripartite Brainstorming on Training and Employment in Cambodia in October 2005 that was organized by the MOLVT with support from the ILO.

The report builds on the policy briefs and tripartite consultations of this meeting. Much appreciation is extended to officials from the Ministry of Labour and Vocational Training and the National Institute for Statistics as well as the Cambodian Federation of Employers and Business Associations and trade unions. Special recognition goes to Chuop Narath, Deputy Director for the Department of Employment and Manpower, who served as the focal point in Cambodia for the tripartite consultations. Saint Lundy of the National Institute of Statistics graciously supplied reports and publications. Organization of the National Seminar on Employment Promotion in May 2007 was coordinated by Seng Sakda, Director-General of Labour, together with Hou Vudthy and Chuop Narath.

The initiative within the ILO began with the former Director of the Subregional Office for East Asia, Christine Evans-Klock, and continued under her successor, Bill Salter, with support from the Programme Officer for Cambodia, Suradee Bhadrasiri. ILO specialists who contributed to both the analysis and meeting were Skills Development Specialist, Anne Richmond; Senior Specialist for Employers' Activities, Anne Knowles; and Senior Specialist for Workers' Activities, Raghwan. Nelien Haspels, Senior Specialist in Gender and Women Worker Issues, reviewed the document from a gender perspective. Linda Deelen, Microfinance Expert, revised and updated the policy brief on enterprise development. Teng Channousphearyka of the ILO Joint Project Office in Cambodia helped to find useful documents in Phnom Penh. Karen Emmons provided editorial assistance.

The opinions expressed in this paper are solely the responsibility of the author and do not constitute an endorsement by the International Labour Office.

Socio-economic development and poverty reduction

Cambodia has made remarkable progress since the mid-1990s in promoting socio-economic development and reducing the incidence of poverty. However, the employment elasticity of economic growth has been relatively low, with output growing faster than job opportunities. Productivity growth has been slow in agriculture and services, resulting in inadequate incomes for a large number of Cambodian workers. Economic growth has been narrowly focused on garment manufacturing and the tourism sector. Most of the benefits from foreign trade have gone to urban enclaves.

Labour force participation, employment and unemployment

In 2004 Cambodia's labour force participation rate was 80 per cent for the population aged 15 years and older, with higher rates for men than women. A larger proportion of the population in the countryside than in cities was economically active. Just over four-fifths, or 82 per cent, of the employed population lived in rural areas. Three-fifths of workers relied on agriculture for employment and income. The large majority of Cambodians were employed as own-account workers or unpaid family workers. Only 20 per cent were paid employees. Many Cambodians had more than one job and worked long hours to earn enough for basic needs.

If the unemployed are defined as those who work less than one hour during a reference week and are both available and looking for employment, the measured unemployment rate was extremely low in 2004 at less than 1 per cent. However, the unemployment rate was higher for youth than adults, at 1.5 per cent and 0.6 per cent, respectively, in 2004. That year unemployment rates in Phnom Penh were 6.2 per cent for teenagers (aged 15–19 years) and 7.8 per cent for young adults (aged 20–24 years); youth accounted for 72 per cent of total unemployment in the capital city.

If the "relaxed" definition for unemployment (measuring those not working but available for work) is used instead of the "strict" definition (counting only those actively seeking employment), then the unemployment rate was significantly higher and quite alarming for young people in Phnom Penh, at 20.1 per cent in 2004 (27.8 per cent for teenagers aged 15–19 years and 16.6 per cent for young adults aged 20–24 years). The growing numbers of young people in need of job opportunities and appropriate skills will continue to be a challenge over the coming years. Unemployment of youth is a waste to the economy and society as well as to individuals.

Time-related underemployment

Although many Cambodians already work long hours, large numbers are available for additional employment. More men than women wanted more work in 2004. A larger share of workers in rural areas than in the capital city was available for additional employment, reflecting low earnings and the seasonal nature of work in the countryside. However, measures for time-related underemployment (counting those working less than a certain number of hours per week, such as 30 hours, and available and seeking additional work) were very low. The principal problem is probably not working hours but inadequate incomes, suggesting that steps must be taken to raise the productivity and earnings of the working poor.

Non-economic activities

Among the adult population, men spend on average more time each day on economic activities than women. But if time spent on household duties is factored in, the figures are

closer with women putting in more hours than men in a day. Girls and women are more likely to be out of the labour force because they are helping with housekeeping or caring for children. In 2004 a larger proportion of boys and men were not economically active because they were students.

Wages and earnings

There is not a good time series of wage statistics for Cambodia. However, data from household surveys show a steady increase in the share of paid employment in rural areas, which may reflect a rise in landless farmers or the emergence of off-farm jobs. The share of employees in Phnom Penh has fluctuated, depending on business conditions. Distributions in earnings show higher remuneration from paid employment than self-employment. Data collected on vulnerable groups reveal considerable variation in real earnings over the past few years.

Gender disparities

The Cambodian labour market has a number of distortions or disparities. This report looks at those related to gender differences, informal versus formal and domestic employment opportunities versus the external assistance sector. Girls and women do not have equal access to the education and training needed for better jobs. Labour force participation rates are lower for women than for men. Fewer women are in paid employment. Many are in sectors and occupations with lower pay. Larger shares of women than men are employed in sales jobs and as craft workers. Women working in rural areas are disadvantaged in terms of access to markets and services. Many women work in the informal economy.

Informal economy

While there is no official definition for the informal economy in Cambodia, it clearly provides employment and income to large numbers of workers. “Informalization” resulting from an increasing share of informal activities is occurring throughout the world including Cambodia. The informal sector is not the same as underground production and illegal activities. It is loosely defined as productive activities conducted by unincorporated enterprises in the household sector that are unregistered or are smaller than a specific size in terms of employment. Statistical measures of the “informal sector” focus on production units, while “informal employment” refers to job characteristics.

Employment policies for the informal economy should aim to improve the quality as well as the quantity of work. Statistics for status in employment are sometimes used to create a proxy measure for informal employment. According to the Cambodia Socio-Economic Survey 2004, 78 per cent of workers that year were either own-account workers or unpaid family workers. If agricultural activities are included in measuring the informal economy, countries and regions with a larger share of production and employment in agriculture will count greater percentages for the informal sector and informal employment. Excluding employment in agriculture puts the focus on informality rather than farming. Using the proxy measure for non-agricultural informal employment with data from the Labour Force Survey of Cambodia conducted in 2001 reduces the proportion to 18 per cent of the labour force. According to this same measure, women accounted for three-fifths of informal employment in industry and services.

External assistance sector

Another duality that has emerged is the division between the external assistance sector and other employment opportunities in the formal labour market. Cambodians with education and skills are generally paid more by foreign donors and international organizations than in government jobs or by national employers. Some public officials rely on supplementary funds in addition to their government salaries. This has been compared to distortions in relative prices and exchange rates resulting from a large inflow of foreign currency, sometimes called “Dutch disease.”

Education and training

One of the legacies of the tumultuous past is the low level of human capital. Improvements in literacy, education and training are essential for achieving decent work. While there has been significant progress in education for females, the enrolment rates for secondary school remain low, with considerable differences between rural areas and the capital city.

Children at work

Poverty continues to limit the opportunities for children and youth, with too many dropping out of school in order to work. By working, children in the poorest households add a larger share to family income than those in the richest ones. However, most child labour is not in paid jobs; children are typically employed as own-account workers or unpaid family workers making an economic contribution on family farms and in household enterprises. More working children are in seasonal, casual and part-time employment than in permanent jobs. Some are employed as child domestic workers. And large numbers live on the streets of Phnom Penh.

Labour migration

Internal mobility as well as international migration is an important labour market issue in Cambodia. Migration within the country has been increasing in recent years, with most movement from one rural area to another. However, Phnom Penh and the port area around Krong Preah Sihanouk[1] have the greatest concentration of migrants. Recent migration rates for young people are very high, especially for youth in their twenties. Many migrants move for employment-related reasons or to follow their families. Others have returned to their homes after being displaced by conflict or disaster. In the past decade, many young women from rural areas have found jobs in the garment factories of Phnom Penh, However, more than half of the female migrants in the labour force of urban areas in 2004 were employed in sales jobs or in farming and fishing.

Cambodia is both a sending and receiving country for international migration. Migrant workers travel through legal channels or irregular routes. Due to difficulties in measuring irregular flows, official statistics generally underestimate the total number of migrant workers. Higher earnings abroad together with poverty, landlessness and debt at home encourage Cambodians to migrate across borders. Many migrant workers end up self-employed operating their own business.

[1] Also called Kampong Som or Sihanouk Ville.

Poverty and inequality

When adjusted to allow for a comparison over time, government statistics show a drop in the poverty rate, from 47 per cent in 1994 to 35 per cent in 2004. Poverty has remained primarily a rural phenomenon, with the highest rates in remote areas. Cambodia's increasing inequalities are a concern, particularly because international experience points to a strong correlation between high levels of inequality and slow rates of economic growth and poverty reduction. A major challenge for Cambodia will be to improve the productivity and earnings of the working poor.

Rural poverty tends to be associated with a lack of protection for land titles. Landlessness has increased, with the rich holding a growing share of land. Urban poverty is linked to insecurity of employment and incomes. Poverty rates are lower among populations with greater literacy and higher education. Other sources of poverty are external shocks that affect both communities and individuals.

Employment as the way out of poverty

Employment is the principal route out of poverty. The quality as well as quantity of work is important, with "good jobs" providing adequate earnings. Most household income derives from returns to labour. Unemployment and inactivity are luxuries afforded mainly by rich households. There is a wide range of daily earnings even among the working poor. Studies show that variation and differentials in the incomes of motorcycle taxi drivers and unskilled construction workers, for example, can be attributed to market forces such as the supply of workers, the cost of production and the demand for products.

Employment by sector

Regarding sectors and subsectors of production in Cambodia, agriculture will continue to be the main source of employment and income for some time to come. Most employment in the agricultural sector is in rice production, and much of this is subsistence farming that relies on traditional techniques. Freshwater fishing has been significant for livelihoods. Garment production has dominated industrial employment and export production for the past decade. Construction jobs have also been considerable. Handicraft production have potential for creating significant employment. The tourism sector is another growing source of employment in trade, hotels and restaurants with annual international visitor arrivals reaching 1.4 million in 2005. There is potential for strengthening both forward and backward linkages for jobs and income associated with tourism. Retail trade can also offer better opportunities.

When implementing all aspects of the National Strategic Development Plan 2006–2010, the impact on employment should be considered, particularly because a large share of household income derives from labour earnings. This means that the Ministry of Labour and Vocational Training will want to collaborate with other agencies and social partners to maximize employment opportunities and improve the quality of jobs for the working poor.

Key challenges for employment policy

Building on consultations with the labour ministry, employers' organizations and trade unions, this report presents challenges and options in five areas: (i) skills for livelihoods and employability; (ii) enterprise development for job creation and increased productivity; (iii) improving links between domestic markets and the global economy; (iv) migration for employment in Cambodia and abroad; and (v) maximizing the benefits from oil and gas for decent work.

Skills for livelihoods and employability

In terms of policy development for livelihood skills, key challenges relate to the large numbers of working poor in rural areas. High levels of illiteracy, especially among older women in rural areas, are a barrier to expanding skills training. Compared with many countries in South-East Asia, the levels of educational attainment in Cambodia remain low, adding to the employment challenges. As is the case elsewhere in the region, a prevailing concern is the mismatch between the skills of those looking for work and the types of opportunities available in either paid jobs or self-employment. Skills that are needed include core work capabilities, such as basic communication skills. Despite progress in recent years, women are still at a considerable disadvantage in the labour market due to disparities in terms of their access and opportunities for education and training. Training is often delivered in centres not convenient for women who have the additional burden of unpaid work caring for a household and children. In some cases, training programmes still reinforce gender stereotypes in career choices. Many women work in the informal economy, while others seek opportunities for employment abroad, which puts them at greater risk of exploitation, violence and trafficking.

Training programmes will have to address the specific needs of target groups and offer greater access through such alternative approaches as mobile training units. Curricula and materials should be reviewed and revised to meet market demand. Training institutions also need to offer better services for job placement and self-employment. The National Training Board approved a National Technical and Vocational Education and Training Plan in March 2006 to address those and other issues. The plan proposes a two-track approach, with one providing skills training for the rural poor to help raise family incomes through higher farm productivity and self-employment opportunities. The other track is to confront the changing demands of enterprises in a global economy for a workforce that is skilled and adaptable.

Enterprise development for job creation and increased productivity

The second policy area for consideration is enterprise development for job creation and increased productivity. Greater support is needed for small businesses particularly within the informal economy as well as larger firms producing for domestic consumption or export markets. Some of the challenges are the legal and regulatory environment, the inadequacy of financial services, the demand for business development services, the role of employers' associations and the need to move informal employment along a continuum toward decent work in the formal sector. Policy options outlined in this paper address issues related to improved coordination, the business environment, local economic development, employers' organizations and the informal economy.

Improving links between domestic markets and the global economy

Improving links between domestic markets and the global economy is the third area for policy development. Reducing poverty in Cambodia necessitates linking the rural sector and informal economy to growth sectors in urban centres and international markets of the global economy. Key challenges are remote areas, property rights, basic infrastructure, bureaucratic inefficiency and the narrow base of economic activity. Policies will need to set priorities and assign responsibility for expanding employment opportunities through enforcing labour standards, developing physical infrastructure, improving market information, diversifying productive activities, strengthening economic linkages and promoting social dialogue.

Migration for employment in Cambodia and abroad

A fourth area for strengthening policies to secure jobs and income is migration for employment. Labour mobility has increased both within Cambodia and for employment abroad. This brings with it the challenges associated with maximizing the benefits of jobs, earnings and remittances while at the same time strengthening regular channels of migration to protect workers against the potential for exploitation and abuse. This report highlights several areas for attention including labour migration policy, bilateral agreements, anti-trafficking measures, improved information and capacity building for government officials and other stakeholders.

Maximizing the benefits from oil and gas for decent work

Another development that should be linked to providing more and better jobs is the huge potential of oil and gas reserves inside the territorial waters of Cambodia. A large increase in government revenue would bring with it tremendous opportunities for accelerating the pace of economic development and poverty reduction. But it also introduces a risk of the "resource curse" that has actually slowed growth in other countries. Some of the challenges will be to develop economic links between output and employment, maintain fuel security, address fluctuations in commodity prices, avoid price distortions, expand various employment opportunities beyond narrow job profiles and deal effectively with governance issues. The options outlined in this report centre on a vision for exploiting new resources and ensuring technical supervision of petroleum development accompanied by consultation and transparency. One suggestion is to set up a trust for training and jobs.

Priorities and strategies for promoting employment

The process of outlining priorities and strategies for improving the quality and quantity of jobs in Cambodia that this paper pursues is part of the follow-up to a tripartite workshop organized by the Ministry of Labour and Vocational Training in October 2005. Further consultations took place at a National Seminar on Employment Promotion in May 2007 that set the following priorities:

Skills for livelihoods and employability

- Improve training for the oil and gas industry
- Promote skills training for migrant workers
- Link skills training to job creation

Enterprise development for job creation and increased productivity

- Encourage and support entrepreneurs in setting up a business through "know how" and new technology
- Promote legal facilitation and further improvements in policies and procedures to establish transparency and improve governance
- Develop markets with improved linkages – both internal and external

Improving links between domestic markets and the global economy

- Improve infrastructure development
- Promote local products and raise domestic standards
- Improve trade facilitation and market information

Migration for employment in Cambodia and abroad

- Improve laws and policies to manage labour migration and reduce irregular migration
- Promote skills training for migrant workers
- Provide migrant workers with information about rights, procedures and services and compile information for monitoring labour migration

Maximizing the benefits from oil and gas for decent work

- Promote good management of policies for the oil and gas sector
- Strengthen rural infrastructure development
- Support human resources development
- Strengthen social protection

The national seminar also outlined a time frame and assigned specific tasks to responsible agencies. Plans included monitoring and evaluation. The recommendations put forward are the basis for developing an employment strategy. This report can serve as a source of information and ideas for the ongoing process of promoting employment in Cambodia.

Cambodia faces a number of challenges in implementing its National Strategic Development Plan 2006–2010. Given the links between economic growth, employment promotion and poverty reduction, there is a need to create jobs for new entrants to the labour force, raise productivity in agricultural production, improve competitiveness in international markets and diversify production to increase incomes and reduce vulnerability. As well, women and men will require access to skills. There is also a need to move employment along the continuum from informal to formal. Migration management should open channels to employment abroad while protecting migrant workers from abuse and exploitation. And in light of recent discoveries, some of the revenues from oil and gas should be used for vocational training and job creation. Progress toward a coherent and effective employment strategy will involve continued efforts on economic reforms and improved governance.

Certainly the Ministry of Labour and Vocational Training has been improving employment opportunities. Of prime importance has been the Rectangular Strategy, illustrated in Figure 1.1, that serves as a government tool and mission statement for achieving the Cambodian Millennium Development Goals and the National Poverty Reduction Strategy (NPRS). The National Strategic Development Plan 2006–2010 spells out the steps for implementing these strategies. The NPRS prioritizes creating productive employment opportunities and developing special employment policies for groups most in need. This reflects the participation of employers' organizations and trade unions in bringing their opinions to the public–policy forum in setting priorities for poverty reduction.

To implement the new National Strategic Development Plan, the Ministry of Labour and Vocational Training (MOLVT) will need to work closely with other ministries, agencies and institutions. After seeking technical support for developing an integrated employment strategy, the MOLVT organized a Tripartite Brainstorming on Training and Employment in October 2005 to discuss challenges and options. Participants from the Cambodian Federation of Employers and Business Associations and trade unions as well as the MOLVT agreed on priorities and strategies for policy and action. The participants recommended similar consultations to follow-up on their discussions.

This report was prepared as the basis for further consultations to identify clear objectives for employment policies under the National Strategic Development Plan 2006–2010. In doing so, it outlines the concrete actions, specific responsibilities and a time frame for achieving these goals that were agreed at the National Seminar on Employment Promotion organized in May 2007 involving a broad range of national participants and international organizations. It follows up on discussions at the tripartite workshop in October 2005 that focused on skills for livelihoods and employability, enterprise development for job creation and increased productivity, improving links between domestic markets and the global economy and migration for employment in Cambodia and abroad. Another section has been added on maximising the benefits from oil and gas for decent work.

Cambodia has made significant progress in fostering economic growth, promoting economic development, rebuilding national institutions, maintaining macroeconomic stability and creating a liberal investment climate after decades of isolation and conflict that destroyed much of its physical, social and human capital. Since the early 1990s, Cambodia has moved from conflict toward peace, from one-party politics toward a democratic system and from a subsistence-based economy toward an open-market economy.[2] That growth lifted many Cambodians out of poverty in the first decade of the transition. However, despite those achievements, substantial challenges remain: 35 per cent of the population lives below the poverty line, 15 per cent of the population is in extreme poverty and there is rising inequality in the distribution of per capita income and expenditure.[3]

Current efforts to address the socio-economic challenges to raise living standards and reduce poverty levels in Cambodia continue to confront the legacy left by a long period of civil strife and political instability. Government policies have not always reached many of the people who live outside of secure areas. Growth and development have been biased toward urban centres. Limited access to rural areas resulted from inadequate infrastructure for transport and communication. Progress in the countryside was interrupted and delayed by outbreaks of violence and clearing of landmines. A culture of smuggling has reduced revenues from trade.[4]

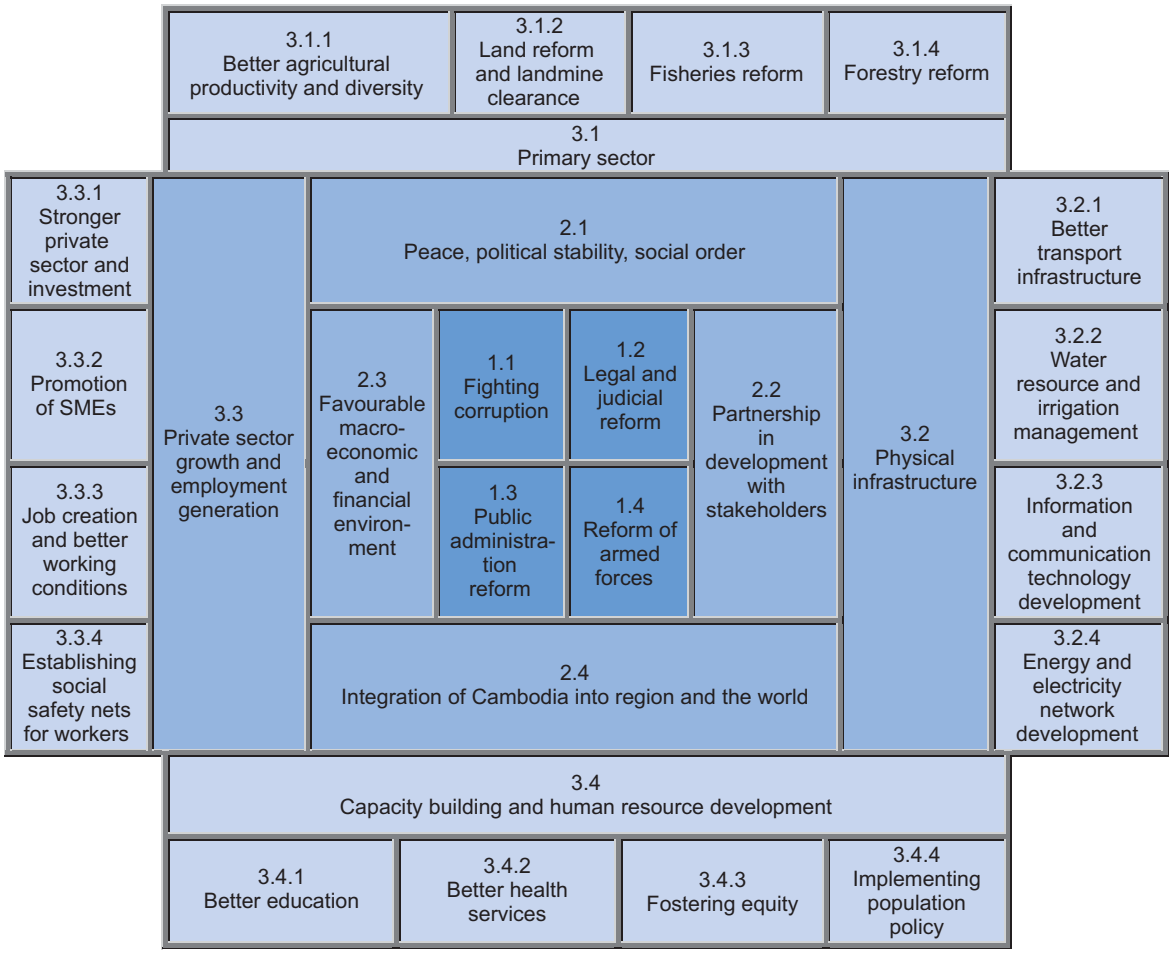
The structure of the population reflects the loss of young men under the Khmer Rouge rule in the late 1970s. The period of conflict took a heavy toll in terms of human resources as well as economic infrastructure.[5] According to the Cambodia Inter-Censal Population Survey 2004 there were just 94 males for every 100 females. The system of education was practically destroyed. The legacy of war and violence has also affected accountability and governance while at the same time bringing on donor dependence.

Moving ahead with reforms to achieve sustained socio-economic development, the government developed the “Rectangular Strategy” with four priorities: (i) improving agricultural investment; (ii) continuing rehabilitation and construction of physical infrastructure; (iii) promoting private-sector growth and employment generation; and (iv) supporting capacity building and human resource development.

Good governance forms the centre of the Rectangular Strategy as the most important prerequisite to sustainable development. Strategies for employment must extend to each of these priorities if Cambodia is to pull itself out of poverty and share the benefits of growth. The National Strategic Development Plan 2006–2010 assigns a high priority to poverty reduction. This will require “good jobs” with adequate earnings for the working poor and improved livelihoods in rural areas.

[2] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 6.
[3] United Nations and the Royal Government of Cambodia, *United Nations Development Assistance Framework 2006–2010*, p. 8.
[4] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 55.
[5] MOP, *Cambodia millennium development goals report 2003*, Prepared with funding from UNDP and Sida, Phnom Penh, Ministry of Planning, 2003, p. 5.

Figure 1.1: Rectangular strategy



Economic growth

Recent growth has been narrowly based on garments and tourism.

Economic growth in Cambodia, averaging 7.1 per cent per annum from 1994 to 2004, has been largely attributed to the ending of conflict and the opening of the economy to trade and investment.[6] Since the 1993 elections, Cambodia has been moving toward macroeconomic stabilization and structural reforms. There has been significant progress in implementing a macroeconomic framework aimed at achieving economic growth and sustainable development. The framework has focused on maintaining macroeconomic stability, strengthening financial institutions, implementing fiscal reforms, managing public investment, building physical infrastructure and developing human resources.[7] However, recent growth has been narrowly based on garment manufacturing and the tourism sector.

Table 2.1: Sources of economic growth, 1994–2004

	Agriculture	Industry	Services	Taxes less subsidies	GDP
Share of GDP					
1994	45.9	13.6	35.4	5.4	100.0
2004	30.9	28.9	34.4	6.7	100.0
Average 1994–2004	38.8	20.1	36.0	5.9	100.0
Annual percentage change					
1994	9.9	14.2	0.6	80.8	9.2
2004	-2.0	16.1	9.2	15.7	7.7
Average 1994–2004	3.4	15.4	6.1	16.2	7.1

Source: The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Table 4.1, p. 57.

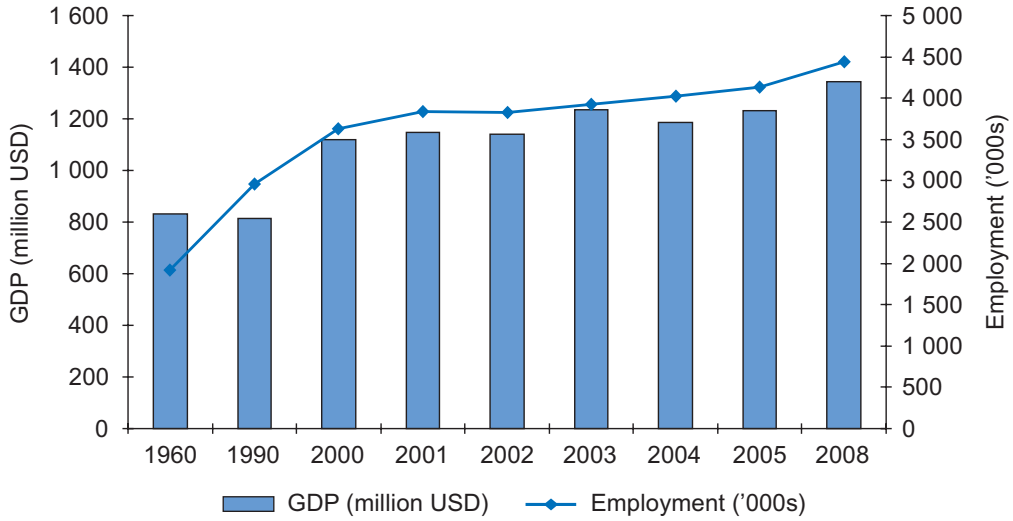
Growth in agriculture has been slow and sporadic.

Agricultural production grew at an annual average of 3.4 per cent from 1994 to 2004. But growth was sporadic, particularly in rice production. During the same period, the share of gross domestic product (GDP) dropped from 46 per cent to 31 per cent. The contribution of agriculture to growth has been largely through additional inputs of land and labour with only small improvements in productivity.[8] Various measures of agricultural productivity are very low.[9] There has been a gradual increase in the value of production – except in rubber and forestry. Economic Institute of Cambodia (EIC) projections show that the main contributions to GDP in agriculture will continue to be from rice, other crops and fishing. However, agriculture is vulnerable to weather conditions, such as severe flooding in 2000 followed by widespread drought in late 2004 and early 2005. There is currently concern that avian influenza or “bird flu” might have a serious impact on agricultural output in the

[6] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 55.
[7] MOP, *Cambodia millennium development goals report 2003*, Prepared with funding from UNDP and Sida, Phnom Penh, Ministry of Planning, 2003, p. 7.
[8] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 60.
[9] These include crop yields, value-added per worker and profit per hectare. The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. viii.

near future. A World Bank assessment identified binding constraints for agricultural production related to property rights, physical infrastructure, human capital and state capacity.[10]

Figure 2.1: Estimates and projections for GDP and employment in agriculture, 1960–2008



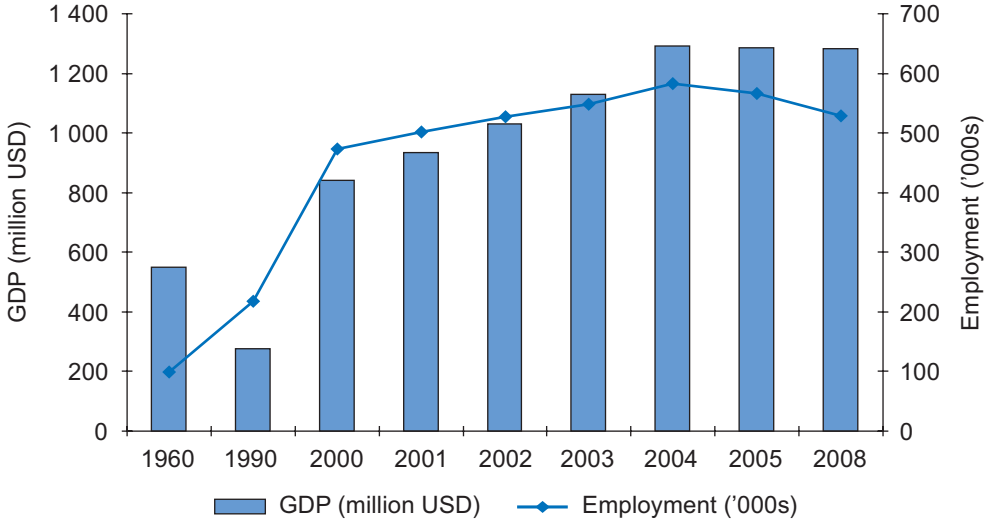
Note: GDP at constant 2000 prices.
Source: EIC, *Cambodia Economic Watch,* Phnom Penh, April 2005.

The industrial sector has been the main engine of economic growth despite predicted setbacks in recent years.

The industrial sector has been the main engine of growth, with annual increases averaging 15.4 per cent from 1994 to 2004. The share of industry in GDP doubled from 14 per cent to 29 per cent over the same period. The dominant subsectors are manufacturing and construction. Garment production grew rapidly after the United States granted Cambodia most-favoured nation status and accompanying trade advantages in 1996 and certain exemptions through the Generalized System of Preferences in 1997 creating jobs and incomes for many Cambodians. Despite projections by the EIC in Figure 2.2 the garment sector has survived the ending of trade protection through quotas offered by the Multi-Fibre Agreement in January 2005, thanks to the European Union and United States offering safeguards against exports from China. However, it is not clear what will happen when that arrangement concludes in 2008.

[10] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. x.

Figure 2.2: Estimates and projections for GDP and employment in industry, 1960–2008

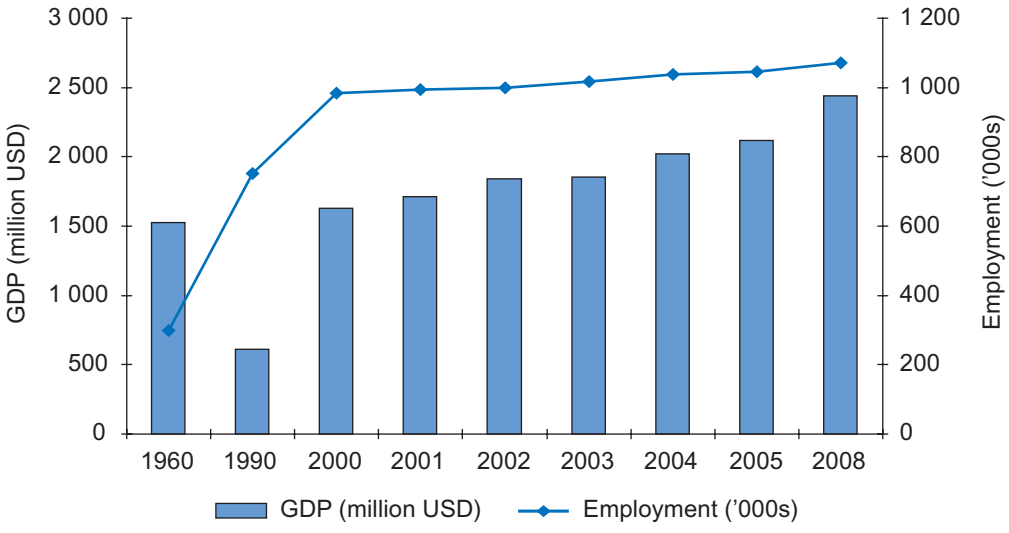


Note: GDP at constant 2000 prices.
Source: EIC, *Cambodia Economic Watch,* Phnom Penh, April 2005.

While the share of services in GDP has not increased, growing numbers of foreign visitors to Angkor Wat and Phnom Penh have created job opportunities in the tourism sector.

The service sector grew at an annual average rate of 6.1 per cent from 1994 to 2004. The output share of services slightly contracted during that time from 35 per cent in 1994 to 34 per cent in 2002 due to the expansion of industry. However, the value of production in major subsectors continues to show an upward trend. The popularity of Angkor Wat and Phnom Penh among foreign visitors will keep the tourism sector growing, boosting the value added by hotels and restaurants.

Figure 2.3: Estimates and projections for GDP and employment in services, 1960–2008



Note: GDP at constant 2000 prices.
Source: EIC, *Cambodia Economic Watch,* Phnom Penh, April 2005.

Table 2.2: Estimates and projections for GDP and employment, 1960–2008

	1960	1990	2000	2001	2002	2003	2004	2005	2008
Agriculture									
GDP (million USD)	833	814	1 120	1 149	1 139	1 235	1 186	1 233	1 343
Employment ('000s)	1 922	2 962	3 625	3 839	3 823	3 923	4 027	4 136	4 445
Industry									
GDP (million USD)	549	275	840	934	1 031	1 130	1 291	1 285	1 282
Employment ('000s)	99	218	473	501	527	549	583	567	529
Services									
GDP (million USD)	1 528	612	1 631	1 714	1 838	1 857	2 019	2 121	2 440
Employment ('000s)	299	752	984	993	998	1 018	1 037	1 045	1 071
Total									
GDP (million USD)	2 910	1 701	3 591	3 797	4 008	4 222	4 497	4 639	5 065
Employment ('000s)	2 320	3 932	5 082	5 333	5 348	5 490	5 647	5 748	6 046

Note: GDP at constant 2000 prices.
Source: EIC, *Cambodia Economic Watch,* Phnom Penh, April 2005.

Employment elasticity

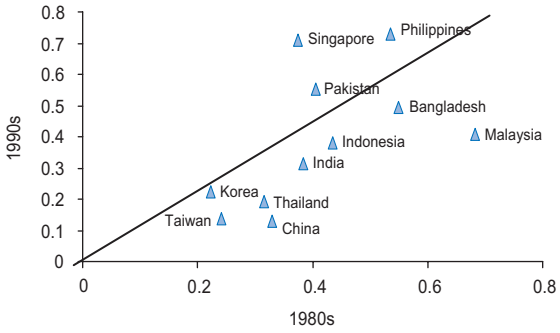
The employment elasticity of Cambodian growth has been relatively low.

Calculating elasticity for the growth of employment with respect to the growth of output is a shorthand method for looking at how the economy is creating jobs. Data calculated by the Economic Institute of Cambodia under an ILO–United Nations Development Programme (UNDP) project showed that between 1994 and 2004, the economy grew at an average rate of 6.8 per cent but employment increased by only 3.3 per cent, resulting in an elasticity measure of just 0.5. This is lower than for other countries, which have measures of elasticity in the 0.6–0.7 range and have been more successful in creating large numbers of new jobs alongside economic growth. But Cambodia's situation is consistent with the reality that economic growth has become less labour intensive in Asia.[11]

Table 2.3: Employment elasticity in selected Asian countries, 1980s and 1990s

	1980s	1990s
Bangladesh	0.550	0.495
People's Republic of China	0.330	0.129
Indonesia	0.435	0.379
India	0.384	0.312
Republic of Korea	0.223	0.225
Malaysia	0.683	0.406
Pakistan	0.406	0.553
Philippines	0.535	0.731
Singapore	0.375	0.711
Thailand	0.315	0.193
Taiwan, China	0.242	0.139

Per cent Increase in Employment associated with a 1 per cent point increase in GDP



Sources: Jesus Felipe and Rana Hasan, *The challenge of job creation in Asia,* ERD Policy Brief Series No. 44, ADB, April 2006, p. 1; and François Bourguignon, "Employment and development: Good jobs and bad jobs," Presentation at the ILO, Geneva, 3 July 2006.

[11] François Bourguignon, "Employment and development: Good jobs and bad jobs", Presentation at the ILO, Geneva, 3 July 2006.

Driven by garment exports, the rapid growth of Cambodia's industrial sector has not boosted overall employment enough to raise the aggregate measure for employment elasticity. Although garment production is labour intensive, it accounts for a small proportion of total employment. Slow growth of the service sector did not produce enough jobs to make a significant contribution to employment growth. And while the agricultural sector generates employment for the Cambodian workforce, many of the jobs are characterized by low productivity. Large proportions of women and men living in rural areas and working in the agricultural sector are living in poverty.

Table 2.4: Output growth, employment growth and the employment elasticity of growth, 1994–1997, 1998–2004, 1994–2004

	1994–1997	1998–2004	1994–2004
Aggregate output growth rate	**6.3**	**7.1**	**6.8**
Agriculture	5.0	2.5	3.4
Industry	13.6	16.4	15.4
Services	5.3	6.6	6.1
Aggregate employment growth rate	**2.9**	**3.4**	**3.3**
Agriculture	2.7	2.6	2.6
Industry	6.7	10.3	9.0
Services	2.7	3.5	3.2
Aggregate elasticity	**0.465**	**0.484**	**0.477**
Agriculture	0.532	1.025	0.764
Industry	0.492	0.626	0.583
Services	0.507	0.539	0.529

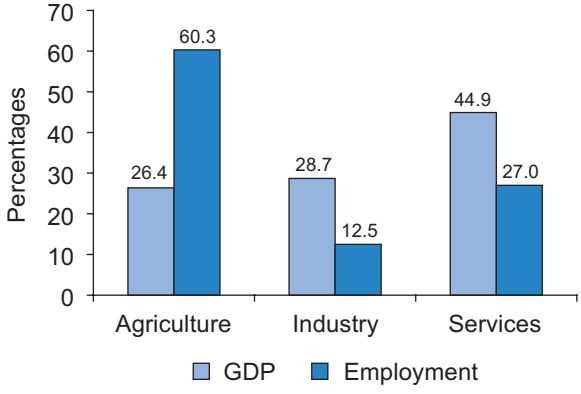
Note: Calculations based on output data from the NIS National Accounts and employment statistics from the EIC GEM (2006-05-17).

Source: Neak Samsen and Dourng Kakada, *Studies on economic growth, employment and poverty reduction: The case of Cambodia,* (forthcoming), EIC, Paper produced under an ILO-UNDP project on economic growth, employment and poverty reduction in Asia, Phnom Penh, 22 May 2006.

Labour productivity

On the flip side of employment elasticity is labour productivity, which measures real output per labour input. Between 1994 and 2004, labour productivity grew by 24 per cent. Overall, productivity growth was significantly faster during the second period (1998–2004) at 31 per cent than in the first period (1994–1997) at 5 per cent. Some recent studies showing a decline in growth of output per worker across all three major sectors suggest the need for future research in Cambodia.[12]

Figure 2.4: GDP and employment by sector, 2004



Sources: NIS, Cambodia Socio-Economic Survey 2004 and EIC: *Cambodia Economic Watch,* April 2005.

[12] ILO, *Labour and social trends in ASEAN 2007: Integration, challenges and opportunities,* ILO Regional Office for Asia and the Pacific, Bangkok, 2007, p. 36.

Productivity growth has been low in agriculture and services.

Given the measures for employment elasticity, it is not surprising that the fastest growth of productivity from 1994 to 2004 was in industry, at 46 per cent and followed by services at 18 per cent. Growth of productivity in agriculture in the same period was slower, at 9 per cent. Table 2.5 illustrates with indexes calculated by the Economic Institute of Cambodia.

Table 2.5: Indexes for productivity growth, 1994–1997, 1998–2004, 1994–2004
(1993 = 100)

	1994–1997	1998–2004	1994–2004
Agriculture	108	110	109
Industry	116	156	146
Services	105	124	118
Total	109	131	124

Note: Calculations based on output data from the NIS National Accounts and employment statistics from the EIC GEM (2006-05-17).

Source: Neak Samsen and Dourng Kakada, *Studies on economic growth, employment and poverty reduction: The case of Cambodia,* (forthcoming), EIC, Paper produced under ILO-UNDP project on economic growth, employment and poverty reduction in Asia, Phnom Penh, 22 May 2006.

Despite fairly steady economic growth, the macroeconomic framework established under International Monetary Fund (IMF) guidance has not resulted in a substantial reduction in poverty. Growth has relied on foreign investment that may not be sustainable in the long run, pointing to the need for greater domestic investment. The IMF-imposed tight monetary and fiscal policies have, however, reduced the inflation rate and increased investor confidence. In this regard the "dollarization" of the economy has also been beneficial with over 95 per cent of bank deposits and loans in United States dollars.[13]

Poverty reduction

Progress in improving human capital will have limited impact on poverty reduction unless accompanied by an expansion of investment and jobs.

A UNDP report published in 2004[14] warns that the stabilization package that has produced stability may become deflationary over a longer period. Although sectoral policies have begun to address some of the deficiencies in education and health, the report suggests that progress in improving human capital will have limited impact on poverty reduction unless it is accompanied by an expansion of investment and jobs. However, demand-expansion policies may be somewhat constrained by Cambodia's historical legacy and the structural adjustment programme.[15] According to the World Bank report *Poverty Assessment 2006,* the reduction of poverty has been unequal across Cambodia. Key challenges for reducing poverty and inequality are market fragmentation, weak institutions and outside shocks.[16] These are outlined in the National Strategic Development Plan

[13] IMF, *Cambodia: Selected issues and statistical appendix,* IMF Country Report No. 07/291, August 2007, p. 24.

[14] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004.

[15] Ibid., p. 16.

[16] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 58.

2006–2010, which points to successes and weaknesses in meeting the Cambodian Millennium Development Goals listed in Box 2.1.

Box 2.1: Major achievements and critical shortfalls in meeting the Cambodian Millennium Development Goals

Achievements	Shortfalls
• Significant improvements in poverty rates in urban areas and more accessible rural areas • Expansion of primary education to more children • Significant reduction in mortality rates for both infants and under-five year olds • Improved immunization against major childhood diseases • Improved breastfeeding rates • Reduction of gender disparity in most areas especially in primary education, adult literacy and wage employment in agriculture and industry • Noteworthy reduction of communicable diseases, especially HIV/AIDS • Improved urban access to safe water and rural access to improved sanitation	• High rural poverty rates • Failure to increase net enrolments at higher levels and achieve high survival rates at all levels of education • Limited progress in achieving the goals of universal nine-year basic education particularly those beyond primary education • Gender disparity in secondary and tertiary education • Persistent high levels of domestic violence against women • Access to quality health services especially in case of women and maternal health • Environmental degradation, especially forest depletion and water resources • Persistence of high human casualties from landmines and UXOs

Source: *National Strategic Development Plan 2006–2010,* Phnom Penh, December 2005, Table 3.1, p. 28.

Monetary and fiscal policy

The effectiveness of monetary policy has been reduced by a number of factors, including weak financial markets. The heavy reliance on US dollars in the day-to-day business of Cambodia also has limited the use of both monetary policy and exchange rates in stabilizing the economy and promoting growth. The IMF imposed tight monetary and fiscal policies under its Poverty Reduction Growth Facility. There is a widening gap between urban areas, with their dollar economy, and rural areas where monetary transactions still are made with the Cambodian *riel*.

As noted in the 2004 UNDP report, the dollarized economy has had substantial benefits.[17] It has contributed to economic development and poverty reduction by increasing monetary transactions, preventing capital flight, reducing the risk of currency devaluation and increasing the level of international integration.

There are arguments for stimulating more broad-based growth with monetary sovereignty. More specifically, the 2004 UNDP report calls for measures to stimulate domestic demand, reform the banking system and financial services, increase bank savings through education campaigns and gradually lessen the dollarization of the economy. To reduce

[17] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004.

poverty, the report argues, "policies need to support economic integration of the rural areas into the national market, in particular, by supporting higher growth that is more equitably distributed – which means more employment opportunities, increased banking intermediation and a reduced gap between rich and poor."[18]

Monetary policy is limited by the dollarized economy; fiscal policy depends on foreign aid.

The limited domestic resource mobilization restricts the effectiveness of fiscal policy and leaves Cambodia dependent upon concessional donor finance, raising concerns about debt-service ratios. There is also a risk that the economy will fall into a low-level equilibrium trap if private-sector development does not remain the primary growth engine. Thus, the benefits of donor aid must be balanced against the costs in terms of social expenditure on education and health. More specifically, these expenditures should not come at the expense of investment and jobs related to agricultural production and rural development.

Another concern about public expenditure is the considerable distortion that the foreign aid produces. While public sector salaries are very low, government jobs have been used as a springboard to obtain supplementary income from secondary jobs financed with donor assistance. Concessional loans for government projects leave less incentive to implement financial reform and increase financial sovereignty.[19]

There has been inadequate emphasis on investment and jobs in rural areas.

Key issues in current policy documents relate to the efficiency of revenue collection and effectiveness of public expenditure. Priority is assigned to governance. Much of the pro-poor focus of the strategic documents produced in preparation for drafting the National Strategic Development Plan 2006–2010 was on selected sectors rather than on demand management. This included priorities for education and health. The 2004 UNDP report notes that there was not enough attention to the pro-poor impact of fiscal policies leading to inadequate emphasis on investment and jobs in rural areas – agricultural production and off-farm activities. There are some exceptions, reflected in the importance accorded to decentralization, participation and infrastructure. And government officials have recognized the necessity to develop rural areas where the vast majority of Cambodians live and work, including the need for expansion of employment opportunities, rural roads and agricultural inputs.[20]

Trade liberalization

Most of the benefits from foreign trade have gone to urban enclaves.

The Cambodian economy has reaped many rewards from the trade liberalization combined with the dollarized economy. This is evidenced by the expansion of export revenues and the balance on current account. However, most of the benefits from trade have gone to urban enclaves rather than to rural areas due to the narrow range of export products and the large contribution of garment production with limited links to domestic

[18] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, pp. 17–18.
[19] Ibid., p. 19.
[20] Ibid., p. 20.

production. An estimated 63 per cent of the gross value of garment exports is imported inputs, with only 4 per cent sourced locally and consisting primarily of utilities.[21] Tourism around Angkor Wat in Siem Reap has begun to stimulate the local economy. But for trade to create jobs that benefit the poor throughout Cambodia, constraints to the development of markets and the diversification of production in the countryside must be eliminated.[22]

Financial liberalization

Due to the perceived high cost and greater risk of lending to rural areas, most banks do not receive *riel* deposits. The result is that financial resources are limited to the dollarized economy in urban areas, with formal financial intermediation unavailable in rural areas. Market fragmentation has resulted in excess liquidity in the banking system.

There is a need to strengthen financial services in rural areas.

There are some financial services in rural areas reaching out to entrepreneurs in small businesses or in the informal economy. But the microfinance schemes are making slow progress in opening opportunities for income and employment. Expanding formal intermediation will require changes in the policy environment, information flows and the legal framework. Access to formal credit also depends on land titles, farm size, market access and human capital, among other factors.[23]

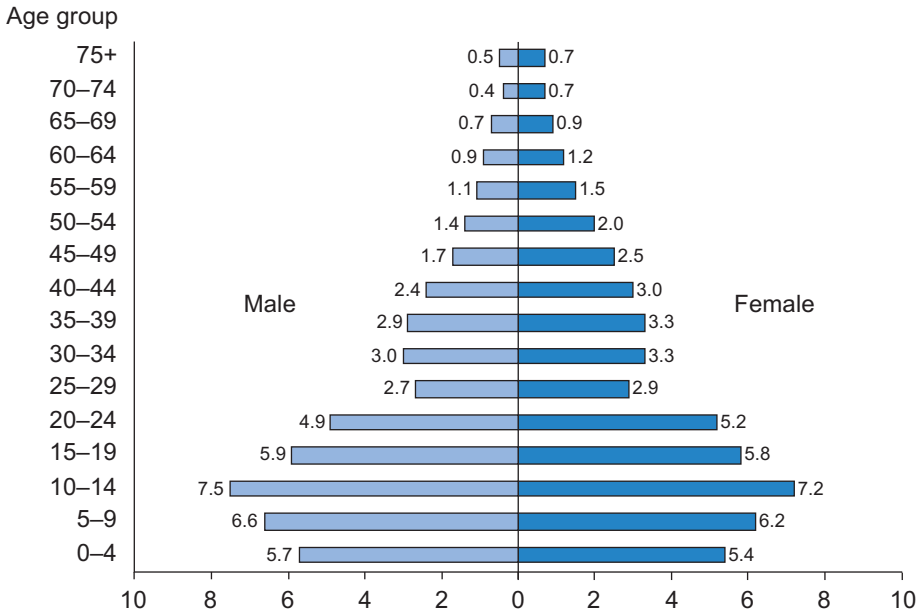
[21] Ibid., p. 64.
[22] Ibid., pp. 20–21.
[23] Ibid., pp. 22–23.

Labour statistics are very much affected by the concepts and definitions used to define the labour force. Unfortunately, there is not a consistency of definitions in Cambodia, with different sources using different measures. As the following explains, comparability depends upon, among other things, age groups and reference periods.

3.1 Population structure

Because of the Khmer Rouge turmoil, there were far fewer births during the late 1970s and early 1980s. When illustrated in a population pyramid for 2004, the age structure shows a gap for the age group in their late twenties. Between the population census in 1998 and the inter-censal survey in 2004, the population increased from 11.7 million to 13.1 million – an annual rate of 1.8 per cent.[24] According to the latest Cambodia Socio-Economic Survey (CSES), the sex ratio of males to females was 94 to 100, with girls and women accounting for 51.7 per cent of the population in 2004.[25] And yet for children 0–14 years, boys outnumber girls by 106 to 100.

Figure 3.1: Population pyramid, 2004



Source: NIS, Cambodia Inter-Censal Population Survey 2004, General report, Phnom Penh, November 2004, Figure 2, p. 13.

Large numbers of young people are entering the labour market.

Cambodia has a large proportion of young people; 39 per cent of its population in 2004 was younger than 15 years, though that share has fallen from 1998 when it was 43 per cent. By 2004 the dependency ratio, showing children and the elderly as a percentage of the intermediate group of working age, was 74 per cent.[26]

Large numbers of young people are entering the labour force as a result of a baby boom in the mid to late-1980s. Measures must be taken to ensure that youth do not exacerbate problems of rural underemployment or urban unemployment; instead, productive employment must be created so that the young people can contribute to growth and development.

[24] NIS, *Cambodia Inter-Censal Population Survey 2004, General report*, Phnom Penh, November 2004, p. 9.
[25] Ibid., p. 12.
[26] Ibid., p. 16.

Table 3.1: Percentage distribution of the population by broad age groups, 2004

Age group	1998 Census	2004 CIPS
0–14	42.8	38.6
15–49	46.9	49.5
50–64	6.8	8.0
65+	3.5	3.9

Source: NIS, *Cambodia Inter-Censal Population Survey 2004, General report*, Phnom Penh, November 2004, p. 15.

3.2 Labour force participation

There are several surveys that produce statistics for the economically active population. For the most part, these follow international standards but use different concepts: (i) *usual status* over a longer reference period of the past year or (ii) *current status* over a shorter reference period of one week. In addition to differences in these two concepts considerable discrepancies arise from using different age groups. Data for Cambodia are variously presented for 7 years and older, 10 years and older, and 15 years and older. Given the fact that children are less likely to be economically active, the selection of the age group can make a substantial difference in terms of the measurements for labour force, employment and unemployment. In some cases, the published statistics include separate tabulations for different age groups that allow for comparisons.

Table 3.2: Reference periods and age groups for different surveys

Survey	Reference period	Age group
Labour Force Surveys of Cambodia 2000 and 2001	Current status in reference week	10+
Cambodia Inter-Censal Population Survey 2004	Usual status over past year	7+
Cambodia Socio-Economic Survey 2004	Current status in reference week and usual status over past year	10+

According to the Cambodia Socio-Economic Survey, 7.6 million people aged 10 years and older out of 10.1 million participated in the labour force in 2004. There were slightly more males (3.8 million) than females (3.7 million) in the labour force, although overall males (4.8 million) accounted for a smaller share than females (5.3 million) in the population aged 10 years and older.

Table 3.3: Labour force participation rates for the population aged 10+ by area and sex, 2004

	Cambodia	Phnom Penh	Other Urban	Rural
Total	74.6	60.8	69.5	77.0
Male	78.9	65.1	73.1	81.4
Female	70.7	56.7	66.0	73.0

Note: These data refer to current status during the reference week.
Source: NIS, Cambodia Socio-Economic Survey 2004.

Alternative definitions of the working age can lead to large differences in measured rates of labour force participation.

The labour force participation rates show the working age population that is either employed or unemployed as a percentage of the total population in the same age group. It measures the supply of human resources available for productive activity. In 2004, the labour force participation rate for the working age population of 10 years and older was 75 per cent, with greater rates for males (79 per cent) than females (71 per cent). As would be expected because of school enrolment, a smaller proportion (48 per cent) of the population aged 10–14 years was in the labour force.

Thus it may be more realistic to use participation rates for the population aged 15 and older. In 2004, the labour force participation rate for this group was 80 per cent for both sexes (86 per cent for males and 76 per cent for females).

Table 3.4: Labour force participation rates for population aged 10+ by sex, 2004

Age	Total	Male	Female
Population 10+ years	74.6	78.9	70.7
Population 15+ years	80.4	85.9	75.5

Source: NIS, Cambodia Socio-Economic Survey 2004 in San Sy Than, *Economically active population Cambodia 2004,* Draft, 8 July 2005.

Labour force participation rates are higher for males than females in all age groups except teenagers.

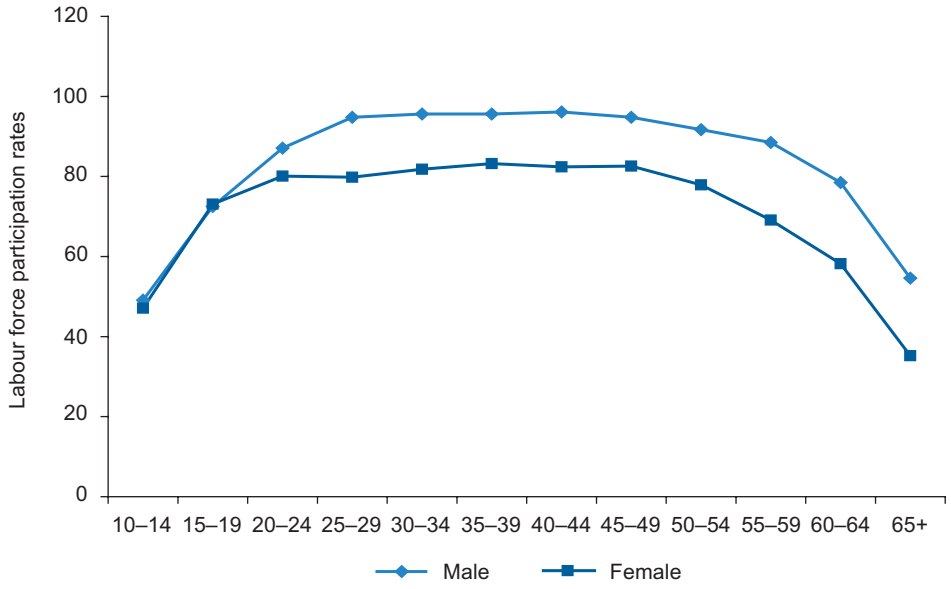
Age-specific labour force participation rates show that the differences by sex are not great among children and teenagers. According to the CSES data, a larger proportion of boys than girls aged 10–14 was economically active in 2004. The labour force participation rate for teenagers was slightly greater for young women than young men. However, the rates are higher for males than females in all other age groups. Overall, labour force participation rates are greater in rural areas, where people are likely to have worked at least one hour during the week preceding the survey even during the off-season.

Table 3.5: Age-specific labour force participation rates by sex, 2004

	Total	Male	Female
10–14	48.1	49.1	47.1
15–19	72.8	72.5	73.1
20–24	83.6	87.1	80.1
25–29	87.0	94.8	79.8
30–34	88.4	95.6	81.8
35–39	89.1	95.6	83.2
40–44	88.7	96.1	82.4
45–49	87.8	94.8	82.6
50–54	83.5	91.7	77.9
55–59	77.3	88.5	69.1
60–64	66.7	78.5	58.2
65+	43.2	54.6	35.2
Total	74.6	78.9	70.7

Source: NIS, Cambodia Socio-Economic Survey 2004.

Figure 3.2: Age-specific labour force participation rates by sex, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004.

Covering the population aged 7 and older, the Cambodia Inter-Censal Population Survey 2004 compiled data for economic activity based on usual status for six months or more.[27] The data have been categorized by age group, urban–rural residence and sex. According to the findings, the participation rates for teenage boys and girls are about the same. However, among the age group of 20–24 years, females (78 per cent) are more likely to be economically active than males (74 per cent), reflecting the fact that they are less likely to continue their education, choosing instead to engage in household production or wage labour. Activity rates are higher for men than women among all adults aged 25 and older. And the rates are higher in rural areas than in urban areas.

Table 3.6: Age-specific activity rates over the past year by urban–rural residence, age and sex, 2004

Age group	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
7–9	4.8	5.1	4.4	1.0	0.9	1.1	5.3	5.7	4.9
10–14	22.4	22.8	22.0	9.4	8.3	10.6	24.5	25.2	23.8
15–24	75.7	73.7	77.6	58.4	57.3	59.4	79.2	76.9	81.4
25–34	94.2	98.5	90.3	85.3	96.1	75.3	96.0	99.0	93.2
35–44	95.0	99.3	91.4	87.5	98.6	77.6	96.5	99.5	94.0
45–54	93.6	98.3	90.5	84.9	96.2	76.3	95.4	98.7	93.1
55–64	83.9	93.7	76.7	69.6	82.3	60.7	86.2	95.5	79.4
65+	43.4	60.6	31.8	30.9	50.2	18.0	45.3	62.1	33.9
Total 7+	65.5	66.4	64.6	56.5	60.3	52.9	67.1	67.5	66.8

Source: NIS, Cambodia Inter-Censal Population Survey 2004 in NIS, *Statistical Yearbook 2005,* Table 20, p. 91.

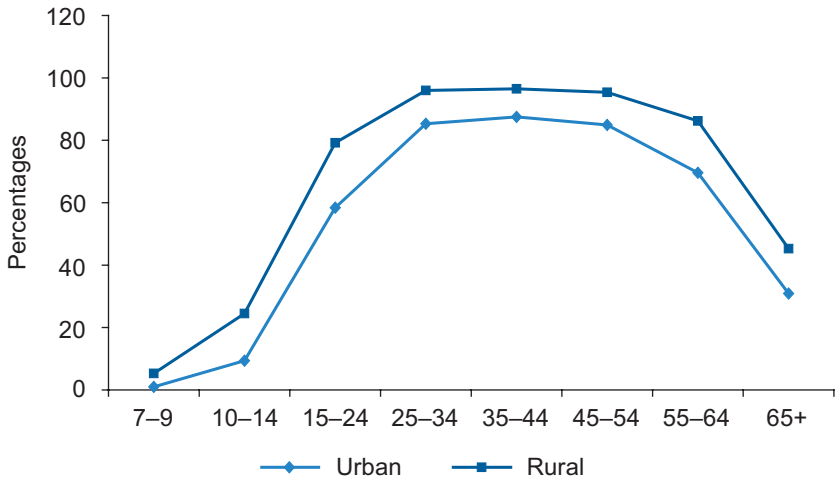
[27] The common practice is to count a person as employed if he or she worked more than six months. If not employed, the respondents are counted as unemployed if they are available and looking for work. Following that is categorizing of the respondent as a homemaker, student, dependant, retired or other. However, the Cambodia Inter-Censal Population Survey does not consider persons whose main activity over the previous 12 months was "student" as economically active. Thus, a student who is working or seeking work is not counted as employed or unemployed. NIS, Cambodia Inter-Censal Population Survey 2004, *Analysis of CIPS results, Report 3, Labour force and employment*, Sponsored by the United Nations Population Fund, September 2005, p. 9.

Activity rates are higher in the countryside than in the city.

Another labour market indicator is the employment-to-population ratio showing the extent that the working age population is actually engaged in the production of goods and services. This indicator measures the capacity of the economy to employ its workers. The CSES figures show that 74 per cent of the population aged 10 years and older was employed in 2004 (79 per cent of females and 71 per cent of males).

The inactivity rate is the mirror image of the labour force participation rate. It is often presented to highlight the proportion of the working age population not available for the production of goods and services. According to CSES data, 25 per cent of the population aged 10 years and older was neither working nor seeking work in 2004. The percentage was lower for males (21 per cent) than females (29 per cent).

Figure 3.3: Activity rates, by urban–rural residence and age, 2004



Source: NIS, Cambodia Inter-Censal Population Survey 2004 in NIS: *Statistical Yearbook 2005,* Table 20, p. 91.

3.3 Employment profile

Most employment continues to be in rural areas.

Again according to data from the Cambodia Socio-Economic Survey, 7.5 million people aged 10 years and older were employed in 2004; of them, 3.8 million were male and 3.7 million were female. Women represented 49 per cent of the employed in Cambodia. A total of 6.2 million, or 82 per cent, worked in rural areas. Of them, 3.1 million were female, accounting for 50 per cent of the employed population in the countryside.

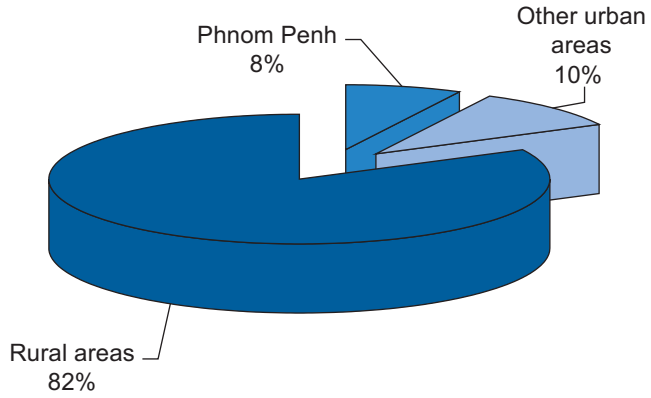
Table 3.7: Employment, by sex among persons aged 10+ years, 2000 and 2004

	Total	Male	Female
Labour Force Survey of Cambodia 2000	5 275 177	2 538 013	2 737 164
Cambodia Socio-Economic Survey 2004	7 495 601	3 793 291	3 702 307

Source: NIS, Labour Force Survey of Cambodia, November 2000, and NIS, Cambodia Socio-Economic Survey 2004.[28]

[28] CSES 2004 in San Sy Than, *Economically active population Cambodia 2004*, Draft, 8 July 2005.

Figure 3.4: Distribution of employed population aged 10+ years by geographical area, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004.

Industrial classification

Given the proportion of women and men working in the countryside, it is not surprising that 60 per cent of employment is classified in agriculture, hunting, forestry and fishing. Yet the agricultural sector accounted for only 31 per cent of GDP in 2004. This indicates low productivity and low incomes, with a large number of the employed population among the working poor. Industry accounted for 13 per cent of employment and 29 per cent of GDP. And the service sector absorbed 27 per cent of the employed population, contributing 34 per cent of final output.

Table 3.8: Distribution of employment among persons aged 10+ years by sector, 2004

	Total	Male	Female
Agriculture	60.3	61.4	59.2
Industry	12.5	11.7	13.4
Services	27.2	26.9	27.4
Total	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004 in San Sy Than, *Economically active population Cambodia 2004*, Draft, 8 July 2005.

Three-fifths of workers rely on agriculture for employment and income.

For Cambodia as a whole in 2004, women were the majority of those employed in agriculture, manufacturing, trade and hotels and restaurants, while more men than women worked in other sectors. Most workers in fishing, utilities, construction, transport and defence were men. Two-thirds of all employed persons in rural areas worked in agricultural jobs. Trade dominated employment in Phnom Penh. In other urban areas, 34 per cent of the employed were working in agriculture, followed by 25 per cent in trade.[29]

[29] Ibid.

Occupational categories

It is not surprising that the occupation of three out of five workers is farmer or fisherman.

Occupational classifications for labour statistics refer to the type of work, trade or profession performed. The CSES showed that of the employed population aged 10 years and older in 2004, three-fifths (62 per cent) were workers skilled in agriculture and fishing. As would be expected, the proportion was higher in rural areas (70 per cent). Another 12 per cent were sales workers, 6 per cent were craft workers and 8 per cent were employed in elementary occupations, including vendors, cleaners and production workers in farming and manufacturing. Women represented the majority of sales workers (67 per cent) and craft workers (55 per cent).

Data for Phnom Penh showed a larger proportion of legislators, officials, managers and professionals (17 per cent) than for Cambodia as a whole (4 per cent). Likewise, the proportion of technicians and clerks was higher in the capital city (3 per cent) than for the whole country (less than 1 per cent). While sales accounted for 12 per cent of employment nationally, it was the principal job of 33 per cent of the employed population of Phnom Penh.[30]

Status in employment

The International Classification of Status in Employment categorizes persons by their relationship to jobs. This includes the strength of institutional attachment between a worker and a job based on the type of explicit or implicit contract. The criteria used to define status in employment also reflect economic risks that workers encounter. The categories for status in employment include employers, own-account workers, employees and unpaid family workers.

Employers are those who operate an enterprise, perform a trade or engage in a profession in which one or more persons is hired as a paid employee. The Cambodia Socio-Economic Survey 2004 classified only 7,827 people as an employer. Of these 62 per cent were men and 78 per cent were located in rural areas.

An own-account worker is someone who operates his or her own enterprise, trade or profession without hiring any paid employee. One-third (34 per cent) of all employed persons aged 10 years and older in Cambodia in 2004 was classified as an own-account worker. Women tend to be own-account workers in trade, dressmaking, weaving and crafts, while men are more likely to work in trade, vehicle repair, construction work, metal work, cabinet making and many other crafts. Many men also are drivers and monks.[31]

[30] Ibid.

[31] Cheryl Urashima, *Rapid assessment of priorities and needs in gender and employment promotion and poverty reduction in Cambodia,* Prepared for ILO Japan Expanding Employment Opportunities for Women in Cambodia, February 2002, p. 20.

The large majority of Cambodians is employed as own account workers or unpaid family workers.

Table 3.9: Status in employment of population aged 10+ years by urban–rural residence and sex, 2004

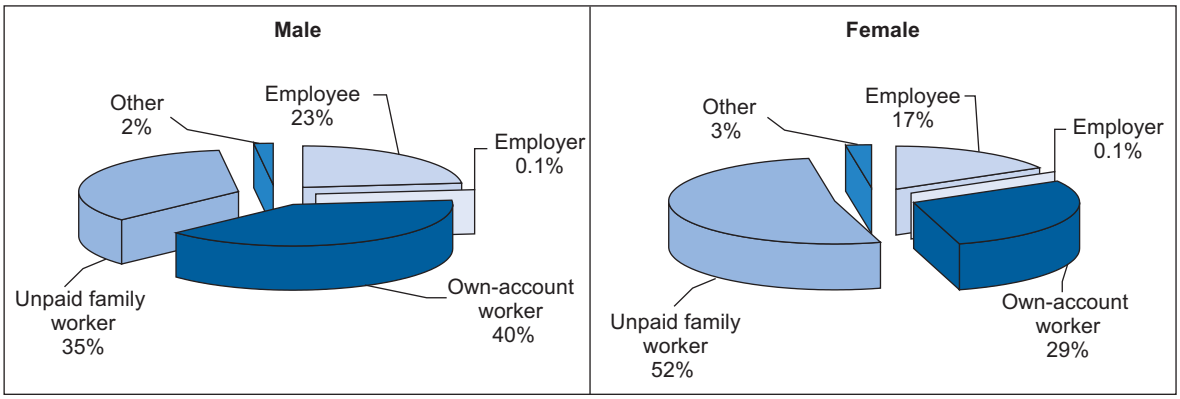
	Cambodia			Phnom Penh			Other Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Employee	20.0	23.3	16.6	48.0	56.3	39.1	26.3	32.6	19.5	16.7	19.1	14.3
Employer	0.1	0.1	0.1	0.1	0.0	0.1	0.2	0.3	0.0	0.1	0.1	0.1
Own-account worker	34.4	39.7	28.8	27.1	23.5	31.0	34.5	36.3	32.6	35.0	41.7	28.2
Unpaid family worker	43.3	34.8	52.0	22.9	18.7	27.4	36.5	28.8	44.7	46.0	37.1	55.0
Other	0.5	0.6	0.3	0.7	0.6	0.8	0.2	0.2	0.2	0.5	0.6	0.3
Not available	1.8	1.4	2.2	1.2	0.8	1.6	2.4	1.9	2.9	1.8	1.4	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Based on primary occupation and usual status during the past twelve months.
Source: NIS, Cambodia Socio-Economic Survey 2004 in NIS, *Statistical yearbook 2005*, Phnom Penh, Table 24, p. 93.

Only one in five workers in Cambodia is a paid employee. However, more than half of men in Phnom Penh work for wages and salaries.

Employees are those who work for a public or private employer for remuneration paid in wages, salary, commissions, tips and piece-rate payments in cash or in kind.[32] Only 20 per cent of the employed persons was classified as an employee in 2004 (23 per cent of employed males and 17 per cent of employed females). In Phnom Penh a higher proportion (48 per cent) of workers was in paid employment in 2004: 56 per cent of men and 39 per cent of women.

Figure 3.5: Status in employment of the population aged 10+ years by sex, 2004



Note: "Other" includes not available.
Source: NIS, Cambodia Socio-Economic Survey 2004.

[32] These include persons working for a private household as a domestic helper, household cook, gardener, family driver and so forth; persons working for private establishments such as public works on private contracts; public transport drivers who do not own their own vehicles, dock workers and stevedores; cargo handlers at railroad stations and piers, paddy harvesters paid a fixed share of the paddy harvest; persons working for religious groups, trade unions and non-profit organizations; persons working in government offices or government corporations; Cambodians working in international organizations and foreign embassies; persons working on a commission basis even if they do not work regular hours. NIS, Labour Force Survey of Cambodia, November 2001, pp. 5–6.

Unpaid family workers or contributing family members are those who work without pay in an economic enterprise operated by a related person living in the same household. The room, board and allowances paid to these workers are not considered as compensation. Thus, they are not included as employees who are paid by an employer. Data for Cambodia indicate that 43 per cent of all workers were in this category in 2004. However, much larger proportions of women (52 per cent) than men (35 per cent) were employed as unpaid family workers. The "percentage female," or women as a proportion of all unpaid family workers, was 59 per cent. In rural areas, 46 per cent of employed persons aged 10 years and older were contributing family members.

Multiple jobs

Respondents in the Cambodia Socio-Economic Survey 2004 were asked about how many jobs they worked in the previous seven days. Just over four-fifths (82.7 per cent) had only one job. A larger proportion of the employed population in rural areas (18.6 per cent) than in Phnom Penh (5.0 per cent) had multiple jobs.

Table 3.10: Number of jobs worked by persons 10+ years during the previous seven days, 2004

Number of jobs	Total	Male	Female	Phnom Penh	Other Urban	Rural
1	82.7	80.4	85.1	95.0	84.6	81.3
2	17.1	19.5	14.7	4.8	15.4	18.5
3	0.1	0.2	0.1	0.2	0.0	0.1
4	0.0	0.0	0.0	–	–	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

One-fifth of farmers and fishermen have secondary jobs outside of agriculture over the period of a year.

According to the CSES statistics for occupations during the year previous to data collection, 17 per cent of the respondents had multiple jobs in 2004 – 20 per cent of men and 15 per cent of women. The share of professionals with more than one job was 27 per cent. One-fourth of legislators, officials and managers had secondary jobs. However, women were less likely than men in those occupations to have more than one job. One-fifth of farmers and fishermen had at least one additional job. A large share of the civil servants in the country also had more than one job. This is attributed to low salaries in the public sector, which encourage workrs to seek multiple jobs.

Institutional sector

A rising share of paid employment is in the private sector.

Only a small proportion of the employed population was a paid employee in 2004. As Table 3.12 shows, the CSES classifies them by the type of employer. Domestic servants were the largest category of paid employees in 2004. Among the rest, a larger share worked for private companies (27 per cent) than in government jobs (20 per cent). Among paid employees more women (37 per cent) than men (21 per cent) held jobs in private companies. One explanation is the limited access to government jobs. Another is the large percentage of female employees in garment factories.

Table 3.11: Multiple job holdings by occupational classification of primary job, 2004

Occupation	Total		Male		Female	
	Percentage distribution of primary job	Percentage with more than one job	Percentage distribution of primary job	Percentage with more than one job	Percentage distribution of primary job	Percentage with more than one job
Legislators, senior officials and managers	0.9	25.6	1.5	29.4	0.3	8.4
Professionals	3.0	27.0	3.9	14.1	2.0	21.1
Technicians	0.4	12.1	0.6	13.4	0.3	8.5
Clerks	0.2	7.8	0.1	12.3	0.2	2.9
Sales workers	12.5	9.9	8.1	22.9	17.0	8.8
Skilled agricultural and fishery workers	62.8	20.8	63.9	11.3	61.6	18.5
Craft and related workers	5.7	12.1	5.1	9.8	6.4	12.8
Plant and machinery operators	5.7	6.5	5.8	9.8	5.6	3.1
Unskilled occupations	8.0	7.3	9.5	21.6	6.4	6.1
Armed forces	0.7	20.8	1.3	29.8	0.1	5.7
Other	0.1	5.3	0.1	5.3	0.1	5.3
Do not know	0.0	50.5	0.0	0.0	0.0	100.0
Total	100.0	17.2	100.0	19.6	100.0	14.8

Source: NIS, Cambodia Socio-Economic Survey 2004.

Table 3.12: Percentage distribution of employees aged 10+ years in primary occupation by type of employer and sex, 2004

Type of employer	Total	Male	Female
Government	20.3	26.9	10.7
State enterprise	0.8	0.8	0.7
Private company	27.3	20.7	36.9
Joint venture	1.1	1.0	1.3
Foreign government and international NGO	0.9	0.9	0.9
Local NGO	1.1	1.2	0.9
Farm labourer	1.6	1.3	1.9
Non-farm employee	3.7	4.0	3.3
Domestic servant	42.4	42.5	42.3
Other	0.8	0.6	1.1
Total	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

3.4 Unemployment

Measured unemployment is very low in many countries of South-East Asia. This is because most people of working age cannot afford the luxury of spending time looking for the “right job.” In the absence of unemployment benefits or family savings, those without employment are often under pressure to accept whatever job is available for the sake of survival. If unable to find employment within a certain period of time, those counted as “discouraged workers” lose hope and drop out of the labour force.

Following international standards, unemployment rates in South-East Asia and the Pacific have in recent years mirrored global averages.

Regional estimates show that unemployment rates for South-East Asia and the Pacific in 2004 were about the same as global rates. However, the 2004 rate at 6.2 per cent was 68 per cent higher than the 1994 rate at 3.7 per cent.

Table 3.13: Unemployment rates by region and sex, 1994–2004

	1994	2000	2001	2002	2003	2004
Developed Economies and European Union	8.2	6.6	6.6	7.2	7.3	7.0
Central and Eastern Europe (non-EU) and CIS	7.8	9.3	9.1	9.2	9.0	9.2
East Asia	3.4	3.9	3.9	3.8	3.7	3.6
South-East Asia and the Pacific	3.7	4.9	5.8	6.6	6.3	6.2
South Asia	3.9	4.5	4.5	4.6	4.8	4.8
Latin American and the Caribbean	7.3	8.8	9.1	9.3	8.9	8.0
Middle East and North Africa	12.7	12.7	12.7	12.8	12.6	12.5
Sub-Saharan Africa	9.9	10.5	10.3	10.5	10.4	10.2
World	5.9	6.3	6.4	6.6	6.5	6.3

Source: ILO, *Key Indicators of the Labour Market,* 4th Edition, 2005.

According to the Labour Force Surveys conducted in 2000 and 2001, the unemployed were defined as persons in the labour force who did not work or had no business during the reference week but were available and actively looking for work. The unemployment rate is calculated by dividing the unemployed population by the labour force.[33] Thus, the Labour Force Surveys measured the unemployment rate for Cambodia using the "strict" definition of "actively looking for work." If the "relaxed" definition had been used instead, the unemployment rates and activity rates would have been higher. The "relaxed" definition also includes those available for work but not actively looking during the reference period because they may be discouraged. Many workers end up underemployed in jobs characterized by low productivity and low income.

According to the "strict definition," the unemployment rate for Cambodia was only 1.8 per cent in 2001, down from 2.5 per cent in 2000. This represented just 115,800 unemployed women and men in the labour force. As Table 3.14 shows, the unemployment rate was higher for females (2.2 per cent) than males (1.5 per cent) in 2001. This was also the case in 2000, except in Phnom Penh where the female unemployment rate was 1.7 per cent compared with a male unemployment rate of 2.5 per cent. However, the highest rates of unemployment in 2001 were recorded for females in other urban areas, at 3.6 per cent.

Table 3.14: Unemployment rates for the population aged 10+ years by residence and sex, 2000 and 2001

	Cambodia			Phnom Penh			Other Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
2000	2.5	2.1	2.8	2.1	2.5	1.7	3.0	2.4	3.6	2.5	2.1	2.8
2001	1.8	1.5	2.2	1.8	1.4	2.2	2.0	1.9	2.1	1.8	1.4	2.2

Source: NIS, Labour Force Survey of Cambodia, November 2000 and November 2001.

[33] The unemployment rate = U (unemployed)/LF (labour force)*100 for the same age groups.

Unemployment rates following international standards based on the "strict" definition are very low.

Data from the Cambodia Socio-Economic Survey 2004 show even lower rates of unemployment following the "strict" definition of not working, without job attachment, available for work and seeking work during the previous seven days. By that measure, the unemployment rate was 0.8 per cent nationwide and only 0.5 per cent in rural areas based on current activity. Working-age members of rural households are likely to be employed for at least one hour during the reference week in agricultural production or off-farm activities. People living in the city may have more difficulty finding even one hour of work for pay, profit or family gain. The CSES unemployment rate for 2004 was higher for women than men in the capital city.

However, if the definition does not include active job search in the past week, the measures of unemployment are considerably higher.

According to the "relaxed" definition of unemployment, including those who were without work or a job attachment and available for employment during the preceding seven days, the unemployment rate at 6 per cent in 2004 was much higher than for the "strict" measure. Using this definition, which is probably more realistic in terms of the reference period for job search, the unemployment rate was 12.3 per cent in Phnom Penh.

Table 3.15: Unemployment rates for the population aged 10+ years by residence and sex, 2004

	Total	Male	Female	Phnom Penh	Other Urban	Rural
Unemployment rate using the "strict" definition	0.8	0.8	0.9	3.3	1.3	0.5
Unemployment rate using the "relaxed" definition	5.9	4.4	7.5	12.3	6.1	5.3

Source: NIS, Cambodia Socio-Economic Survey 2004.

Most job search is conducted through informal means or direct contacts rather than though employment agencies.

Persons responding to the Cambodia Socio-Economic Survey in 2004 were asked how they went about looking for work. More than half reported they relied on friends, family and contacts. Another one-fourth (24 per cent) used advertisements. Just 5 per cent contacted an employer directly. One out of ten respondents had tried to start a business but failed. And another 6 per cent used an employment agency. Job seekers in Phnom Penh were much more likely to check advertisements.

Youth unemployment

The United Nations defines youth as persons aged 15–24; this group is further divided into teenagers (15–19 years) and young adults (20–24 years). According to the CSES data, about one-fourth (24 per cent) of the population was aged 15–24 in 2004.

Some 73 per cent of the youth respondents in the CSES reported that they had worked during the week prior to that survey. Most of them (65 per cent) worked as farmers and fishermen, with the others classified as service and sales workers (10 per cent), unskilled

Table 3.16: Principal method of seeing employment, 2004

Method of seeking work	Total	Male	Female	Phnom Penh	Other Urban	Rural
Responded to an advertisement	24.2	26.1	22.4	53.5	14.4	9.6
Contacted potential employers	5.2	6.6	3.8	5.7	1.5	6.0
Enquired through friends, relatives and other contracts	53.3	50.5	56.1	37.5	59.6	60.9
Contacted an employment agency	5.5	5.0	6.1	1.1	6.6	7.9
Tried to start a business but failed	9.8	9.3	10.3	2.2	16.6	12.3
Other method	1.9	2.5	1.3	0.0	1.3	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: This is the first out of three methods listed.
Source: NIS, Cambodia Socio-Economic Survey 2004.

workers in elementary occupations (9 per cent),[34] plant and machine operators (8 per cent) and craft workers (6 per cent).

Only 23 per cent of employed youth were wage earners. Another 12 per cent was classified as self-employed. The large majority of employed youth (65 per cent) worked as unpaid family workers. The remaining young people in the labour force were unemployed and looking for work.

The youth unemployment rate disaggregated by sex is one of the indicators used for assessing progress toward reaching the global Millennium Development Goals. In the general category of youth unemployment, the ILO has devised four subindicators: (i) the youth unemployment rate; (ii) the ratio of the youth unemployment rate to the adult unemployment rate (25 years and older); (iii) the proportion of total unemployment attributable to youth; and (iv) the proportion of youth who are unemployed.

Globally, youth are three times more likely to be unemployed than adults.

Globally, youth are three times more likely than adults to be unemployed. Almost half of the unemployed workers in the world are young people, although youth make up only 25 per cent of the working-age population.[35] In South-East Asia, as shown in Table 3.17, young people in the labour force were five times more likely than adults to be unemployed in 2005. The youth-to-adult unemployment ratios for South Asia and East Asia were also high, at 2.8 each. Youth unemployment continues to increase in most regions of the world. Between 1995 and 2005, youth unemployment was up by 86 per cent in South-East Asia and by 16 per cent in South Asia. However, there was an 8 per cent drop in East Asia over the same period.

[34] This category of the International Standard Classification of Occupations includes occupations that require the knowledge and experience necessary to perform mostly simple and routine tasks, involving the use of hand-held tools and in some cases considerable physical effort, and, with few exceptions, only limited personal initiative or judgement. The main tasks consist of selling goods in streets, door keeping and property watching, as well as cleaning, washing, pressing and working as labourers in the fields of mining, agriculture and fishing, construction and manufacturing.

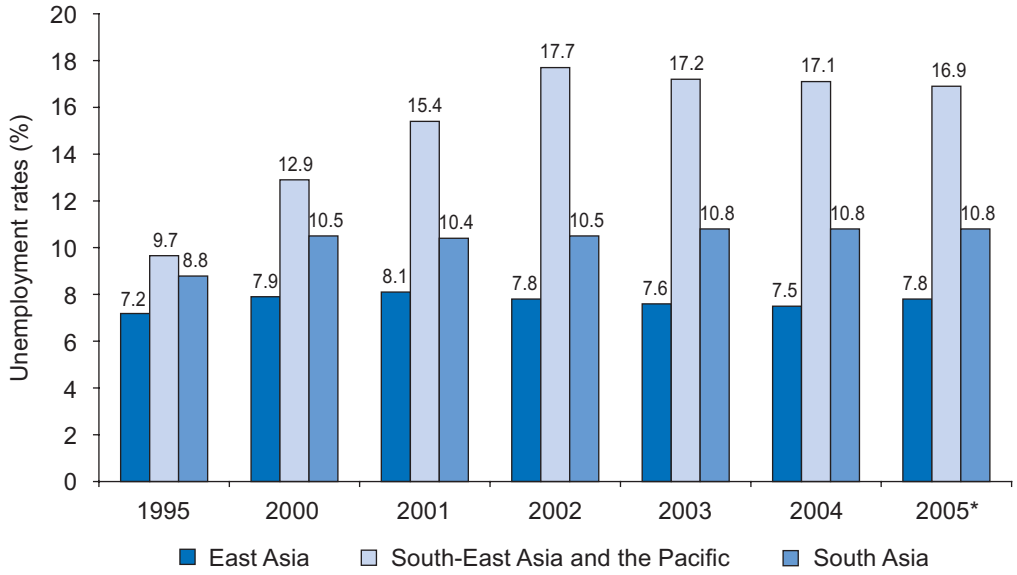
[35] ILO, Global employment trends *BRIEF, January 2006,* p. 2.

Table 3.17: Regional estimates for youth unemployment, 1995–2005

	Percentage change in youth unemployment	Youth unemployment rate (%)			Ratio of youth to adult unemployment rates		
	2000–2005	1995	2004	2005	1995	2004	2005
Development Economies and European Union	-17.5	15.2	14.0	13.1	2.3	2.3	2.3
Central and Eastern Europe (non-EU)	-1.0	19.6	19.9	19.9	2.6	2.6	2.6
East Asia	-8.2	7.5	7.6	7.8	2.9	2.7	2.8
South-East Asia and the Pacific	85.5	9.2	16.9	15.8	4.7	5.6	5.1
South Asia	16.1	9.9	10.8	10.0	3.6	3.8	2.8
Latin America and the Caribbean	23.0	14.4	14.5	16.6	2.7	2.7	2.8
Middle East and North Africa	18.2	28.7	26.6	25.7	3.0	3.1	3.1
Sub-Saharan Africa	34.2	17.5	18.5	18.1	3.3	3.2	3.0

Source: ILO, Global Employment Trends Model (2005) and ILO: *Global employment trends for youth,* Geneva, 2006.

Figure 3.6: Regional estimates for youth unemployment rates in Asia and the Pacific, 1995–2005



Note: The data for 2005 are preliminary estimates.
Source: Global Employment Trends Model (2004) in ILO, *Global employment trends for youth,* Geneva, August 2004 and ILO: Global Employment Trends Model (2005).

Youth employment is several times higher than adult unemployment and accounts for a large proportion of total unemployment in Cambodia.

While unemployment rates are quite low in Cambodia, the data indicate that unemployment is a problem for youth. According to the Labour Force Survey, for instance, the youth unemployment rate was 2.8 times greater than the adult unemployment rate in 2001. Youth accounted for three-fifths (61 per cent) of unemployment in Cambodia that year. Young men were 73 per cent of all unemployed males, with the unemployment rates for male youth 5.2 times higher than for adult males. Young women accounted for 51 per cent of unemployed females, with the unemployment rates for female youth 1.9 times higher than for adult women.

Table 3.18: Indicators for youth unemployment by sex, 2000 and 2001

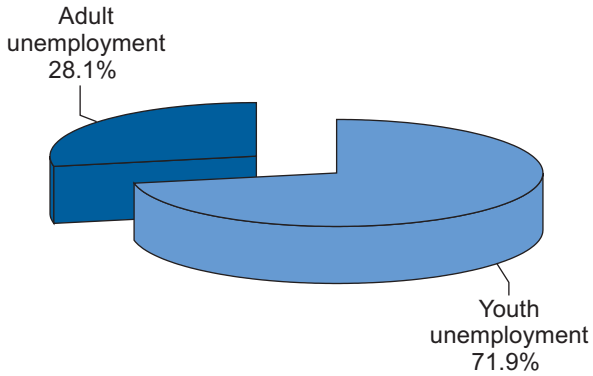
Indicator	2000			2001		
	Total	Male	Female	Total	Male	Female
Youth unemployment rate (15–24 years)	4.9	5.1	4.7	3.0	3.0	3.0
Adult unemployment rate (15+ years)	1.4	0.9	1.9	1.1	0.6	1.5
Ratio of youth unemployment rate to adult unemployment rate	3.4	5.4	2.5	2.8	5.2	1.9
Youth unemployment (15–24 years) as a proportion of total unemployment (15+ years)	60.8	69.5	54.6	59.6	73.1	51.0
Youth unemployment (15–24 years) as a proportion of the youth population (15–24 years)	3.3	3.2	3.4	2.3	2.2	2.4

Source: NIS, Labour Force Survey of Cambodia, November 2000 and November 2001.

Youth account for a large proportion of the unemployed in Cambodia. This is especially the case in Phnom Penh.

Large numbers of "baby boomers" born in the 1980s are entering the labour market in Cambodia contributing to a higher unemployment rate for youth (1.5 per cent) than for adults (0.6 per cent) in 2004: 1.4 per cent for those aged 15–19 and 1.6 per cent for those aged 20–24. In Phnom Penh 6.2 per cent of teenagers aged 15–19 and 7.8 per cent of young adults aged 20–24 in the labour force were unemployed in 2004. Overall, youth accounted for 59 per cent of everyone aged 15 or older who was unemployed in Cambodia in 2004, while they made up 72 per cent of the unemployed in Phnom Penh.

Figure 3.7: Shares of youth (15–24 years) and adults (25+ years) in total unemployment, Phnom Penh, 2004



Source: San Sy Than, "Economically active population (12 months data 2004)," Presentation at the Workshop on the Final Statistical Analysis of CSES 2003–2004, National Institute of Statistics, Phnom Penh, 16–17 June 2005.

Using the "relaxed" definition for unemployment (counting those not working but available for work) instead of the "strict" definition (counting only those actively seeking employment) produces significantly higher and even quite alarming unemployment rates for young people in Phnom Penh in 2004 at 20.1 per cent: 27.8 per cent for teenagers aged 15–19 and 16.6 per cent for young adults aged 20–24. This is because many of those who were not employed but would like to work were not engaged in any active job search during the week prior to the CSES survey. They may not have sought employment during that week although they were still looking for jobs from time to time. Using the strict definition

for unemployment in 2004, the youth rate was 2.5 times the adult rate, while for the relaxed definition it was 1.5 times higher.

And according to the "strict" definition, the unemployment rate for young women (1.3 per cent) was lower than for young men (1.6 per cent) in 2004. However, the reverse was true with the "relaxed" definition: 8.0 per cent of young women were unemployed compared with 6.4 per cent of young men. This suggests that among youth without a job, women are less likely than men to go out and look for one.

Table 3.19: Youth and adult unemployment rates, 2004

	Total	Male	Female	Phnom Penh	Other Urban	Rural
Unemployment using "strict" definition						
15–19	1.4	1.3	1.4	6.2	2.7	0.9
20–24	1.6	1.9	1.2	7.8	1.4	0.8
15–24	1.5	1.6	1.3	7.2	2.1	0.9
25+	0.6	0.5	0.7	1.4	1.0	0.4
15+	0.9	0.9	0.9	3.3	1.4	0.6
Unemployment using "relaxed" definition						
15–19	7.9	7.3	8.5	24.8	10.1	6.2
20–24	6.5	5.4	7.6	16.6	7.1	5.1
15–24	7.2	6.4	8.0	20.1	8.6	5.7
25+	4.7	2.4	6.9	5.8	4.6	4.6
15+	5.6	3.9	7.3	10.9	6.0	5.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

It is normal for youth unemployment rates to be relatively high, because it takes time for new entrants to the labour force to find their first job. This is particularly true for educated youth who want their first job to be an "appropriate" one to launch their career. Another aspect of educated unemployment is that there is a greater likelihood that young people with more education have families with higher incomes offering them support until they can find an ideal position or acceptable job. Youth from families that are relatively well off are typically not pressured by poverty to accept just any opportunity that comes along.

Unemployment and underemployment of youth represent a waste to society as well as for individuals.

Youth unemployment becomes a concern, however, when the rates reach a level that becomes high, indicating that the job opportunities are not expanding fast enough to keep pace with the growth of the labour force. High unemployment rates may also reflect the fact that young people looking for their first jobs do not have the education and skills required to meet labour market demands. A mismatch between the education and skills of youth and the demands by employers is a common problem throughout the region. In addition, young people become discouraged in jobs with low income and little security. The lack of decent work combined with open unemployment can result in wasted potential for young people, foregone opportunities for economic development and greater risk of social unrest.

The numbers of young people in need of job opportunities and appropriate skills are increasing.

A key concern mentioned by both youth and employers is a mismatch of skills. Many youth do not have suitable qualifications to fill job vacancies. Cambodia will need to respond by meeting the growing challenges posed by increasing numbers of young people in need of job opportunities and appropriate skills. Revised population estimates using data from the Cambodia Inter-Censal Population Survey show an increase in the size of the youth population aged 15–24 years in 2004. The problem will not diminish the near future. The total number of young people is expected to grow from 3.2 million in 2005 to 3.6 million in 2011, although youth as a proportion of the total population will remain at 24 per cent. By 2011 young people are projected to represent a large share of the potential workforce: 30 per cent of the population aged 10 years and older and 35 per cent of the population aged 15 years and older.

Table 3.20: Second special projection for youth population by age group for selected years, 1993–2011

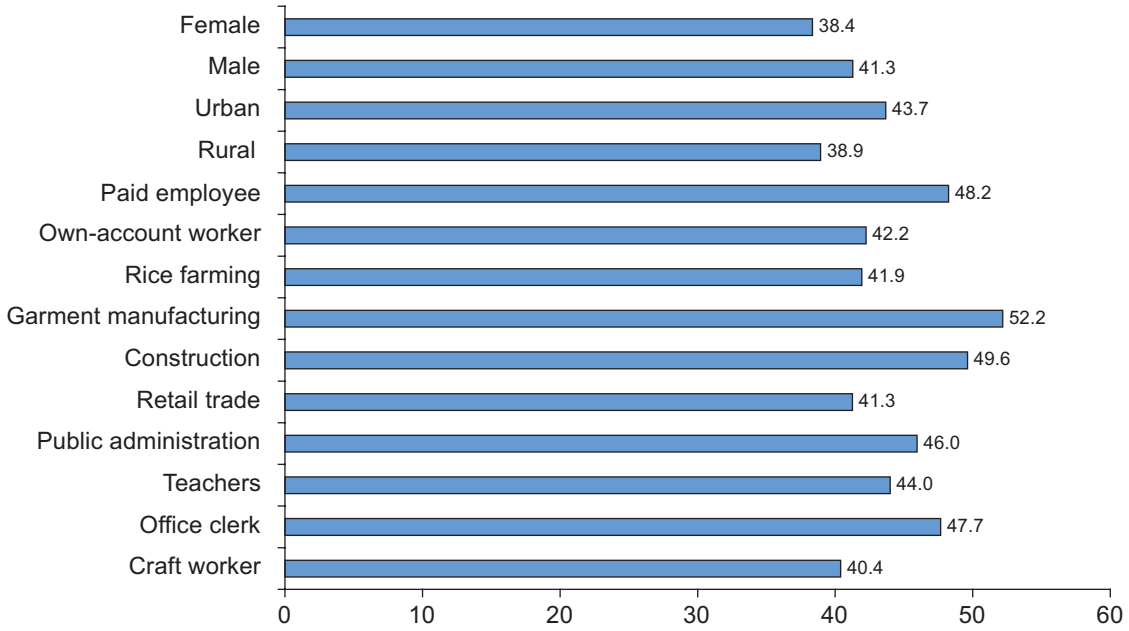
Age group	1993	1999	2005	2007	2009	2011
15–19	782 825	1 473 055	1 722 843	1 743 199	1 797 563	1 900 034
20–24	936 708	835 658	1 514 854	1 611 632	1 679 624	1 708 323
15–24	1 719 533	2 308 713	3 237 697	3 354 831	3 477 187	3 608 357
Total	10 659 466	12 373 157	13 661 375	14 331 268	14 796 293	15 273 697

Source: NIS, *Demographic estimates and revised population projections,* Cambodia Inter-Censal Population Survey 2004, Phnom Penh, June 2005, Table 8, pp. 17–19.

3.5 Hours worked

According to CSES data, the average number of hours worked during the seven-day period prior to the survey in 2004 was 40, with men working longer (41 hours) than women (38 hours) illustrated in Figure 3.8. Weekly hours were greater in urban areas (44 hours) than in rural areas (39 hours). On average, employees (48 hours) worked longer than employers (44 hours), own-account workers (42 hours) and unpaid family workers (34 hours).

Figure 3.8: Average hours worked for selected categories during the previous seven days, 2004

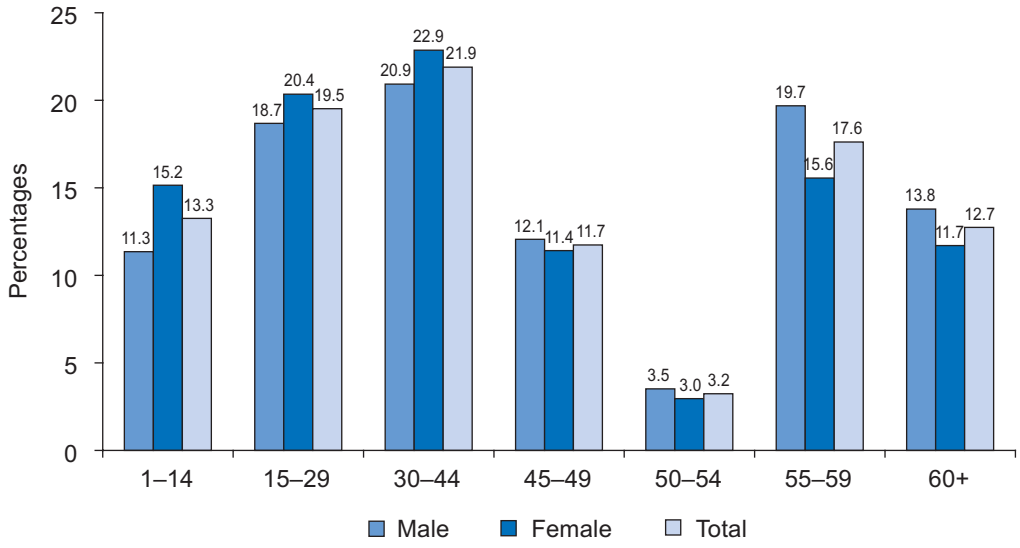


Source: NIS, Cambodia Socio-Economic Survey 2004.

A large proportion of the workforce works at least 45 hours a week

As shown in Figure 3.9, 46 per cent of employed respondents in the Cambodia Socio-Economic Survey 2004 spent 45 hours or more on the job during the seven days before the interview. Women and men who worked the long hours may be those with two or more jobs. Others, such as employees in factories, may work overtime in order to earn enough income for their living expenses or even to keep a job. Just over one-fifth worked between 30 and 44 hours. Some of the respondents working shorter hours may be seeking additional employment while holding part-time jobs. This group may also include students who work fewer hours while helping with household enterprises or on family farms.

Figure 3.9: Distribution of employed persons by hours worked during the previous seven days and sex, 2004



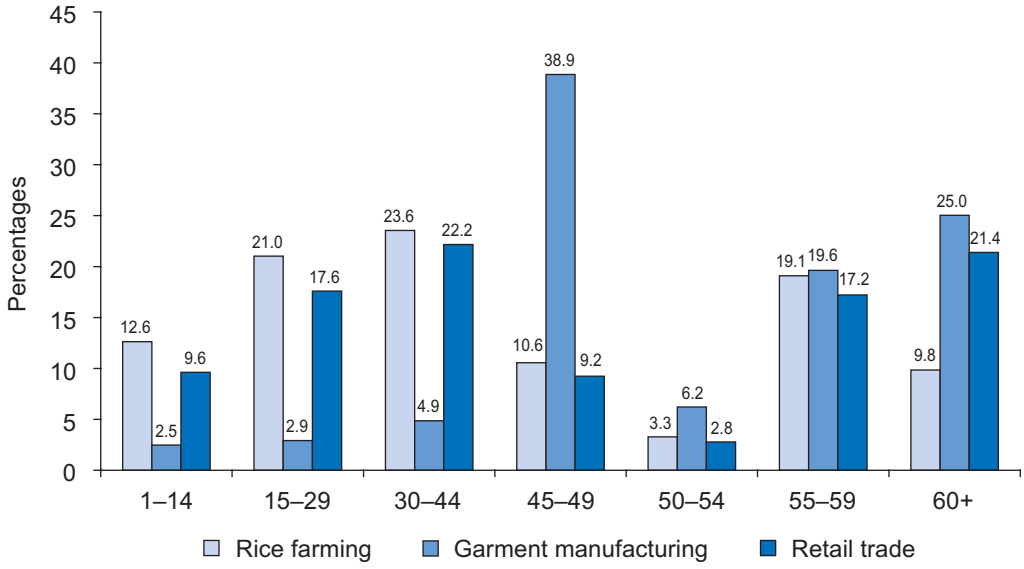
Source: NIS, Cambodia Socio-Economic Survey 2004.

Data for the distribution of hours by sex in Figure 3.9 shows that in 2004 larger percentages of women than men were employed in an economic activity for less than 45 hours per week. Men were more likely than women to work longer hours. Of course, women typically spend more time on "non-economic" activities such as household duties.

In 2004, 45 per cent of employees in garment factories worked 55 hours or more per week. Four-fifths of them were women.

The distribution of hours worked in three subsectors, illustrated in Figure 3.10, shows that 45 per cent of employees in garment factories worked at least 55 hours per week compared with 29 per cent in rice farming and 39 per cent in retail trade. Likewise, workers producing garments (5 per cent) were much less likely to work less than 30 hours per week compared with workers in rice farming (34 per cent) or retail trade (27 per cent). The percentages of women working in each of these subsectors were: 53 per cent for rice farming, 82 per cent for garment manufacturing and 71 per cent for retail trade.

Figure 3.10: Distribution of employed persons by hours worked during the previous seven days in rice farming, garment manufacturing and retail trade, 2004



Source: NIS: Cambodia Socio-Economic Survey 2004.

About two-thirds of all women and almost three-fourths in rural areas were employed on a seasonal basis.

According to the Cambodia Demographic and Health Survey 2000, which looked at the employment of females aged 15–49, nearly one-third of all employed respondents worked year round. Just under two-thirds worked seasonally and 3 per cent were employed on an occasional basis. Women in urban areas (74 per cent) and with at least a secondary education (65 per cent) were more likely than others to work throughout the year. It is not surprising that a large proportion of women in rural areas (73 per cent) worked on a seasonal basis.

Table 3.21: Women aged 15–49 years currently employed by continuity of employment, residence and education, 2000

	All year	Seasonally	Occasionally	Total
Residence				
Urban	73.5	26.5	2.8	100.0
Rural	25.0	72.5	2.5	100.0
Education				
No education	18.6	79.3	2.1	100.0
Primary	30.7	66.6	2.7	100.0
Secondary and higher	64.7	31.9	3.4	100.0
All women 15–49	32.3	65.1	3.4	100.0

Source: Cambodia Demographic and Health Survey 2000.

3.6 Underemployment

A number of different measures for underemployment have been proposed over the years to track aspects of work related to hours, earnings and skills. International standards have been set for time-related underemployment, which is defined as working less than a certain number of hours but available and seeking additional work.

Many Cambodians already work long hours but would like additional work. This suggests a problem of low earnings and low productivity.

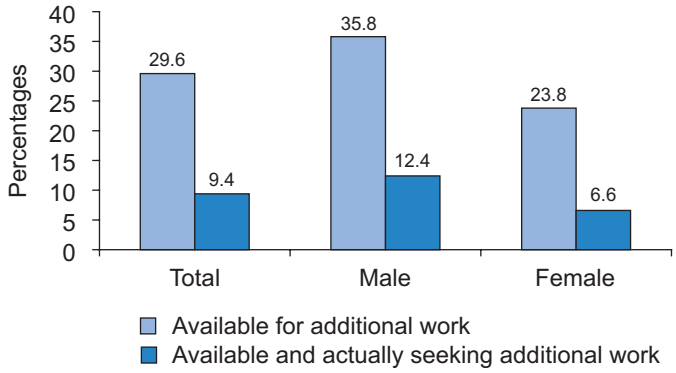
According to the Labour Force Survey, 42 per cent of the employed population in 2001 worked less than 45 hours per week, with a larger share of women (45 per cent) than men (40 per cent) in this category. Of the total employed, 21 per cent worked less than 30 hours. But regardless of the number of hours worked, three out of ten respondents were available for additional employment. This suggests the need for greater income due to low earnings and widespread poverty. However, the proportion of all workers who were both available and seeking additional work was only 9 per cent, shown in Figure 3.11, possibly due to a pessimistic assessment of employment opportunities.

Table 3.22: Number of persons aged 10+ years by employed, available for additional work, and available and seeking additional work by hours of work and sex, 2001

Hours of work per week	Employed			Available for additional work			Available and seeking additional work		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1–14	342 488	156 371	186 117	59 882	32 998	26 883	21 914	14 485	7 429
15–29	995 898	471 856	524 043	234 342	117 957	116 385	58 415	29 432	28 983
30–44	1 269 469	544 961	724 508	420 959	220 611	200 348	136 731	82 564	54 167
45–49	949 114	472 509	476 605	281 063	168 025	113 038	97 678	69 386	28 292
50–54	494 045	220 159	273 886	186 340	101 973	84 367	74 858	41 992	32 866
55–59	1 554 378	828 186	726 192	501 581	329 215	172 367	156 092	107 921	48 171
60+	637 936	323 090	314 846	163 773	109 710	54 063	40 040	27 444	12 596
Total	6 243 329	3 017 132	3 226 198	1 847 940	1 080 490	767 451	585 727	373 224	212 803

Source: NIS, Labour Force Survey of Cambodia, November 2001 in NIS: *Statistical Yearbook 2005,* Table 18, p. 89.

Figure 3.11: Available and seeking additional work, 2001



Source: NIS, Labour Force Survey of Cambodia, November 2001.

More men than women would like more work.

In the Labour Force Survey of 2001, more men (36 per cent) than women (24 per cent) indicated their interest in having more work. This may be because of the "double burden" of women in economic activity with family responsibilities. Or it may be that women are already working long hours in agricultural work, the informal economy or garment factories. Despite the relatively large number of respondents who were interested in additional employment, a much smaller proportion actually looked for extra work during the reference week prior to the survey. This may be due more to their perception about the possibilities for finding additional employment than to their desire for more work.

More workers in rural areas than in Phnom Penh are available for additional employment, reflecting the low earnings and seasonal nature of work in the countryside.

Among those who said they were interested in more work, there was substantial variation between those living in Phnom Penh and in rural areas. Considerably smaller proportions of employed persons in the capital city were available (8 per cent) for additional work and even smaller proportions actually looked for work (3 per cent) than in rural areas where almost one-third were available and about one in ten persons actually looked for additional employment. In rural areas, the seasonal nature of agricultural work is an important reason to look for additional ways to earn a living.

Table 3.23: Available and seeking additional work by residence and sex, 2001

	Cambodia			Phnom Penh			Other Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Available for additional work (%)	29.6	35.8	23.8	7.8	9.5	6.0	25.5	30.0	16.0	31.5	38.4	25.2
Available and actually seeking additional work (%)	9.4	12.4	6.6	3.2	3.7	2.5	11.0	13.2	8.8	9.6	12.9	6.6

Note: These are expressed as percentages of the employed population.
Source: NIS, Labour Force Survey of Cambodia, November 2001.

Table 3.24 illustrates a few alternative measures of time-related underemployment using data shown in Table 3.22, based on the number of persons working less than 45 hours or 30 hours per week and either available for additional work or available and seeking additional work. These measures are calculated as a percentage of either the employed population or the labour force. The first is not affected by fluctuations in unemployment, while the second facilitates comparison with the unemployment rate that is also calculated as a percentage of the labour force.

Table 3.24: Alternative estimates of time-related underemployment, 2001

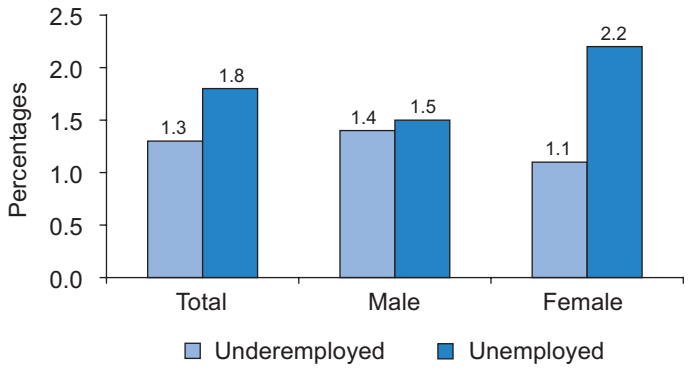
Hours per week	Available for additional work			Available and seeking additional work		
	Total	Male	Female	Total	Male	Female
Less than 45 hours per week:						
As a percentage of employed population	11.5	12.3	10.7	3.5	4.2	2.8
As a percentage of the labour force	11.2	12.1	10.4	3.4	4.1	2.7
Less than 30 hours per week:						
As a percentage of employed population	4.7	5.0	4.4	1.3	1.5	1.1
As a percentage of the labour force	4.6	4.9	4.3	1.3	1.4	1.1

Source: NIS, Labour Force Survey of Cambodia, November 2001.

Time-related underemployment is very low in Cambodia.

Figure 3.12 illustrates the comparison between unemployment rates and time-related underemployment, defined as working less than 30 hours a week and available and seeking additional work as a percentage of the labour force. While it is clear that many Cambodians would like to have additional employment and higher incomes, measures of time-related underemployment do not capture the severity of the problem in terms of low productivity and low earnings of employment. This is especially the case when a "strict" definition is used to include persons who actively sought more employment during a reference period. However, a "relaxed" definition for those available for work but employed for less than 30 hours a week was 5 per cent of the labour force in 2001. The

Figure 3.12: Rates of time-related underemployment and unemployment of the population aged 10+ years by sex, 2001



Notes: The unemployment rate is defined as persons in the labour force who did not work and had no job or business during the reference period but were reported to be available and actively looking for work as a percentage of the labour force. Time-related underemployment is defined as persons working less than 30 hours per week who are reported to be available for and seeking additional work as a percentage of the labour force.

Source: NIS, Labour Force Survey of Cambodia, November 2001.

corresponding figure for those working less than 45 hours a week was 11 per cent of the labour force. The point is that while "underemployment" is often mentioned as a concern in Cambodia, standard measures show small percentages of the labour force in time-related underemployment. Thus, the policy focus might be instead on inadequate employment of the working poor in terms of earned income. This is linked to problems of human capital and low productivity.

3.7 Time use and inactive population

The United Nations System of National Accounts (SNA)[36] that serves as the conceptual framework of statistical standards used for measuring a market economy defines as "economically active" all persons who furnish, during a specified time period, the supply of labour for the production of goods and services. Examples of "economic" activities are working for wages, operating a self-owned business and working from home producing goods and services for sale or barter. It also includes producing goods for home consumption such as weaving textiles, making furniture, collecting water and gathering firewood. The economically active population, or labour force, consists of persons who were either employed or unemployed during a short reference period.

People obviously spend time on activities that do not contribute to the production of goods and services such as housework, school, leisure and personal care. Many of these activities are performed by women and children. In addition, economic activity such as gathering firewood is sometimes not counted as work by survey enumerators. There are also some anomalies in the measurements, such as the fact that household chores performed by domestic servants as paid employees are classified as work, while these same tasks undertaken by members of the household are counted as "housework" rather than "employment."

In looking at the principal activity of people not in the labour force in 2004, the Cambodia Socio-Economic Survey found that most respondents aged 10 years and older and not economically active were students (75 per cent). This proportion was greater for boys and men (90 per cent) than for girls and women (63 per cent). Not surprising, the percentage of persons who were not in the labour force and occupied with housework was much higher for women (27 per cent) than men (2 per cent). But it was also higher in the capital city (24 per cent) than in rural areas (14 per cent). Presumably, it is easier to combine economic activity with household chores in the countryside. Nationwide, about 3 per cent of respondents cited disability or inability to work as the reason for not being in the labour force. Less than 1 per cent was counted as out of the labour force because they were retired or too old to work.

Table 3.25: Principal activity for persons aged 10+ years outside the labour force, 2004

Principal activity	Total			Phnom Penh	Other Urban	Rural
	Total	Male	Female			
Housework	15.8	1.7	27.2	23.5	19.9	13.6
Student or too young to work	74.9	89.8	62.8	69.5	72.2	76.4
Retired or too old to work	0.7	1.0	0.4	1.7	0.9	0.5
Disabled or unable to work	2.9	2.8	3.0	1.7	2.0	3.4
Other	5.6	4.6	6.4	3.6	5.0	6.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

[36] See United Nations Statistics Division descriptions at http://unstats.un.org/unsd/sna1993/introduction.asp.

Data for time use were collected by the Cambodia Socio-Economic Survey during 2004–2005 by asking members of sample households to fill out diaries or records for the time spent on different tasks throughout the week as shown in Table 3.26. This included "household work" that is classified as economic activity, such as producing goods and services from home and "housework" that is not counted as economic activity, such as shopping, cooking, cleaning, washing and looking after the needs of children, elderly and others. In addition, the respondents were asked about time spent for school, leisure and personal care such as sleeping, eating, dressing and bathing.

Table 3.26: Time use in hours per day by age and sex, 2004–2005

Activities	5+ years All days		5–17 years Mondays–Saturdays		18–60 years Mondays–Fridays	
	Male	Female	Male	Female	Male	Female
Economic activities	**4.8**	**3.5**	**2.1**	**2.0**	**6.8**	**4.6**
Market work	2.3	1.8	0.5	0.7	3.8	2.7
Agricultural work	2.0	1.2	1.3	0.9	2.4	1.3
Household work	0.5	0.5	0.3	0.4	0.6	0.6
Other activities	**19.2**	**20.6**	**21.8**	**22.2**	**17.2**	**19.4**
Housework	0.3	2.4	0.3	0.9	0.3	3.3
School	1.3	1.0	2.6	2.6	0.5	0.2
Leisure	5.0	4.5	5.9	5.7	4.2	3.6
Personal care	12.6	12.7	13.0	13.0	12.2	12.3
Total	**24.0**	**24.0**	**24.0**	**24.0**	**24.0**	**24.0**

Source: NIS, Cambodia Socio-Economic Survey in NIS, *Cambodia Socio-Economic Survey 2004: Summary subject matter report,* Phnom Penh, September 2005, Table 9.1, p. 44.

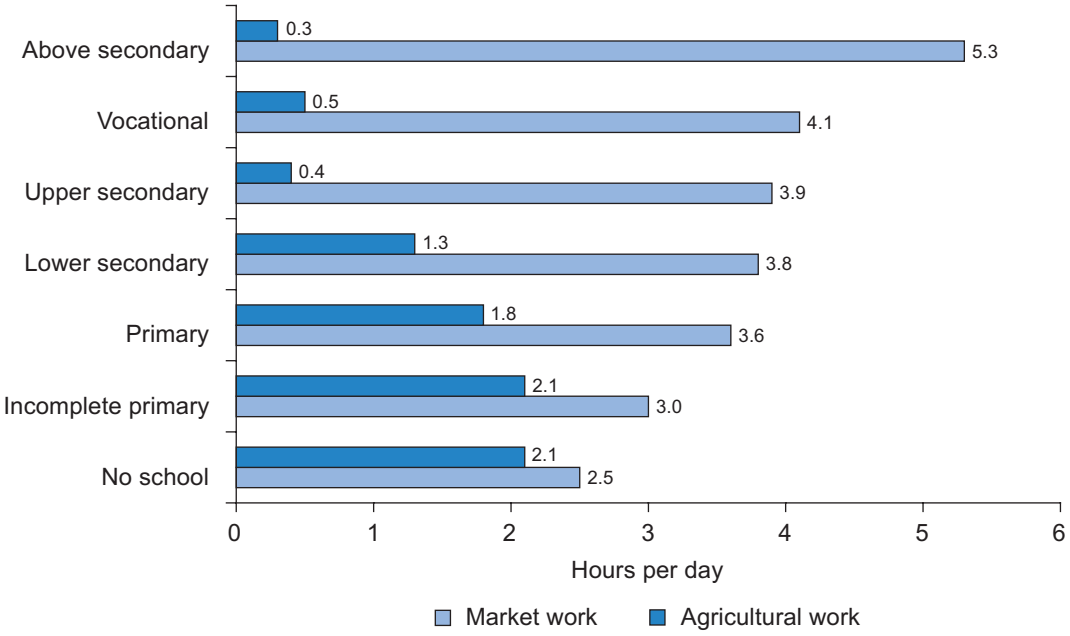
Among adults, men spend on average more time each day on economic activities than women but if household duties are added, the total time is more equal with men working 7.1 hours and women 7.9 hours.

Unfortunately, the data reflect different days of the week. However, for persons aged 5 years and older, the average number of hours per day in economic activity was only 4.8 for males and 3.5 for females. The average amount of time that adults aged 18–60 spent in economic activity each weekday was only 6.8 hours for men and 4.6 hours for women. When "housework" was counted, the total was 7.1 hours per day for men compared with the 7.9 hours for women.

Agricultural workers spent fewer hours per day at work during March, April and May, with December the busiest month followed by August.[37] According to the CSES data shown in Figure 3.13, people with higher education worked longer hours in "market work" and shorter hours in "agricultural work."

[37] NIS, Cambodia Socio-Economic Survey in NIS: *Cambodia Socio-Economic Survey 2004: Summary subject matter report,* Phnom Penh, September 2005, p. 45.

Figure 3.13: Time use in hours per day in "market work" and "agricultural work" by educational attainment, 2004–2005



Note: For population aged 18–60 years. The "no school" category also includes "other."
Source: NIS, Cambodia Socio-Economic Survey in NIS, *Cambodia Socio-Economic Survey 2004: Summary subject matter report,* Phnom Penh, September 2005, Table 9.3, p. 45.

Girls and women are more likely to be out of the labour force because they are helping with housekeeping and caring for children. A larger proportion of boys and men are not economically active because they are students.

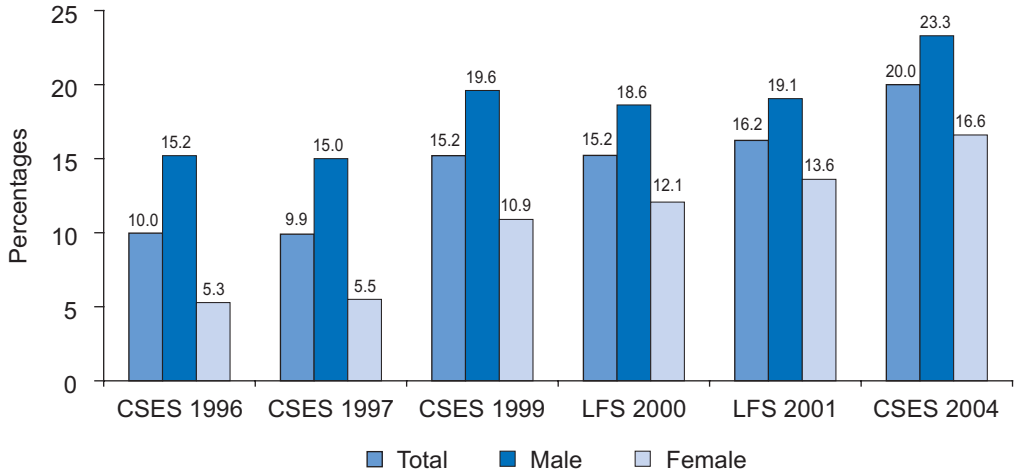
According to the Labour Force Survey, 2.5 million people aged 10 years and older were not in the labour force in 2001. Of them, 1.2 million were males and 1.3 million were females. The largest proportion (70 per cent) reported that they were still in school (82 per cent male and 60 per cent female). The considerable difference between the sexes was largely because fewer males (3 per cent) than females (19 per cent) had dropped out of school to help with housekeeping or the care of children, older persons or people with disabilities. Other reasons given for not participating in the labour force were illness (3 per cent), disability (1.4 per cent) and too old or retired (10 per cent).[38]

3.8 Wages and earnings

While Cambodia's proportion of paid employees in total employment remains low compared with many countries, it doubled between 1996 and 2004. Moreover, the gender gap narrowed, with the proportion of females in paid employment increasing from 5 per cent in 1996 to 17 per cent in 2004.

[38] NIS, *Statistical Yearbook 2005*, Phnom Penh, Table 19, p. 90.

Figure 3.14: Share of employees in the employed population aged 10+ years by sex, 1996–2004



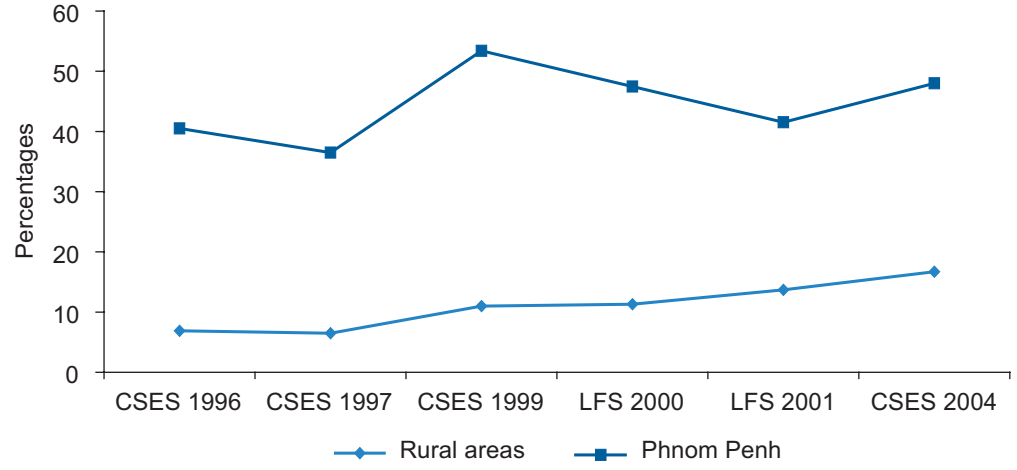
Notes: Data from the 1998 population census and 2004 inter-censal survey are not used since available tabulations refer to the population aged 7+ years.

Sources: NIS, Cambodia Socio-Economic Surveys 1996, 1997, 1999 and 2003–2004 and Labour Force Surveys of Cambodia November 2000 and 2001.

There has been as steady growth in the share of paid employment in rural areas that may reflect an increase in landless farmers or an emergence of off-farm jobs.

As Figure 3.15 indicates, the proportion of women and men working for wages has moderately increased in the countryside as well as in the capital city. The rise has been steady in rural areas but fluctuated in Phnom Penh due to changing economic conditions. There is concern that the data for rural Cambodia may reflect a growing number of landless farmers working as agricultural labourers for other households. Or it could also be an indication of an increase in off-farm jobs and agro-processing.

Figure 3.15: Share of paid employees in the employed population aged 10+ years in Phnom Penh and rural areas, 1996–2004



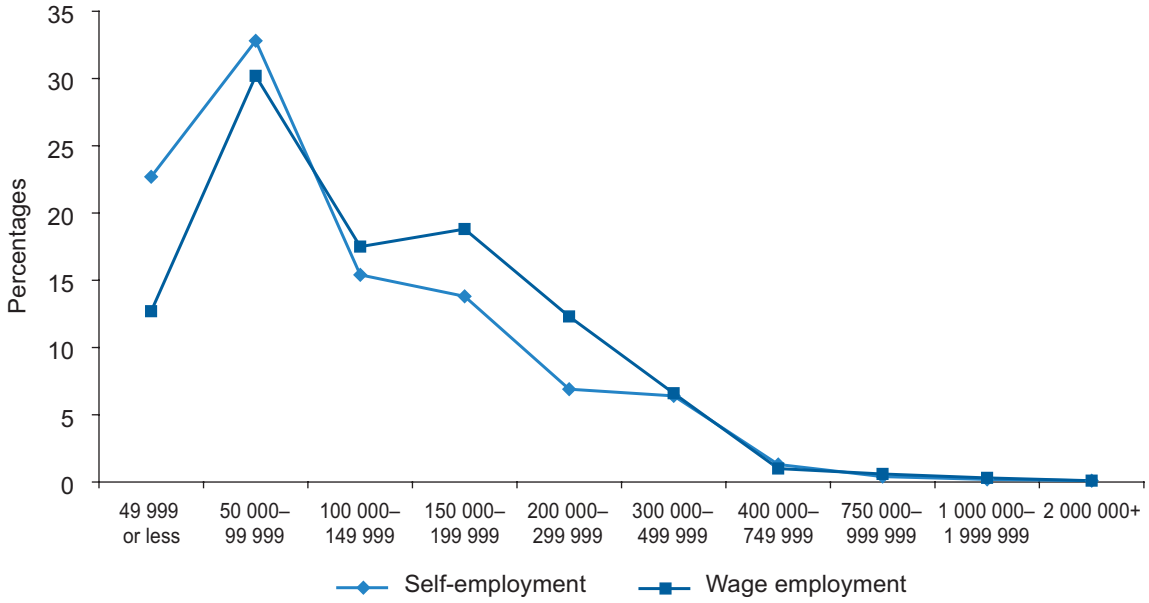
Note: Data from the 1998 population census and 2004 inter-censal survey are not used since available tabulations refer to the population aged 7+ years.

Sources: NIS, Cambodia Socio-Economic Surveys 1996, 1997, 1999 and 2003–2004; and Labour Force Surveys of Cambodia, November 2000 and 2001.

There are limited time-series data from national surveys for wages and earnings in Cambodia. What statistics are available show higher remuneration from paid employment than self-employment.

There are limited data for trends in wages and earnings over time. According to Labour Force Survey statistics on the distribution of wages and earnings, as shown in Figure 3.15, a larger proportion of persons in self-employment than in paid employment earned less than 100,000 *riels* in November 2001. The proportion of workers whose average monthly income was less than 50,000 *riels* was 23 per cent for the self-employed (employers and own-account workers) compared with only 13 per cent for paid employees. The proportion earning les than 100,000 *riels* accounted for 56 per cent of the self-employed and 43 per cent of employees.

Figure 3.16: Distribution of monthly wages and earnings in *riels*, 2001



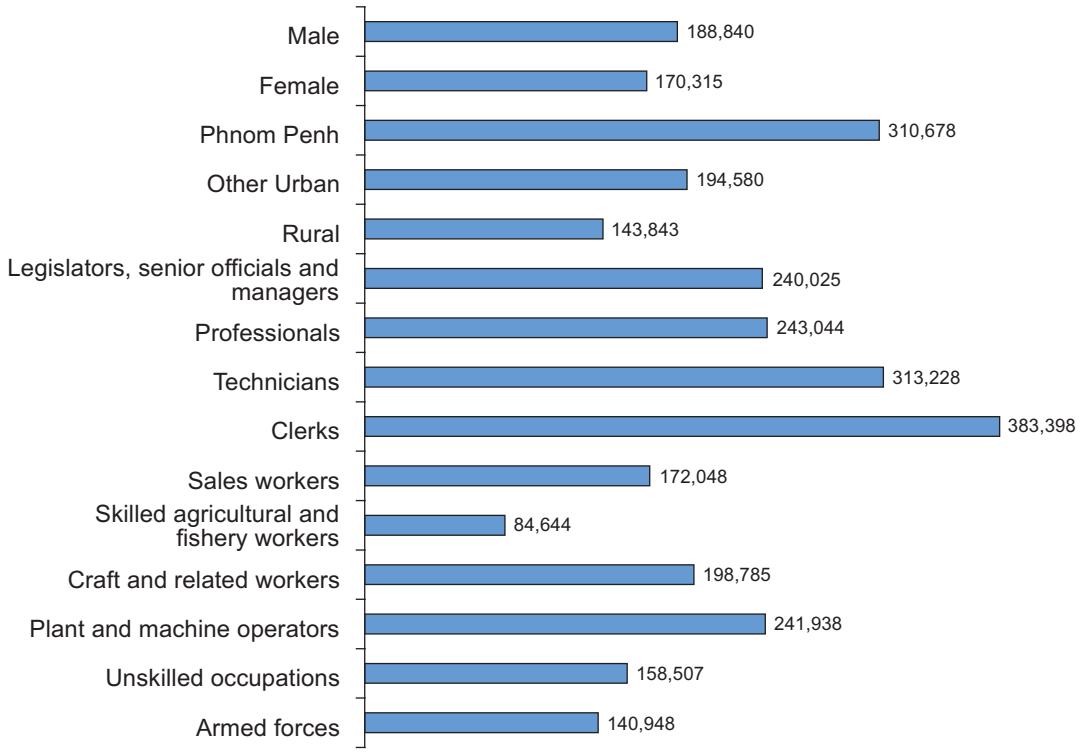
Source: NIS, Labour Force Survey of Cambodia, November 2001.

The Cambodia Socio-Economic Survey 2004 has information, by occupation, on wages earned during the month prior to data collection.[39] As shown in Figure 3.17, the average wage earned in that one month in a primary job was 181,000 *riels* – with higher averages for men at 189,000 *riels* than for women at 170,000 *riels.* On average, wages were much higher in Phnom Penh than elsewhere in the country.

Earnings statistics for selected workers studied by the Cambodia Development Research Institute offer limited data for trends in daily earnings adjusted for changes in the price level or inflation rate illustrated in Figure 3.18. These show considerable variation in real earnings especially for skilled construction workers and motorcycle taxi drivers. At the low end, the earnings of waitresses showed a steady but upward trend between 2000 and 2005.[40]

[39] These are compiled on the basis of average daily rates, weekly wages and monthly salaries.
[40] For further analysis on earnings of vulnerable groups in the labour market, see section 8.4.

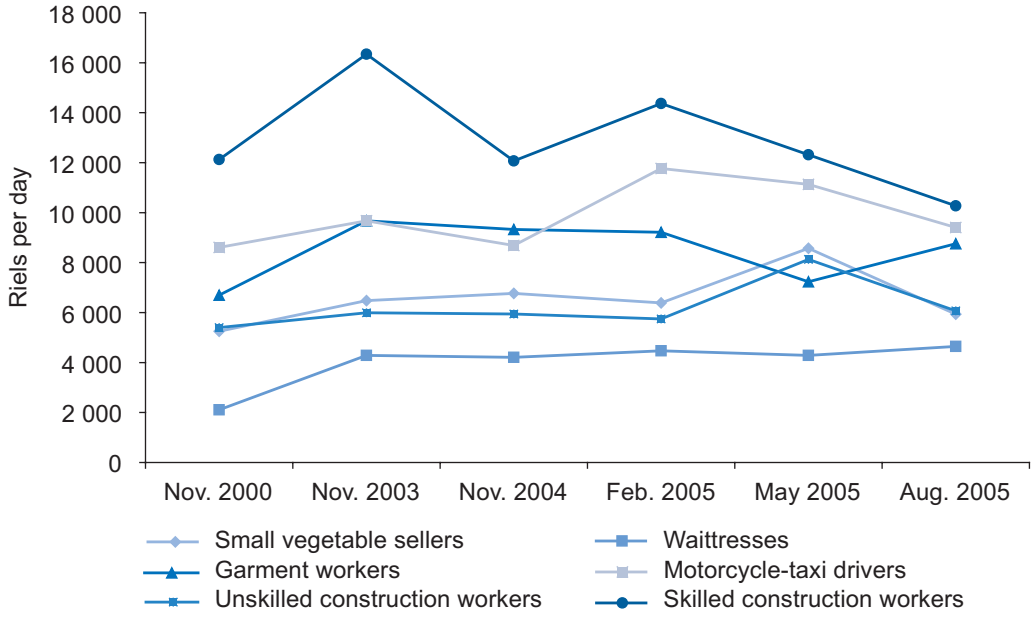
Figure 3.17: Wages earned during the previous month in *riels* by location, sex and occupation, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004.

Figure 3.18: Average daily earnings of vulnerable workers, 2000–2005

(Constant November 2000 prices)



Source: CDRI, *Cambodia Development Review*, Volume 9, Issue 4, October–December 2005.

There has been fragmentation and segmentation in product markets and labour markets.

Despite the gradual integration of the economy alongside growth and development over recent years, there has been considerable fragmentation and segmentation in both product markets and labour markets. Gaps can be identified across a number of dimensions, including geography, sex, age, education, skills and sector. This section focuses on labour market differences by male versus female, informal versus formal and national versus international.

4.1 Disparities by sex

The labour market suffers from gender inequalities based on traditional attitudes, known as *chba'p*, about education and occupations suitable for girls and women. In practice, these result in fewer opportunities for better jobs. Women are concentrated in sectors and occupations with low earnings and often paid less than men for the same work.[41] Reducing disparities in the labour market is a challenge in light of a rapidly growing labour force and limited new employment opportunities in a market-oriented economy.[42]

Sex-disaggregated data reflect substantial progress in promoting greater access of Cambodian women to education, training and employment. The 1993 Constitution reflects the principle of gender equality. Cambodia is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women and other international agreements. The 1997 Labour Code contains measures to protect rights in employment and inheritance and to counter human trafficking.[43] A draft anti-trafficking law is expected to be passed in the near future. Cambodia has ratified the ILO Equal Remuneration Convention, 1951 (No. 100), Discrimination (Employment and Occupation) Convention, 1958 (No. 111) and the Employment Policy Convention, 1964 (No. 122) that require the Government to offer and protect equal opportunities for women workers.

Frameworks are in place to improve the situation of women by moving toward greater equality, equity and empowerment. The Ministry of Women's Affairs has played a key role in promoting and protecting the welfare and rights of women in Cambodia in collaboration with a number of partners, including government institutions, civil society, the private sector and the international community. The Ministry developed a five-year strategy called *Neary Rattanak* (1999–2003) or "Women are Precious Gems" that emphasized building the capacity of women as well as changing attitudes and behaviours within society that discriminate against women. The strategy focused on four priority areas – health, education, legal protection and economic empowerment – and included:

- Skills development and job creation in order to improve the living conditions as well as the national economy;
- Improvements in literacy;
- Improvements in health especially by reducing maternal mortality and risks to HIV infection;
- Reduction of violence against women, especially domestic violence and human trafficking;
- Reduction of discrimination in the family and society; and

[41] The World Bank: *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Table 3.2, p. 42.
[42] UNIFEM: *A fair share for women: Cambodia gender assessment,* Phnom Penh, April 2005, p. 4.
[43] Ibid., p. 11.

- Effective promotion of legal literacy and law enforcement in relation to the rights of women.[44]

This first strategy was followed by a second five-year plan *Neary Rattanak II* (2003–2007). The task of the Ministry of Women's Affairs is to facilitate, advocate, coordinate and monitor policies and programmes to promote the status of women and participation in policy making. *Neary Rattanak II* has the following priorities:

- Promoting enhanced participation of women in economic development, especially in micro and small enterprises, based on the principle of equitable distribution of economic resources including water, energy, land and information;
- Promoting women's rights to legal protection to safeguard them against domestic violence, trafficking, rape and other forms of violence;
- Promoting women's and girls' rights to health care to address serious problems such as maternal and infant mortality, nutritional issues and issues related to HIV and AIDS;
- Promoting women's and girls' rights to education, literacy and skills training; and
- Promoting substantive participation of women at all levels in the institutions of government.[45]

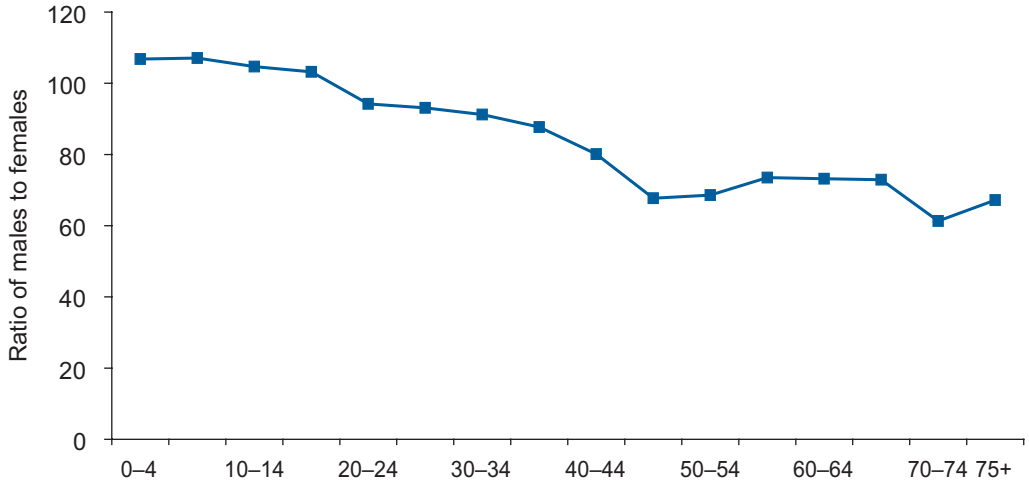
These five-year strategies point to some of the issues and challenges that must be addressed in order to reduce segmentation of labour markets and promote equal access to skills and jobs. Several dimensions of the inequality and barriers that currently exist are described in previous sections of this report. As emphasized in the National Strategic Development Plan 2006–2010, Cambodia is committed to enhancing the social status and employment opportunities of women through both gender mainstreaming in public policies, programmes and budgets and through gender-specific action to counter inequalities. However, this dual-track strategy is not yet understood by many agencies. Another common problem is that in supporting efforts to move women out of poverty, there is a need to address underlying power imbalances. A number of excellent studies have outlined the many dimensions of women's participation in Cambodian development.[46] The following section highlights some of the current differences in labour markets between men and women.

While women outnumber men among the older generations, the shares are more equal for children and youth. However, boys outnumber girls at birth due to sex selection.

Years of war and dislocation have produced a demographic phenomenon in Cambodia in which women outnumber men. Figure 4.1 shows the sex ratio of males to females by age group in 2004, based on the inter-censal survey.

[44] NIS, *Cambodia Inter-Censal Population Survey (CIPS) 2004, Analysis of CIPS results, Report 8, Women in Cambodia,* Phnom Penh, November 2005, pp. 6–7.
[45] Ibid., p. 7.
[46] Among them are UNIFEM, *A fair share for women: Cambodia gender assessment,* Phnom Penh, 2004; ILO, *Decent work for women and men in the informal economy: Profile of good practices in Cambodia*, ILO, Bangkok and Phnom Penh, 2005; and Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training, *Action research on the gender dimension of skills development in Cambodia,* MOEYS and ILO, Bangkok and Geneva, April 2004.

Figure 4.1: Sex ratio by age group, 2004



Note: The sex ratio is the number of males for each 100 females.
Source: NIS, *Cambodia Inter-Censal Population Survey (CIPS) 2004, Analysis of CIPS results, Report 8, Women in Cambodia*, Phnom Penh, November 2005, Table 2.2, p. 8.

Girls and women do not have equal access to the education and training needed for better jobs.

Access to decent jobs obviously depends on literacy, education and skills. While the gaps are narrowing, girls and women remain at a disadvantage in Cambodia. In 2004, adult literacy rates were 60 per cent of women, compared with 80 per cent of men. In terms of current school attendance, a larger share of girls (77 per cent) than boys (73 per cent) attended primary school. However, the reverse was true at the secondary level with smaller percentages of girls in lower secondary school (15 per cent compared to 16 per cent of boys) and upper secondary school (5 per cent compared to 7 per cent of boys). Among the population aged 25 years and older, a much larger proportion of women (85 per cent) than men (55 per cent) in 2004 had not completed primary school. Not surprisingly, a smaller share had finished upper secondary school or had a post-secondary education: 2 per cent of women compared to 17 per cent of men.[47]

Fewer women are in paid employment. Wages are lower for women than for men.

While traditionally women have been economically active in agricultural production and off-farm employment in rural areas and have recently found manufacturing jobs in the garment sector, labour force participation rates for the population aged 10 years and older were lower in 2004 for women (71 per cent) than for men (79 per cent). In terms of employment status, women (52 per cent) were more likely than men (35 per cent) to be unpaid family workers and less likely to be in paid employment: 17 per cent for women compared with 23 per cent for men. Taking experience, age and education into account, wages were 33 per cent higher for men than women. The largest differentials were for young men and young women aged 15–29 years who had no schooling, with a smaller gap at higher levels of education. Men and women with an upper secondary education earned 42 per cent more, and those with a post-secondary education earned 80 per cent more than those with no schooling at all.[48]

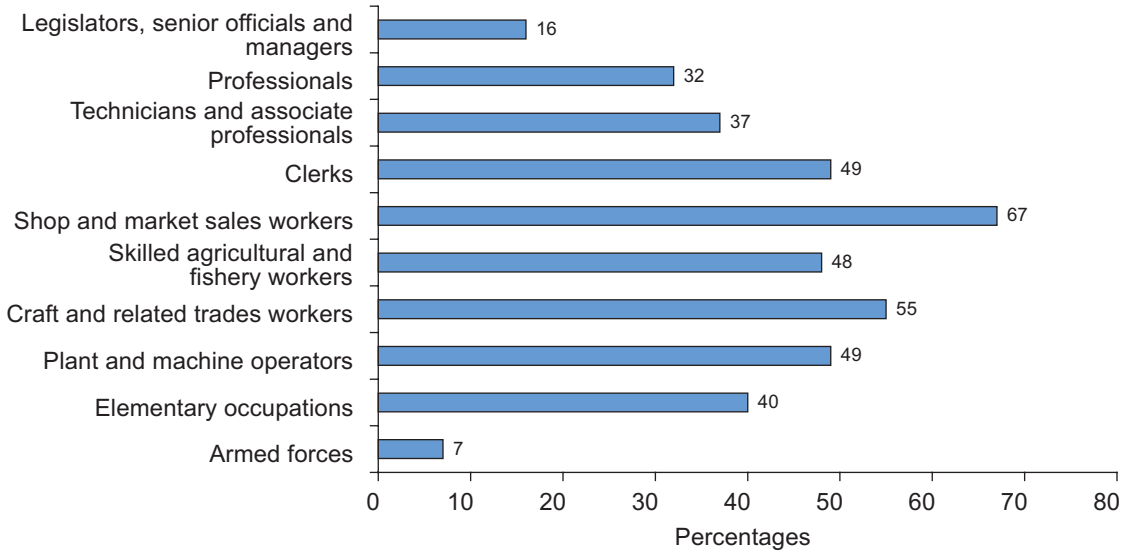
[47] NIS, *Cambodia Socio-Economic Survey 2004, Summary subject matter report,* Phnom Penh, September 2005.
[48] UNIFEM, *A fair share for women: Cambodia gender assessment,* Phnom Penh, April 2005, p. 5.

Many young women have found new employment opportunities in Cambodia's garment factories. While they benefit from paid employment, the changes that have resulted in both sending communities of rural areas and urban destinations related to working conditions, labour standards and union issues have prompted broader discussions about employment, development and trade.[49] Although garment manufacturing has been an important driver of economic growth over the past decade, garment workers actually represent a small percentage of the labour force. There are high expectations for regular remittances sent to workers' families in rural areas that make a substantial contribution to rural livelihoods.[50] Of concern is the degree to which the security of these jobs is dependent upon international agreements and global markets.

Larger proportions of women than men are employed in sales jobs and as craft workers.

Occupational classifications show that the percentage of jobs held by women in each category is greatest for sales workers and craft workers, followed by office clerks and factory workers. The share of women in decision-making posts, such as legislators, officials and managers, is smallest, at 16 per cent.

Figure 4.2: Occupational classification by percentage female, 2004



Source: NIS, Socio-Economic Survey 2004 calculated from data in San Sy Than, *Economically active population Cambodia 2004,* NIS, Phnom Penh, 8 July 2005.

Women working in rural areas are disadvantaged in terms of access to markets and services.

Rural women account for 80 per cent of food production, and more than 65 per cent of all women are farmers. Half of those women farmers are illiterate or have less than a primary education. Only a small share of the rural workforce is in paid employment. For the most part, women in agriculture are unpaid family workers. Rural women are at a disadvantage in efforts to improve productivity in farm jobs and non-farm employment because they are not the focus of research activities and extension services and because they have limited access to credit, land and other resources. While the land law includes measures to

[49] Ibid., pp. 47–49.
[50] The World Bank: *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Box 3.2, p. 42.

ensure rights of women, low levels of literacy can limit their access to entitlements. Women often lack information about markets and technology, which is needed to increase production and improve their livelihoods.[51] What will happen to the situation of women workers under the National Strategic Development Plan 2006–2010 as agro-processing and rural industry are improved is an important concern, as discussed in Box 4.1.

Box 4.1: How will development affect "women's jobs" in agro-processing and handicraft production?

Agro-processing and handicraft production are traditional female domains. Women comprise more than half of the workforce in food processing. As this industry is scaled up and mechanized to meet the demands of export markets and compete for a greater share of domestic markets, questions remain about the implications for employment creation, particularly employment for women. How many new jobs will be created? Where will these jobs be located? Will these new job opportunities be in the form of contract labour, waged employment or as managers and entrepreneurs? Work with machines is traditionally a "male" occupation; therefore, what will be the impact on women in the traditional food-processing industry? What measures are needed to enable the current workforce in these sectors to upgrade their skills and products to benefit from trade development efforts?

Source: UNIFEM, *A fair share for women: Cambodia gender assessment,* Phnom Penh, April 2005, p. 49.

Many women work in the informal economy.

Many women engage in informal employment and thus are not covered by labour laws or provided with social protection. Among them, an estimated 100,000 women work in the sex industry. Some were forced into the sex trade, only to be ostracized by their families and communities.[52] Without adequate protection or proper information, women, particularly female migrant workers, are more vulnerable to abuses such as trafficking.

4.2 Formal versus informal[53]

What is the informal economy?

Many Cambodians are employed in the informal economy.

While there is widespread agreement that the informal economy is a major employer of working people in many areas of the world, including Cambodia, there is confusion about definitions and measurements. The ILO first used the term "informal sector" more than 30 years ago when referring to the activities of the working poor who put in long hours for low incomes and yet were not recognized, recorded, protected or regulated by public authorities.[54]

[51] UNIFEM, *A fair share for women: Cambodia gender assessment,* Phnom Penh, April 2005, p. 6–7.
[52] Ibid., p. 5.
[53] This section draws on contributions by the author to *Decent work for women and men in the informal economy: Profile and good practices in Cambodia*, ILO Subregional Office for East Asia, Informal Economy, Poverty and Employment Project and Expansion of Employment Opportunities for Women Project in cooperation with Economic Institute of Cambodia and United Nations Development Fund for Women, Phnom Penh, 2006.
[54] ILO, *Employment, incomes and equality: A strategy for increasing productive employment in Kenya,* Geneva, 1972 cited in ILO, *Report VI: Decent work and the informal economy,* Sixth item on the agenda, International Labour Conference, 90th Session, Geneva, 2002, p. 1.

Should the informal sector be promoted or regulated?

Two decades later in 1991, the ILO Director-General highlighted the "dilemma of the informal sector" at the 78th Session of the International Labour Conference.[55] The dilemma was whether to promote the sector as a provider of jobs and income or, alternatively, to regulate its activities and protect its workers – thereby reducing its capacity to create employment. The 1991 report for that conference discussion emphasized that "there can be no question of the ILO helping to 'promote' or 'develop' an informal sector as a convenient, low-cost way of creating employment unless there is at the same time an equal determination to eliminate progressively the worst aspects of exploitation and inhuman working conditions in the sector." The discussion stressed that the dilemma should be resolved by addressing through integrated strategies the underlying causes and not just the resulting symptoms of informal work.[56]

The informal economy has not gradually disappeared, as once predicted.

For many years, there was an expectation that the informal sector would gradually disappear with economic development. This has not been the case. A background report prepared for the 94th Session of the International Labour Conference in 2006 pointed out that informal employment had increased with a decline in traditional production and formal jobs. And the informal economy has been growing in industrialized countries as well as developing countries. What was once "atypical" or "non-standard" in terms of employment is becoming the dominant form of production and employment around the world.

"Informalization" seems to be growing throughout the world.

The trend has accompanied increasing flexibility in and growing "informalization" of the global economy. Lifetime employment in large factories is being replaced with flexible production in units that are often unregistered and informal. Global supply chains are encouraging increasing numbers of informal workers in casual, part-time and temporary jobs. Thus, the concept of the informal sector with its street vendors, rickshaw drivers, parking attendants, garbage collectors, rag pickers and handicraft producers has been broadened to the informal economy that includes both entrepreneurs and workers who are not recognized or protected under legal and regulatory frameworks. Informal employment now refers to precarious jobs in small enterprises of the informal sector as well as employees and subcontractors of the formal sector who do not enjoy legal protection or social security.

There is confusion about definitions and measurement. The informal sector does not include underground production and illegal activities.

Because activities considered to be informal are often on the fringes of the law, they are sometimes confused with underground production and illegal activities. This puts them at risk of harassment, bribery, extortion and repression. In some countries, there are campaigns to "clean up" cities by eliminating street vendors and micro enterprises. However, the original definition of the informal sector was designed to measure legal production that is within the boundaries of the United Nations System of National Accounts (SNA). In this regard, informal sector production has been distinguished from underground production, illegal production and production by households for own final use.

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[55] ILO, *The dilemma of the informal sector,* Report of the Director-General, International Labour Conference, 78th Session, Geneva, 1991.

[56] ILO, *Provisional record,* International Labour Conference, 78th Session, Geneva, 1991.

Box 4.2: Key concepts for the non-observed economy

- **Underground production –** Defined as activities that are productive and legal but are deliberately concealed from public authorities to avoid payment of taxes or compliance with regulations.
- **Illegal production –** Defined as productive activities that generate goods and services forbidden by law or that are unlawful when carried out by unauthorized producers.
- **Informal sector production –** Defined as productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specified size in terms of employment and that have some market production.
- **Production by households for own final use –** Defined as productive activities that result in goods or services consumed or capitalized by the household members that produced them.

Source: OECD/IMF/ILO/CIS–STAT, *Measuring the non-observed economy: A handbook*, OECD, Paris, 2002, pp. 13–14.

Employment policies should aim to improve the quality as well as the quantity of work.

Informal employment was again discussed at the 90th Session of the International Labour Conference in 2002. The conference report, *Decent Work and the Informal Economy*, presented the view that there is a continuum of activities ranging from the informal economy to decent work. It is important that efforts are taken to move the activities along this continuum by ensuring that enterprises and workers adhere to labour standards, are covered by social protection and engage in social dialogue. All workers, including those in the informal economy, have equal rights in the workplace. Employment policies should aim to reduce poverty, increase social equality and promote equity by raising the quality as well as the quantity of jobs. This means making sure that girls and women working in the informal economy have access to education, training, credit and land.

Cambodia does not have official definitions for the informal sector and informal employment.

While Cambodia does not have an official definition of the informal economy, it is clear that many entrepreneurs and workers are operating in areas of economic activity that are not registered and go unregulated. Therefore they lack recognition, protection and security. Another dimension of informal activity is that it creates an uneven playing field for production inside and outside of regulatory frameworks. For this reason, it is important to review the size and characteristics of the informal economy as a basis for promoting good jobs and fair competition. The long-term goal is to promote employment opportunities that are formal and protected. In the meantime, efforts should be taken in Cambodia, as elsewhere, to move informal employment along the continuum in the direction of decent work.

Measures of the informal sector and informal employment

Perhaps due to the size and importance of informal employment throughout the world, there are many guidelines used for defining and measuring informal activities. In addition to statistical definitions developed by the ILO, there are other concepts used for

international comparisons, such as those developed by the Expert Group on Informal Sector Statistics known as the Delhi Group. Individual countries employ such a wide variety of concepts that international databases must use footnotes to explain each entry. However, the ILO, through the International Conferences of Labour Statisticians (ICLS), has developed guidelines for both the "informal sector" and "informal employment."

Statistical measures of the "informal sector" focus on production units.

The "informal sector," as considered during the 15th International Conference of Labour Statisticians in 1963, refers to self-employment or paid employment in informal sector enterprises defined as private, unincorporated enterprises owned by individuals and households that are not constituted as legal entities independent of their owners. These production units have no separate set of financial accounts aside from household finances. All, or at least some, of the goods and services produced are for sale or barter. The size of the enterprise is below a certain threshold identified to fit the national context. Informal sector enterprises are not registered under specific forms of national legislation, although they may follow local regulations to obtain licenses or permits. Their employees, if any, are not registered. The ICLS guidelines call for inclusion of non-agricultural activities. This is to avoid measuring the amount of production and employment in agriculture rather than the informal sector. Here, the term "sector" does not refer to a branch of activities, such as agriculture, industry and services, but to a group of production units. Under the United Nations System of National Accounts, the institutional sector is "households." Activities of the production units may take place inside or outside the owner's home and with or without a fixed location. In this sense, street vendors, home-based workers and taxi drivers are all considered as enterprises.

"Informal employment" refers to job characteristics rather than production units.

"Informal employment," discussed during the 90th International Labour Conference in 2002, focuses on jobs rather than production. Informal jobs are those that do not enjoy labour rights, social protection and social dialogue. These jobs can be found in both the formal and informal sectors. Participants at the conference called upon the ILO to assist member States in the collection, analysis and dissemination of consistent, disaggregated statistics on the size, composition and contribution of the informal economy. This requires a statistical definition for the informal economy that refers to "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements." The informal economy consists of two components: (i) employment in the informal sector as defined by the 15th ICLS, and (ii) other forms of informal employment including work outside of the informal sector. The report prepared for the conference included a matrix for measurement based on statistical definitions. This framework was endorsed by the Delhi Group for further testing.

The 17th International Conference of Labour Statisticians in 2003 then adopted a concept for informal employment that was to be adjusted to national circumstances. Informal employment was defined as informal jobs that are carried out in either formal sector enterprises or informal sector enterprises. This definition relies on concepts developed for status in employment outlined by the International Classification of Status in Employment (ICSE–93) identified as: own-account workers, employers, contributing family members, employees and members of producers' cooperatives. In addition to those working in the informal sector, informal employment includes jobs not covered by labour legislation, labour contracts, social security and collective agreements; without employment benefits such as advance notice of dismissal, severance pay, paid annual leave and sick leave; of limited duration; with hours or wages below a specified threshold; where the place of

employment is outside the premises of the enterprise such as outworkers; and where labour regulations do not apply or are not enforced.

It is often the case that national statistics are not produced to match these definitions for the informal sector or informal employment. Thus, a number of shortcuts, or proxy definitions, are used. There are working definitions for the informal sector, and there are also practical ways of obtaining information about informal employment. These include questions for a worker about the nature of a job, such as: Are you employed permanently or temporarily? Are you employed on the basis of a written contract or agreement? Does your employer pay contributions to the pension fund for you? Do you benefit from paid annual leave or from compensation instead of it? In the case of incapacity to work due to health reasons, would you benefit from paid sick leave? In the case of childbirth, would you be given the opportunity to benefit from maternity leave? Unless there is a fault of yours, could you be dismissed by your employer without advance notice? In case of dismissal, would you receive the benefits and compensation specified in the labour legislation?

Proxy measures are often used to examine trends and profiles for informal employment.

In the absence of statistics in line with these definitions, other measures are used to estimate the size and characteristics of informal employment. Sometimes, statistics from labour force surveys for status in employment are used – such as own-account workers and unpaid family workers in non-agricultural employment. In other cases, one-off surveys are conducted for certain groups of workers in informal employment, such as street vendors and household-based workers.

Trends in Cambodia's informal economy employment

Given the different concepts used for the informal sector, informal employment and the informal economy that focus on production units, job characteristics or both, it is not surprising that there are many different measures used in Cambodia. The Cambodian Development Research Institute (CDRI) relied on census data and its own survey to produce an estimate of 95 per cent of the labour force published in 2002.[57] The Economic Institute of Cambodia later produced a rough estimate of 85 per cent of the workforce in the informal economy.[58]

Statistics for status in employment are sometimes used to come up with estimates.

One approximation is based on status in employment. Own-account workers and unpaid family workers together are measured to provide estimates for informal employment. With own-account workers and unpaid family workers as a proxy measure, data from the Labour Force Surveys and Cambodia Socio-Economic Survey were used to estimate the total number of workers in informal employment. According to these estimates, informal employment increased from 4.5 million in 2000 to 5.2 million in 2001 and 5.8 million in 2004.[59] Total employment for these years was 5.3 million, 6.2 million and 7.5 million. The sum of these two categories puts the proportion in informal employment at 85 per cent, 84 per cent and 78 per cent, respectively. However, it is difficult to say that there has been

[57] CDRI, *Cambodia's Annual Economic Review 2002,* Phnom Penh, 2002, p. 35.
[58] EIC, *Cambodia Economic Watch*, Phnom Penh, April 2005.
[59] The concept of current activity used in the Labour Force Surveys of Cambodia is different from that of usual activity used in the Socio-Economic Survey 2004.

a decline in the share of informal employment, because these two surveys measured employment in different ways. The Labour Force Surveys used a one-week reference period for 2000 and 2001, while estimates from the Cambodia Socio-Economic Survey were based on usual activity during the 12 months prior to the survey.

Table 4.1: Size of informal employment measured by own-account workers and unpaid family workers, 2000, 2001 and 2004

	2000			2001			2004		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Own-account workers	2 169	1 378	791	2 543	1 481	1 062	2 574	1 507	1 067
Unpaid family workers	2 289	675	1 614	2 672	952	1 720	3 244	1 320	1 924
Total	4 457	2 052	2 405	5 215	2 433	2 782	5 818	2 827	2 991

Source: NIS, Labour Force Surveys of Cambodia 2000 and 2001 and Cambodia Socio-Economic Survey 2004.

Excluding employment in agriculture significantly alters informal employment estimates. Using a proxy measure of own-account workers and unpaid family workers, the difference for 2001 was 84 per cent including agriculture and 18 per cent outside of agriculture.

Using these data that include agricultural activities, there were slightly more women than men classified in informal employment. The statistics from the Cambodia Socio-Economic Survey 2004 indicate that 51 per cent were women and 56 per cent were unpaid family workers. But these estimates were heavily weighted by agricultural work. Table 4.2 shows data from the Labour Force Survey of Cambodia 2001 that are disaggregated by agriculture and non-agriculture. The former includes crops, hunting, forestry, logging, fishing and related workers.

Estimates using Labour Force Survey data and the proxy measure for own-account workers and unpaid family workers outside of agriculture in 2001 show nearly 1.1 million workers or 18 per cent in informal employment. Of them, 651,000 were women and 415,000 were men. When including agriculture, the size jumps to 5.2 million informal workers or 84 per cent of the 6.2 million employed. Not surprisingly, the proportion of unpaid family workers was smaller for non-agricultural employment (27 per cent) than for the total employment (51 per cent).

Data from the Labour Force Survey of Cambodia in Table 4.3 indicate that only 623,000 people living in urban areas were own-account workers or unpaid family workers in 2001. Of them, 339,000 were engaged in non-agricultural activities – 206,000 women and 134,000 men.

It is no surprise that for rural areas, most people employed as own-account workers or unpaid family workers were engaged in agricultural production in 2001. However, as shown in Table 4.4, there was also a significant number of rural residents (726,000) in these two classifications working in non-agricultural activities – 445,000 women and 281,000 men. Of them, 151,000 women worked as unpaid family workers in off-farm employment.

Table 4.5 presents data for 2001 from the Labour Force Survey of Cambodia with numbers and percentages in agriculture, industry and services. Using the sum of own-account workers and unpaid family workers as a proxy measure for informal employment, the proportion in each category that is female, was higher in industry

Table 4.2: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, 2001

	Total	Agriculture	Non-agriculture
Own-account worker			
Male	1 481 299	1 140 128	341 171
Female	1 061 683	621 204	440 479
Total	2 542 982	1 761 332	781 650
Unpaid family worker			
Male	952 073	878 603	73 470
Female	1 719 966	1 509 437	210 529
Total	2 672 039	2 388 040	283 999
Total			
Male	2 433 372	2 018 731	414 641
Female	2 781 649	2 130 641	651 008
Total	5 215 021	4 149 372	1 065 649

Source: NIS, Labour Force Surveys of Cambodia, November 2001.

Table 4.3: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, urban areas, 2001

	Total	Agriculture	Non-agriculture
Own-account worker			
Male	195 782	87 784	107 999
Female	212 181	65 778	146 403
Total	407 963	153 561	254 402
Unpaid family worker			
Male	76 139	50 610	25 529
Female	138 483	79 068	59 414
Total	214 622	129 678	84 944
Total			
Male	271 921	138 393	133 528
Female	350 664	144 846	205 818
Total	622 585	283 239	339 346

Source: NIS, Labour Force Surveys of Cambodia, November 2001.

Table 4.4: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, rural areas, 2001

	Total	Agriculture	Non-agriculture
Own-account worker			
Male	1 285 517	1 052 345	233 172
Female	849 502	555 426	294 076
Total	2 135 019	1 607 771	527 248
Unpaid family worker			
Male	875 934	827 993	47 941
Female	1 581 483	1 430 369	151 114
Total	2 457 417	2 258 362	199 055
Total			
Male	2 161 451	1 880 338	281 113
Female	2 430 985	1 985 795	445 190
Total	4 592 436	386 133	726 303

Source: NIS, Labour Force Surveys of Cambodia, November 2001.

Table 4.5: Size of informal employment measured by own-account workers and unpaid family workers by agriculture, industry and services, 2001

	Total		Male		Female	
	Number	(%)	Number	(%)	Number	(%)
Agriculture	4 149 372	100.0	2 018 731	48.7	2 130 641	51.3
Industry	278 070	100.0	105 564	38.0	172 506	62.0
Services	779 301	100.0	308 080	39.5	471 221	60.5
Other	8 278	100.0	997	12.0	7 281	88.0
Total	5 215 021	100.0	2 433 372	46.7	2 781 649	53.3

Note: "Other" includes private households with employees and extra-territorial organizations.
Source: NIS, Labour Force Survey of Cambodia, November 2001.

(62 per cent) and services (61 per cent) than in agriculture (51 per cent). The classification for industry includes the manufacturing of textiles, handicrafts and implements as well as food processing, furniture production and dress making. The service sector consists of trading activities such as street vendors as well as eating establishments, hair dressing, repair services, taxi drivers and others.

4.3 External assistance sector versus other employment opportunities

Another source of segmentation, or dualism, in Cambodia's labour market is the gap between work in the national economy and employment for foreign agencies. The external assistance sector operates alongside the civil service, informal economy and rural employment. Annual payments to local consultants working for projects executed by multilateral organizations, bilateral agencies, companies or the Government tend to be considerably higher than government salaries and average wages.

Cambodians with education and skills are paid more by donors and NGOs.

Based on studies in 1998 and 1999, the Cambodian Development Research Institute (CDRI) described two types of distortions resulting from the scale of aid in the country: First, a high proportion of the best-educated workforce was employed by donor agencies, international non-government organizations or by donor-funded projects as paid counterparts. This served to raise the price of educated labour, which can lead to skill-intensive exports becoming less competitive in international markets. Second, donors and NGOs have taken over a key role in promoting development programmes and funding basic services. Thus, the Government is under less pressure to collect revenues for public expenditure or raise salaries of government employees because the external assistance keeps funding development projects and government officials keep receiving supplementary income working as project counterparts.[60]

Donor aid can produce distortions in export markets and revenue collection.

Low salaries paid to government staff are an incentive for them to supplement their official work with outside activities. This can lead to a situation in which less attention is paid to responsibilities within the Government. It also serves as an incentive to accept informal payments that add to the cost of business and reduce the efficiency of government. And low government salaries threaten post-project sustainability.

[60] Martin Godfrey, Chan Sophal, Toshiyasu Kato, Long Vou Piseth, Pon Dorina, Tep Saravy, Tia Savora and So Sovannarith, *Technical assistance and capacity development in an aid-dependent economy: The experience of Cambodia,* Working Paper 15, CDRI, Phnom Penh, August 2000, p. 1.

The CDRI study looked at the impact of donor aid on capacity development and found that technical assistance enhanced individual capabilities, such as management skills. In many cases, on-the-job training produced positive benefits. But gaps emerged in the conditions of work between foreign advisors and national counterparts employed in donor projects, which contributed to problems of communication and coordination within and between projects and between government institutions and other actors.

A comparison can be made between external assistance and "Dutch disease."

The CDRI research draws a comparison between large amounts of external assistance and "Dutch disease" that refers to the negative impact petroleum production can have on resource allocation. The concept originated in the Netherlands where a wage-price spiral and real exchange rate appreciation made tradable goods less competitive in international markets. The situation of Cambodia is somewhat different due to the "dollarized" economy. However, external assistance has raised factor costs in a way that could make exports less profitable. And in light of the recent discoveries of oil and natural gas reserves, exports of those new-found resources could have a similar impact.

External assistance may also delay financial reform.

The 2004 UNDP report on the impact of macroeconomic policy on poverty reduction suggests that the large scale of external assistance should not be placed in the context of export earnings. Instead, it should be viewed in terms of the opportunity cost of accessing a dollar of private sector savings for public investment purposes and also in terms of the spending effect of donor employment on costs of skilled labour for other purposes, such as economic activities and public administration. With regard to the opportunity cost, the "crowding-out" effect of donor aid on revenue collection appears to be limited. However, without an incentive to access excess liquidity in the banking system, there is little inducement to speed up financial reform. In this sense, the UNDP report suggests that a Dutch disease does exist in Cambodia. Regarding the spending effect, the report does not support the call for civil service reform, which would downsize the government administration in order to pay higher wages and finance public services. The report concludes that downsizing would not release enough additional resources to make a significant difference in terms of higher pay and improved services.[61]

Clearly, the issue of economic distortions produced by direct employment in donor projects on either a full-time or part-time basis is linked to civil service pay and public-sector reform. "The widespread use of ODA-financed[62] salary supplements has created a pattern of complex and inefficient variations in pay rates, which pull the best staff toward projects that donors want to implement, making it much harder for government institutions to manage their human resources" and introduce merit-based pay.[63] Resolving this problem is part of aid harmonization to support improved management of the civil service.

[61] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* United Nations Development Programme, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, pp. 133–135.

[62] ODA means official development assistance.

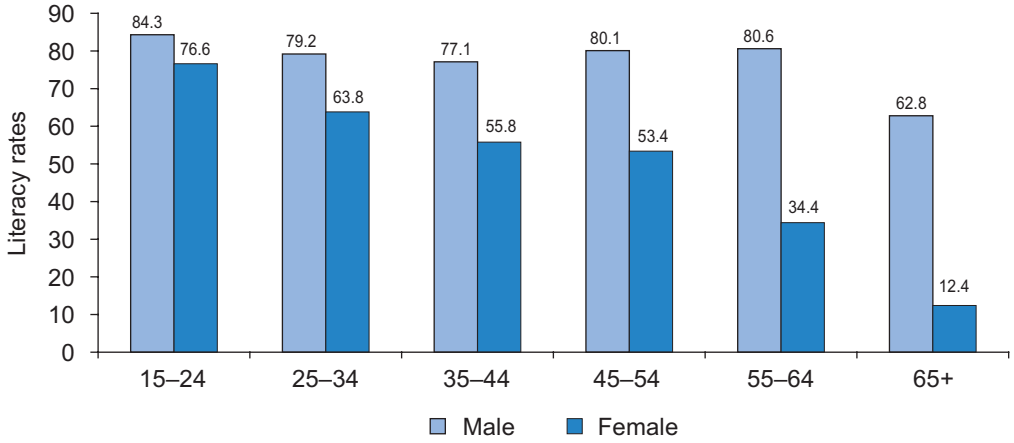
[63] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 138.

One of the legacies of the tumultuous past is the erosion of human capital, which has resulted in relatively low levels of literacy, education and training – compared with other countries in the region. Many Cambodians have little or no education; girls and women are considerably less educated than boys and men. This obviously influences the choices that Cambodians have for employment as well as affecting productivity and earnings.

Despite progress in opening access to education, girls and young women are still more likely to be illiterate than boys and young men.

Schooling starts at age 6 in Cambodia. There are some children, particularly in rural areas, who do not begin school until they are older. Some never attend school and others enrol but do not learn to read and write. Literacy is the ability to read and write a simple message in any language. In 2004 the literacy rate for the population aged 7 years and older was 67 per cent, according to the Cambodia Socio-Economic Survey, with lower rates for females (60 per cent) than for males (74 per cent). Age-specific rates indicate that while illiteracy is lower and the gaps are smaller for younger cohorts, girls and young women are more likely to be illiterate than boys and young men. A report on functional illiteracy among the adult population, published in 2000, indicates that highland minorities were much more likely to be illiterate than ethnic Khmers – 76 per cent compared with 23 per cent for men and 86 per cent compared with 44 per cent for women.[64]

Figure 5.1: Age-specific literacy rates by sex, 2004



Source: NIS, *Education: Summary subject matter report for the Cambodia Socio-Economic Survey 2004*, June 2005.

School attendance has been increasing with improvements that will gradually enhance the education and skills of the labour force. CSES data show that attendance rates were much higher for primary school than for schools at the lower secondary and upper secondary levels in 2004.[65] And they are greater for males than for females. However, there have been significant improvements in the education of girls and women over recent years.

[64] MOE, *Report on the assessment of the functional literacy levels of the adult population in Cambodia May, 2000* in NIS, *Statistical yearbook 2005,* Phnom Penh, May 2000, Table 10, p. 128.

[65] The net enrolment ratio is the number of children of official school age in school to the number of children of official school age in the general population. The gross enrolment ratio (GER) is the number of children in school to the total population of school-age children. Because of the large number of over-aged children enrolled, the GER can be more than 100 per cent.

Table 5.1: Net enrolment ratios and gross enrolment ratios by level of schooling and sex, 2004

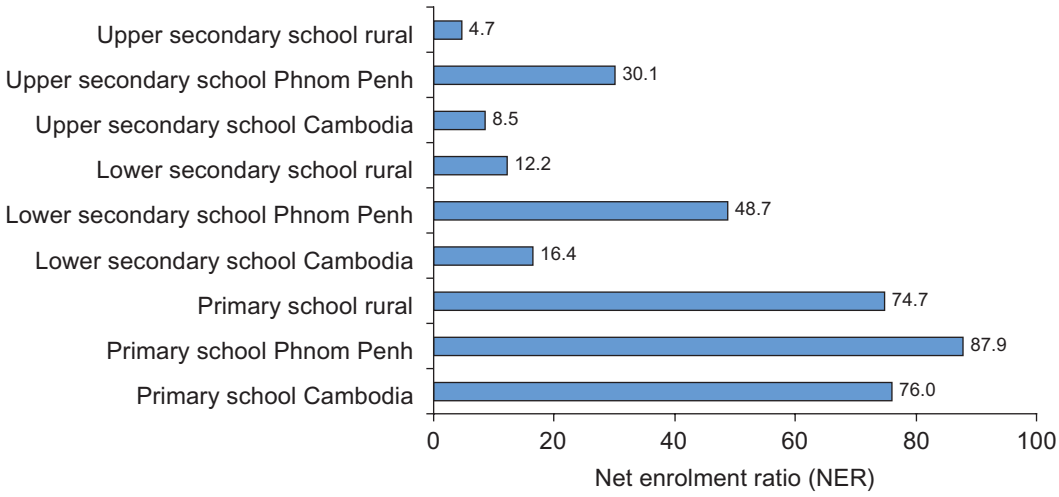
Residence	Net enrolment ratio (NER)			Gross enrolment ratio (GER)		
	Total	Male	Female	Total	Male	Female
Primary school	76.0	76.8	75.1	127.0	129.5	124.3
Lower secondary school	16.4	15.6	17.1	52.2	58.4	46.0
Upper secondary school	8.5	8.6	8.5	20.8	23.7	17.5

Source: NIS, Cambodia Socio-Economic Survey 2004 in NIS: *Statistical yearbook 2005,* Phnom Penh, Tables 19 and 20, p. 135.

The enrolment ratios for secondary school remain low, with considerable differences between rural areas and the capital city.

The enrolment statistics point to considerable differences between Phnom Penh and the rest of the country, with rural areas lagging far behind. According to CSES data, the net enrolment ratio in lower secondary school in Phnom Penh was 49 per cent, compared with 29 per cent in other cities and 12 per cent in rural areas. The net enrolment ratio for upper secondary school was 30 per cent in Phnom Penh compared to just 17 per cent in other cities and only 5 per cent in rural areas.

Figure 5.2: Net enrolment ratios, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004.

Table 5.2: Net enrolment ratios by rural–urban residence and level of schooling and sex, 2004

	Primary school			Lower secondary school			Upper secondary school		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Cambodia	76.0	76.8	75.1	16.4	15.6	17.1	8.5	8.6	8.5
Phnom Penh	87.9	90.1	85.6	48.7	47.9	49.4	30.1	30.7	29.6
Other urban	78.6	78.9	78.4	25.6	28.6	78.4	17.1	16.2	18.1
Rural	74.7	75.4	73.9	12.2	11.8	12.6	4.7	5.2	4.1

Source: NIS, Cambodia Socio-Economic Survey 2004 in NIS, *Summary subject matter report for the Cambodia Socio-Economic Survey 2004,* June 2005.

Enrolment ratios suggest that poverty continues to limit the opportunities for children and youth.

The Cambodia Socio-Economic Survey data also show that 11 per cent of the population aged 5–17 years did not attend school in 2004 because of their need to contribute to household income. Among the respondents, 8 per cent explained there was not enough money to continue schooling. Others mentioned that a school or teacher was not available or suitable. Another 15 per cent – 13 per cent of boys and 17 per cent of girls – had to help with household chores, often to free both parents so they could work.[66] The CSES data show that mean annual educational expenses per child in Cambodia were 130,000 *riels* in 2004: 633,000 *riels* in Phnom Penh, 170,000 *riels* in other cities and 54,000 *riels* in rural areas.

Table 5.3: Employed and unemployed aged 10+ years by educational attainment and sex, 2004

	Total	Male	Female	Total	Male	Female	Total	Male	Female
None or pre-school and kindergarten	1.0	1.1	1.0	0.5	–	1.0	1.6	1.1	2.0
Primary (Classes 1–6)	65.1	59.5	71.9	43.7	35.9	52.8	64.9	56.2	71.0
Lower secondary (Classes 7–9)	23.7	26.4	20.4	29.2	33.9	23.6	21.7	26.0	18.7
Upper secondary (Classes 10–12)	6.4	8.0	4.4	13.6	17.1	9.4	6.9	9.4	5.2
Secondary school certificate	1.5	2.0	0.8	6.6	7.3	5.9	2.5	4.0	1.5
Technical/vocational pre-secondary diploma/certificate	0.5	0.6	0.3	0.4	0.8	–	0.2	0.3	0.1
Technical/vocational post-secondary diploma/certificate	0.4	0.5	0.2	2.4	1.8	3.2	0.9	1.6	0.5
College/university undergraduate	0.1	0.2	0.1	0.7	0.8	0.7	0.3	0.4	0.3
College/university graduate	0.7	1.0	0.3	2.1	1.8	2.4	0.3	0.4	0.3
Post-graduate	0.1	0.1	0.0	–	–	–	–	–	0.0
Other	0.3	0.4	0.2	0.8	0.7	1.0	0.6	0.5	0.6
Not known	0.3	0.3	0.3	–	–	–	0.0	0.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

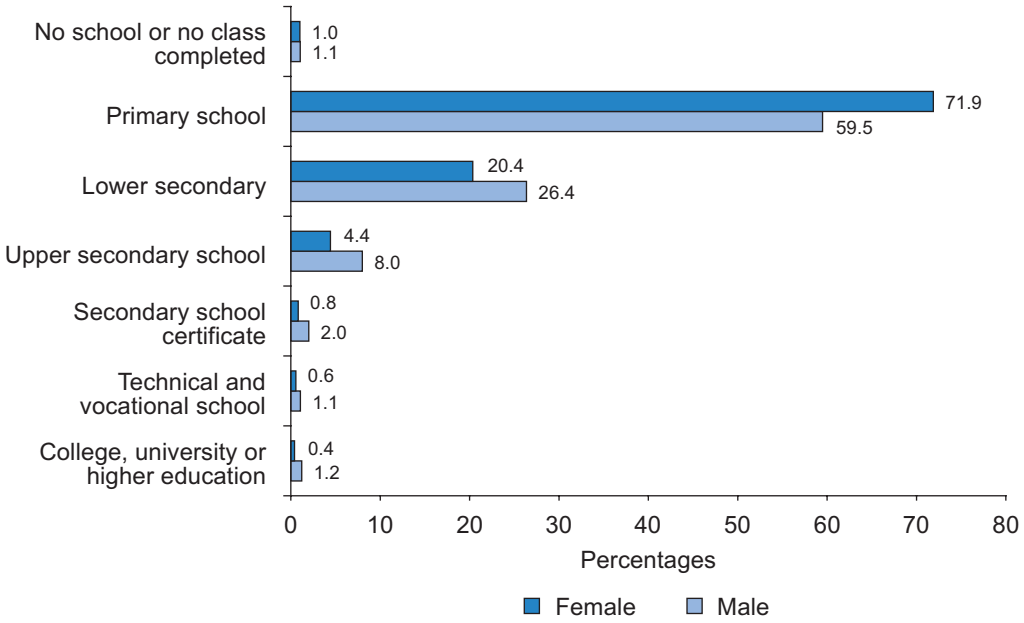
Most of the employed and unemployed have only a primary school education or less, with unemployed women at a greater disadvantage in terms of educational attainment.

In Table 5.3 data from the Cambodia Socio-Economic Survey 2004 has been broken down by the employed and unemployed using both the "strict" and "relaxed" definitions. In all categories the educational attainment of females was lower than of males. The proportion of females was greater than males for primary school education, while the reverse was true for higher levels of educational attainment.

The unemployed defined by the "strict" definition as those actively looking for work were generally better educated than both those who were employed and those who were unemployed but not actively seeking work. Only small proportions of the unemployed had less than a complete primary school education.

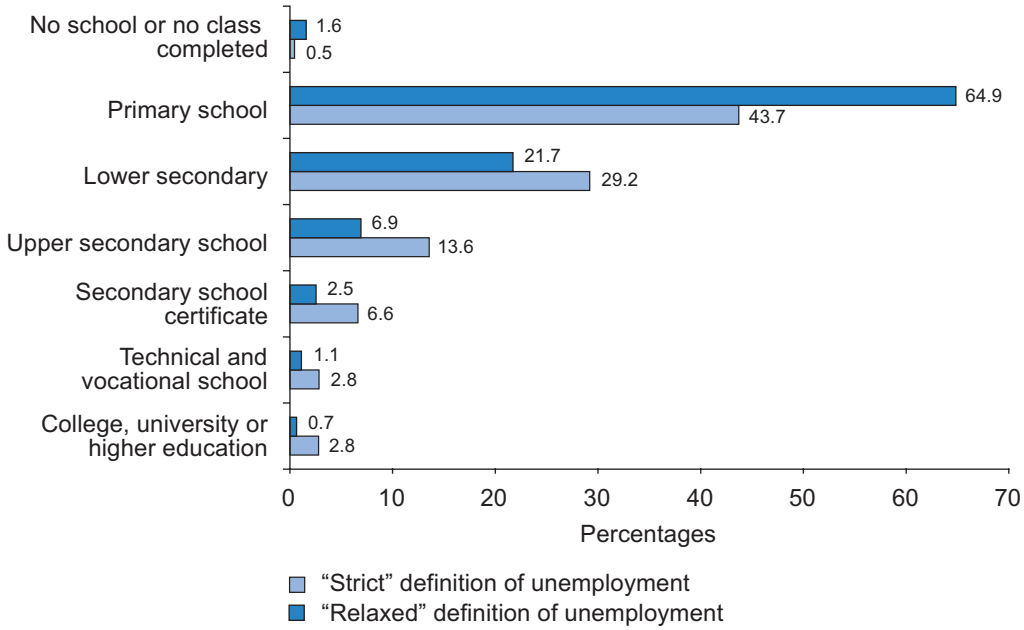
[66] NIS, *Statistical Yearbook 2005,* Table 21, p. 136 and SPSS files for the Cambodia Socio-Economic Survey 2004.

Figure 5.3: Distribution of employed population aged 10+ years by educational attainment and sex, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004.

Figure 5.4: Distribution of the unemployed population aged 10+ years by educational attainment, 2004

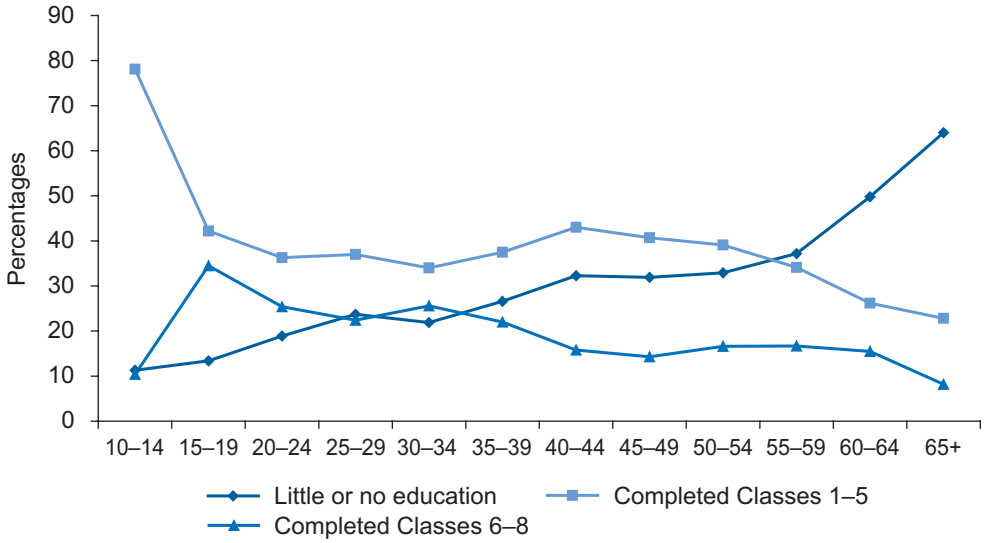


Source: NIS, Cambodia Socio-Economic Survey 2004.

Younger cohorts are better educated than older groups in the labour force. As Figure 5.5 indicates, larger proportions of older Cambodians have little or no education. Youth are more likely to have completed Classes 6–8.

These patterns of education by age reflect the legacy of Cambodia as it moved through the periods of conflict into reconstruction and recovery. Despite substantial improvements in education, as evidenced by higher levels of educational attainment among younger cohorts, poverty continues to limit the opportunities of children and youth. Late entry, class

Figure 5.5: Economically active population aged 10+ years by level of educational attainment and age group, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004 in San Sy Than, *Economically active population Cambodia 2004*, Draft, 8 July 2005.

repetition and drop-out rates are falling but continue to be serious problems. The primary factor for high drop-out rates and low completion rates is the importance of child labour to poor households. While the direct costs of keeping children in school are falling, the opportunity costs for poor families are high – compared to the foregone possibilities for children to contribute their labour in both income-earning work and subsistence-oriented activities. There is also a need to improve the qualifications and skills of teachers, lower the pupil-teacher ratio and increase hours students spend in the classroom.[67]

Regression analysis shows that an increase in educational attainment, especially beyond the primary level, improves the likelihood of obtaining paid employment or self-employment rather than unpaid work. Having a secondary education increases a person's probability of finding a paid job rather than self-employment. More education also adds to the likelihood that a person can achieve stable employment and reduces the chances of being limited to temporary jobs. There is an inverse relationship between education and poverty, with more schooling leading to higher earnings.[68]

The numbers trained in provincial centres have dropped in recent years.

Cambodia has 30 institutes and centres under the Directorate General for Technical and Vocational Education and Training serving 24 provinces. Most of these provide training to school drop-outs. The provincial training centres (PTCs) once trained 4,000 people a year but numbers of trainees have dropped in recent years to fewer than 1,200 annually. The Ministry of Women's Affairs runs 11 Women in Development centres that provide training to very poor women, most of whom had dropped out of school. These centres operate in six provinces and train about 1,400 women a year. Many of the women are illiterate.[69]

[67] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 95, 98, 100–101, 103–104.

[68] Based on analysis conducted by Ridao-Cano cited in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 105.

[69] Directorate General, TVET, Draft National Technical and Vocational Education and Training Development Plan, Submitted to the National Training Board for Endorsement, 28 February 2006.

In addition, non-government organizations organize skills-training opportunities, typically set up along the routes linking Battambang, Siem Reap, Phnom Penh and Sihanouk Ville. Most of the training is on a small scale in local areas. The exception is Don Bosco, which operates centres for boys in Phnom Penh and Sihanouk Ville and a centre for girls in Phnom Penh. Training made available by NGOs is highly dependent upon donor funds and donor interest. There are an estimated 12 national NGOs with institutions offering training courses, while some 200 commercial institutions meet the growing demand for computer skills, language courses and entrepreneurship training. Some institutions offer degrees through short courses operated on the basis of cost recovery. Large enterprises offer skills training in response to staff needs. Finally, some government ministries operate colleges for staff training in specialized skills, such as those related to transport, electricity and agriculture.[70]

The Cambodia Socio-Economic Survey asked in 2004 if any household member at least 5 years old had ever attended non-formal classes and, if so, what kinds of training were provided. According to the responses, only 1.7 per cent had ever attended such a course, with about half enrolled at that time.

[70] Ibid.

6.1 Definitions and statistics

Many children in Cambodia contribute to agricultural production and off-farm activities but manage to stay in school. Some drop out of school to work on family farms or help in household businesses. Other children work on fishing boats or help repair fish nets. Some are employed in processing seafood. Children also find jobs on wharves and load trucks. The key concern for the ILO is that the work does not cause injury or endanger health and that it does not restrict the future participation of the child in the economy and society. The distinction between various contributions of children to economic production and household work and the concerns of the ILO about child labour and hazardous work draw on statistical definitions and legal concepts, as outlined in Box 6.1. These will be discussed at the 18th Session of the International Conference of Labour Statisticians in 2008.[71]

Box 6.1: Economic activity, child labour and hazardous work

Economically active children supply labour for the production of economic goods and services as defined by the United Nations System of National Accounts (SNA) during a specified time-reference period. According to the SNA, production of economic goods and services includes: (i) all production and processing of primary products whether for the market, for barter or for own consumption; (ii) the production of all other goods and services for the market; and (iii) in the case of households that produce such goods and services for the market, the corresponding production for own consumption. The economically active population includes the employed and unemployed. The concept "usually active" is based on activity status during a long period such as twelve months. "Current activity" is based on a brief period such as seven days. Those working for one hour during the reference week are counted as currently employed.

Child labour is a narrower concept than "economically active children," excluding all those aged 12 years and older who are working only a few hours a week in permitted light work and those aged 15 years and older whose work is not classified as "hazardous". The concept of "child labour" is based on the ILO Minimum Age Convention, 1973 (No. 138), which represents the most comprehensive and authoritative international definition of minimum age for admission to employment or work, implying "economic activity."[72]

Hazardous work by children is any activity or occupation that, by its nature or type, has or leads to adverse effects on the child's safety, health (physical or mental) and moral development. Hazards could also derive from excessive workload, physical conditions of work, and/or work intensity in terms of the duration or hours even where the activity or occupation is known to be non-hazardous or "safe." The list of such types of work is determined at the national level after tripartite consultation.

Sources: Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the Thirteenth International Conference of Labour Statisticians in October 1982, and ILO, *The end of child labour: Within reach,* Report of the Director-General, Global report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, ILO, Geneva, 2006.

[71] The current practice is to consider children employed in the production of economic goods and services under the SNA boundaries as "working." Child labour is a subset of this group, with hazardous work and the worst forms of child labour subsets of child labour.

[72] The text of Convention No. 138 is found online at http://www.ilo.org/dyn/declaris/DECLARATIONWEB.DOWNLOAD_BLOB?Var_DocumentID=6219.

Labour statistics following international standards can be somewhat confusing, since there is a difference between "work" to produce goods and services counted as "economic activities" and "chores" performed at home, such as cleaning and cooking, called "non-economic activities." The first category of "work" includes not only paid employment but also jobs as own-account workers and unpaid family members. The difference between this type of economic activity, as defined by the United Nations System of National Accounts, and non-economic housework may seem arbitrary or confusing. An added consideration is that while some children may be either economically active or engaged in household activities, others are involved in both. In order to account for this overlap there is a need to produce special tabulations for survey data that count children who are working to produce goods and services or helping at home or both.

There are several sources of statistics on child labour in Cambodia: A special module was added to the Cambodia Socio-Economic Surveys[73] to collect information on children aged 5 to 17 years. A Cambodia Child Labour Survey was conducted in 2001 to collect a broad range of information on the economic activities of children aged 5–17 and 5–14 years. A Child Domestic Workers Survey in Phnom Penh was undertaken in 2003. The Labour Force Surveys of Cambodia and the Cambodia Inter-Censal Population Surveys have collected information on economic activity of children aged 10–14 years. In addition, the Cambodia Inter-Censal Population Survey 2004 provided data for girls and boys aged 7–9 years.

6.2 Legislation and policies

Cambodia has accepted a commitment to combating and eliminating the worst forms of child labour. However, there continues to be concern that the problem may become more serious.

Cambodia has demonstrated its commitment to combating and eventually eliminating the worst forms of child labour by promoting initiatives to keep children in school and addressing the circumstances that push them into work. The Labour Law sets a minimum age for employment at 15 years, but allows children between the ages of 12 and 14 to perform "light" work, provided that the activities are not hazardous to their health or interfere with schooling. The law sets the minimum allowable age at 18 years for employment which by its nature could be hazardous to health, safety or morality. For example, minors younger than 18 cannot be employed in underground mines or night work.[74] These provisions are largely in line with the ILO Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labour Convention, 1999 (No. 182) that Cambodia ratified in 1999 and 2006, respectively. The Labour Law is supplemented by Ministerial Orders or *Prakas* related to "light" work for children aged 12–14 years and covering child labour in certain sectors such a plantations, fishing, brick making, salt production, garments and footwear.[75] Meanwhile, the government is expediting the issue of six other *Prakas* that further elaborate the work permitted for children below the age of 18, and the conditions under which such work can be undertaken, in sectors identified as hazardous under the draft National Plan of Action on the Elimination of the Worst Forms of Child Labour and which would thereby fall within the definition under ILO Convention No. 182. The hazardous sectors that would be covered under the six *Prakas* include child

[73] The Cambodia Socio-Economic Surveys were conducted in 1993–1994, 1996, 1999 and 2003–2004. The surveys in 1993–1994 and 1996 were called the Socio-Economic Surveys of Cambodia (SESC).
[74] UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Interagency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006, p. 15 and p. 45.
[75] Ibid., p. 45.

labour in the fishing sector, rubber plantations, brick making, salt production, domestic labour and child porters.

To meet its commitment to support the implementation of the Convention on the Rights of the Child, the Government established in 1995 an inter-ministerial body called the Cambodian National Council for Children, which functions within the Ministry of Social Affairs, Veterans and Youth Rehabilitation. A National Sub-Committee on Child Labour and Other Forms of Commercial Exploitation of Children was set up in 2000. Since 2005 the National Sub-Committee on Child Labour is functioning within the Ministry of Labour and Vocational Training. The government has included a target for reducing the incidence of child labour in the Cambodian Millennium Development Goals. The National Plan of Action on Education seeks to enrol 6- to 14-year-olds in school by 2010, while the Education for All initiative sets out to enrol all children by 2015. The Cambodian National Council for Children adopted a National Plan of Action Against Trafficking and Sexual Exploitation of Children covering the period 2002–2004. This was followed by the National Plan of Action Against Trafficking of Persons for Sexual Exploitation for 2005–2009. The Ministry of Labour and Vocational Training has a draft National Plan of Action on the Elimination of the Worst Forms of Child Labour that extends to 2012 in support of obligations under ILO Convention No. 182. For more than ten years, the ILO has supported the national action plan through a Time Bound Programme in partnership with the Government, employers, workers and NGOs. This programme aims to strengthen policies, improve enforcement, mobilise stakeholders and strengthen networks to eliminate the worst forms of child labour. The ILO programme also implements targeted interventions in selected provinces. These include children working in domestic service of Phnom Penh, salt production and fisheries jobs in Kep and Sihanouk Ville, rubber plantations and brick factories in Kampong Cham, brick making in Siem Reap and porters in Banteay Meanchey. Growing understanding about the issue has contributed to government commitment through budget allocations, a trade union PACT Against Child Labour, initiatives by the Cambodian Federation of Employers and Business Associations and the formation of a Civil Society Network Against Child Labour.

At the regional level, Cambodia has signed the Coordinated Mekong Ministerial Initiative Against Trafficking (COMMIT) memorandum of understanding and in 2003 the government signed a Memorandum of Understanding with Thailand on Bilateral Cooperation for Eliminating Trafficking in Women and Children. As a member of the Association of Southeast Asian Nations, Cambodia pledged support for the Declaration Against Trafficking in Persons Particularly Women and Children in 2004.[76]

Despite these initiatives, government agencies and NGOs have expressed concern about the possibility that child labour may become a serious problem in the near future, particularly in certain economic sectors which have been expanding rapidly such as construction and tourism. While enrolment ratios are increasing at early ages, there are still too many children who drop out of school, especially between the levels of primary school and lower secondary. Like other countries in the region, Cambodia has experienced rapid population growth, rural–urban migration and weakness in the education system – all factors that can encourage child labour.

6.3 Work and school

Counting children at work and in school.

An inter-agency study by the ILO, UNICEF and World Bank on children's work, called Understanding Children's Work (UCW), used data from the Cambodia Child Labour

[76] ILO, *Child labour and responses – Cambodia,* 2007.

Survey to calculate the child population in four non-overlapping activity groups: (i) engaged in economic activity only; (ii) attending school only; (iii) combining economic activity and school; and (iv) neither in economic activity nor in school, as shown in Table 6.1.

According to these calculations, there were 3.6 million children aged 7–17 years in 2001. The number counted as employed was 2.2 million (60 per cent) and the number attending school was 2.7 million (73 per cent). Of them, 1.6 million (43 per cent) children were both working and attending school. For the group aged 7–17 years, 17 per cent were working and not in school and 30 per cent were in school but not working.

As shown in Table 6.1, there were considerable differences across age groups. Among the younger group aged 7–14 years, 52 per cent was economically active compared with 83 per cent for the older group aged 15–17 years. The proportions of children in school declined with age: 80 per cent for the younger group and 52 per cent for the older group.

Table 6.1: Activity status of children aged 7–14 and 15–17 years, 2001

Activity	Total		Male		Female	
	Number	%	Number	%	Number	%
Children aged 7–14 years						
Economically active only	236 988	8.6	114 485	8.1	122 503	9.1
Attending school only	1 004 479	36.5	508 999	36.2	495 480	36.8
Economically active and	1 202 724	43.7	622 862	44.3	579 862	43.0
Neither economically active nor attending school	310 717	11.3	160 736	11.4	149 981	11.1
Total	2 754 908	100.0	1 407 082	100.0	1 347 826	100.0
Total economically active	1 439 712	52.3	737 347	52.4	702 365	52.1
Total attending school	2 207 203	80.1	1 131 861	80.4	1 075 342	79.8
Children aged 15–17 years						
Economically active only	387 181	42.3	158 875	33.4	228 306	51.8
Attending school only	103 159	11.3	59 969	12.6	43 189	9.8
Economically active and	374 928	40.9	234 274	49.3	140 654	31.9
Neither economically active nor attending school	50 736	5.5	21 959	4.6	28.777	6.5
Total	916 004	100.0	475 077	100.0	440 926	100.0
Total economically active	762 109	83.2	393 149	82.8	368 960	83.7
Total attending school	478 087	52.2	294 244	61.9	183 844	41.7
Total children aged 7–17 years	3 670 912		1 882 159		1 788 752	

Source: UCW calculations using data from the Cambodia Child Labour Survey 2001.

The Cambodia Socio-Economic Survey 2004 and the Cambodia Inter-Censal Population Survey (CIPS) 2004 provide more recent information about the economic activity of children. The CSES collected data on participation rates based on current activity for the population aged 10–14 and 15–19, while the CIPS included statistics on activity rates for those aged 7–14 and 15–19, based on usual status. These data highlight the fact that estimates depend on definitions and ages. As would be expected, activity rates for the group aged 10–14 were higher than for the group aged 7–14. The 7–14 age group covered by the CIPS 2004 classified children “in school” rather than “in employment” who were both attending school and working, while the CSES 2004 followed the suggested ranking of activity beginning with employment and unemployment for the 10–14 age group.

The proportion of children at work is large and increases with age.

The large numbers of children classified as economically active in these lower age brackets are striking: 16 per cent (7–14 years in CIPS 2004) and 48 per cent (10–14 years in CSES 2004). Teenagers, who include those classified as children in the 15–17 age categories plus youth aged 18–19 years, are also very likely to be economically active with just under three-fourths counted in the CSES and almost two-thirds classified by the CIPS as economically active for the age group 15–19.

Table 6.2: Activity rates for children and youth, 2004

	7–14	10–14	15–19	20–24
Cambodia Socio-Economic Survey 2004				
(Current status over past week)				
Total		48.1	72.8	82.3
Male		49.1	72.5	85.5
Female		47.1	73.1	79.2
Inter-Censal Population Sruvey 2004				
(Usual status over past year)				
Total	16.2		64.3	88.8
Male	16.6		60.6	89.5
Female	15.9		68.1	88.2

Sources: NIS, Cambodia Socio-Economic Survey 2004 in NIS, *Statistical yearbook 2005,* Phnom Penh, Table 29, p. 99; and NIS, *Cambodia Inter-Censal Population Survey 2004: Analysis of CIPS results, Report 3, Labour force and employment*, Phnom Penh, September 2005, Table 2.2, p. 12.

Work interferes with school and can leave children without the education and skills for decent jobs later in life.

According to the Understanding Children's Work inter-agency study using multivariate analysis of data from the Child Labour Survey 2001, work and school are indirectly related: higher economic activity is associated with lower school enrolment. The trade-off between employment and education increases with age, particularly among girls. Economic activity also tends to delay entry into school. In some cases, work prevents the child from ever attending school or increases the probability of dropping out before completing primary school. In addition, the statistical analysis showed that economic activity has a detrimental effect on academic achievement, measured by literacy rates and test scores. Working everyday reduced scores for literacy and numeracy among fourth graders by 9 percentage points, after controlling for other variables such as school quality.[77]

Children work to supplement family income, contributing a larger share to poorer households than to richer ones.

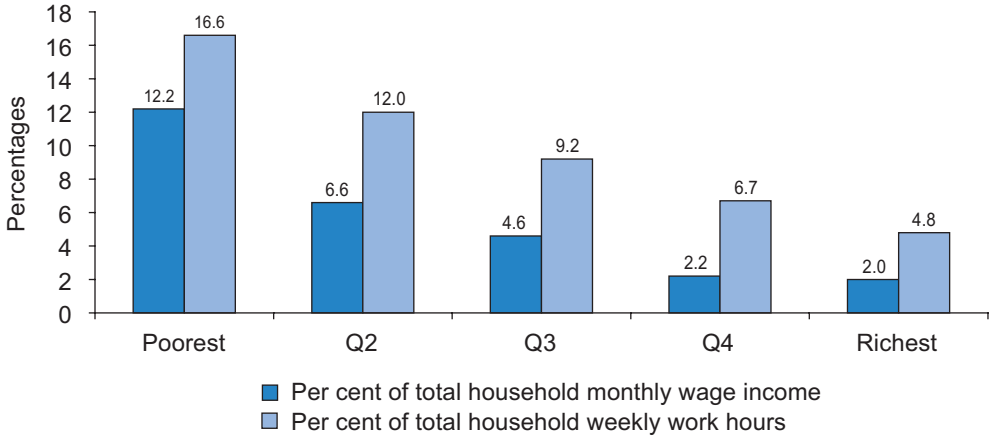
When asked in the Cambodia Socio-Economic Survey in 1999 about the principal motivation for involving children in work, more than three out of four respondents replied that they were adding to family income. According to the survey data, the wage contribution of children between 5 and 17 years to household income was 4 per cent.[78]

[77] UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Inter-Agency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006, p. iii.

[78] Calculations from the CSES 1999 cited in MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000, p. 43.

However, the relative share of additional income for the poorest households was considerable. Figure 6.1 shows the percentage contribution of children aged 5–17 to total monthly wage income and total weekly working hours by per capita expenditure quintile. For the poorest quintile, working children contributed 12 per cent to household wage income and 17 hours to total household employment.

Figure 6.1: Percentage contribution of children aged 5–17 to total household monthly wage income and total household weekly work hours, 1999



Source: NIS, Cambodia Socio-Economic Survey 1999 cited in the MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000, p. 44.

In addition to earnings and wealth, other factors that affect participation in the labour force are early education, quality and availability of school, education of parents, household composition and parent associations.

Similarly, the Cambodia Child Labour Survey 2001 asked for the reasons that children were working. Almost three-fourths of households said family poverty or the need for supplementary income. Almost one-half responded that without the contribution of child workers, living standards would decline. Another 18 per cent reported that a household business would be in jeopardy without the work of children. However, the work of children was not cited as important for paying the costs of school. And in the absence of financial constraints, two-thirds of the household heads would choose to have their children in school.[79] Using data from the Cambodia Child Labour Survey 2001, the Understanding Children's Work analysis looked at additional determinants for the choice to involve children in work, presented in Box 6.2.

Classification of work

Additional tabulations from the Cambodia Socio-Economic Survey for the 10–17 age group show that 55 per cent of those interviewed in 2004 were counted as working during the week preceding the survey. There was not a significant difference by sex. Classifications by type of employer indicate that 59 per cent worked on farms and 29 per cent were self-employed in non-farm work. Another 6 per cent had jobs as domestic workers.

[79] UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Inter-Agency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006, Table 17, p. 39.

Box 6.2: Factors influencing household decisions to put children in work or school, 2001

- Household wealth reduces the probability of a child working but only among boys.
- Children from households engaged in own businesses are more likely to be in employment.
- Early education reduces the probability of a child becoming economically active.
- Presence of pre-school children at home reduces attendance in school, especially for girls.
- Availability of pre-school facilities reduces participation in work and increases enrolment in school.
- Children living near schools are more likely to stay in school.
- Higher school quality is associated with working children remaining in school.
- Presence of parents' associations increases attendance and retention in school and reduces participation in employment.
- Education of parents, especially mothers, reduces the probability of the child being at work and increases the likelihood of the child being in school.
- Non-Khmer children are more likely to work and 19 per cent less likely to be in school.
- Female-headed households are more likely to send children to work rather than to school.

Source: UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Inter-Agency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006, pp. 40–43.

Table 6.3: Children aged 10–17 who worked during the previous seven days by sex, 2004

	Total		Male		Female	
	Number	(%)	Number	(%)	Number	(%)
Working	1 570 740	54.9	818 816	55.6	751 925	54.1
Not working	1 289 696	45.1	652 799	44.4	636 897	45.9
Total	2 860 436	100.0	1 471 615	100.0	1 388 822	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

Most children work in agriculture.

Data on children from the Cambodia Socio-Economic Survey 2004 were classified also according to primary occupation. It is not surprising that four-fifths of them were agricultural and fishery workers. One out of ten had a sales job. Another 4 per cent were classified as craft workers, while 6 per cent were engaged in unskilled occupations.

Nine out of ten working children are unpaid family workers or own-account workers rather than in paid employment.

The CSES 2004 data show that a large proportion (85 per cent) of the children aged 10–17 years in employment was classified as unpaid family workers. Just 8 per cent were paid employees with a larger share of females (10 per cent) than males (7 per cent) in this category. Others were self-employed as own-account workers. The mean number of

hours worked per week was 26 hours for this group compared with 40 hours for all workers aged 10 years and older. For those aged 10–17 in wage employment, the mean monthly earnings were 102,000 *riels* per month or 57 per cent of the average 81,000 *riels* for all wage-earning employees.

Table 6.4: Percentage of children aged 10–17 who worked during the previous seven days by status in employment and sex, 2004

	Total	Male	Female
Paid employee	8.4	7.0	10.0
Employer	0.1	0.1	0.1
Own-account worker	6.2	6.8	5.6
Unpaid family worker	84.9	85.6	84.0
Other	0.4	0.5	0.4
Total	100.0	100.0	100.0

Source: NIS, Cambodia Socio-Economic Survey 2004.

More working children are in seasonal, casual and part-time employment than in permanent jobs.

According to the Cambodia Child Labour Survey, there were 4.3 million children aged 5–17 in Cambodia in 2001: 2.2 million boys and 2.1 million girls. Of them, 2.5 million had worked during the previous year. Some 37 per cent of the working children were employed on a permanent basis. Another 27 per cent worked during school vacations, while the rest worked on a short-term or part-time basis in seasonal or casual employment. Once again, these figures would include girls and boys working in family farming and household businesses as long as the output was classified as economic production of goods and services.

Table 6.5: Working children aged 5–17 by continuity of employment and sex, 2001

Duration of work	Total	Male	Female
Permanent	36.9	33.8	38.9
Seasonal during school vacation	27.1	28.9	25.8
Short-term seasonal or casual	27.7	28.8	26.9
Seasonal or casual and part-time	7.8	8.4	7.5
Other	0.5	0.1	0.8
Total	100.0	100.0	100.0

Source: NIS, Cambodia Child Labour Survey 2001.

Hours of work

Data from the Cambodia Child Labour Survey 2001 show that for those children who worked but were not in school, the average number of hours worked per week was 21 for the group aged 7–11, 32 for children aged 12–14 and 37 for the group aged 15–19. The longest hours were for those in the older age group who did not attend school and worked in manufacturing (48 hours) and services (47 hours), where females worked longer than males. For the 12- to17-year-olds, working hours were shorter for those who were also attending school.

Table 6.6: Hours of work for children aged 7–11, 12–14 and 15–17 years, 2001

Industry	Sex	7–11 years		12–14 years		15–17 years	
		Work only	Work and study	Work only	Work and study	Work only	Work and study
Agriculture	Male	19.0	21.9	31.2	21.9	35.0	21.9
	Female	20.4	20.1	29.6	20.1	32.1	20.1
	Total	19.6	21.1	30.4	21.1	33.4	21.1
Manufacturing	Male	15.1	20.9	35.4	20.9	41.3	20.9
	Female	25.3	21.0	35.3	21.0	49.6	21.0
	Total	22.5	21.0	35.4	21.0	47.7	21.0
Commerce	Male	27.1	19.0	28.2	19.0	37.6	19.0
	Female	26.7	19.4	30.9	19.4	37.7	19.4
	Total	26.9	19.2	30.1	19.2	37.7	19.2
Services	Male	20.2	21.7	37.3	21.7	42.3	21.7
	Female	25.6	20.1	42.1	20.1	49.4	20.1
	Total	22.1	21.0	40.2	21.0	47.4	21.0
Total	Male	19.7	19.7	31.7	21.6	37.3	21.6
	Female	21.7	18.6	31.4	19.9	37.3	19.9
	Total	20.7	19.2	31.5	20.8	37.3	20.8

Source: UCW calculations using data from the Cambodia Child Labour Survey 2001.

6.4 Non-economic activities

The Cambodia Child Labour Survey 2001 also included questions about activities carried out by children at home that are not classified as economic activities within the SNA boundaries. More children helped out with cleaning and laundry than with other activities. Other duties included cooking, caring for children, sewing, shopping and making deliveries. The data reflects gender divisions in household responsibilities, with girls more likely to be involved in these housework except for delivering food and messages.[80]

6.5 Child labour

Estimating child labour

The inter-agency study estimated that in 2001 a "lower-bound" of 1.5 million were involved in child labour.

An Understanding Children's Work inter-agency study using data from the Cambodia Child Labour Survey 2001 estimated child labour based on national legislation. The estimates included the following: (i) all economically active children aged 7–11; (ii) all economically active children aged 12–14 except those performing "light" work that is not yet defined for Cambodia; and (iii) children aged 15–17 who were engaged in hazardous work or working excessive hours.[81] The "lower-bound" estimates for these three categories were: 750,000 younger than 12 years; 500,000 aged 12–14 in employment not considered "light" work;

[80] UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Inter-Agency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006, p. 24. "Fetching water" was included in the survey as a non-economic activity although it should have been classified as work under the United Nations System of National Accounts.

[81] Ibid., p. 15.

and more than 250,000 between the ages of 15 and 17 who were either in hazardous sectors or working at least 43 hours per week. The total was almost 1.5 million children aged 7–17 representing 40 per cent of that age group.[82]

Hazardous work

The incidence of illness and injury related to work is high among children in Cambodia. Regression results using data from the Cambodia Child Labour Survey 2001 show the significant effect of economic activity, long hours and industrial sector on the safety and health of children at work. This suggests that the work of children is often hazardous in nature. Girls are less likely than boys to experience illness after controlling for other factors. More education lessens the likelihood of ill-health, while longer hours add to the probability. And children working in agriculture have a 12 per cent greater chance of suffering from injuries than those working in manufacturing, while girls and boys with manufacturing jobs are 6 per cent more likely to be injured than those working in commerce and services.[83]

The Understanding Children's Work researchers had data for only seven of the following sixteen sectors listed as hazardous in Cambodia: portering, domestic work, waste scavenging and rubbish picking, rubber plantations, tobacco plantations, fishing, semi-industrial agricultural plantations, brick making, salt production and related enterprises, sea product processing, stone and granite breaking, rock quarrying and stone collection, gem and coal mining, restaurants and begging. The worst forms of child labour include all the above sectors identified as hazardous in the draft Cambodian National Plan of Action on the Elimination of the Worst Forms of Child Labour as well as child commercial sexual exploitation, child trafficking and children used in production, selling and trafficking of illicit drugs.[84]

Child domestic workers may be overlooked in regular household surveys because they often are regarded as part of the employing family.

As is the practice elsewhere in the region, it is not uncommon for households to employ children as domestic workers. In some cases, children of relatives or friends in a village come and live in the city to attend school in "exchange" for work. Some are paid wages, while others work for room and board. A number of young people are attracted to Phnom Penh by its employment opportunities or modern lifestyle; the accommodation and income associated with domestic work in the city is attractive to them. In other cases, children live near a domestic job and return home each day. Because child domestic workers are not uniformly regarded as paid employees and some employers may fear public scrutiny, they are often "hidden" from regular household surveys. But because employers often offer opportunities for education and income as well as food and shelter, much of society views the practice as acceptable. This can lead the public to overlook cases in which there is exploitation or even servitude.

According to a survey in 2003 three out of five domestic workers were girls.

For this reason, a special survey on child domestic workers in Phnom Penh was conducted during 2003. The survey findings indicate that there were 27,950 child domestic workers in the capital city. These were divided into slum areas (12,637 children) and non-slum areas (15,277 children) identified by the 1998 population census. Among the

[82] Ibid., p. 16.
[83] Ibid., pp. 35–36.
[84] Ibid., p. 18.

total, 11,570 (41 per cent) were boys and 16,380 (59 per cent) were girls. Three-fifths (60 per cent) of the child domestic workers were related to the employer, such as a niece or nephew. Some 87 per cent of employers regarded the child domestic worker as part of the family. Another 12 per cent admitted they thought of the children as servants who were employed to earn money. And 2 per cent noted that children were cheaper than adults to hire as household workers.

Table 6.7: Educational attainment of child domestic workers by sex, Phnom Penh, 2003

Educational attainment	Phnom Penh					
	Total	(%)	Male	(%)	Female	(%)
No grade completed	1 382	4.9	146	1.3	1 236	7.5
Primary education (Grades 1–6)	16 455	58.9	5 905	51.0	10 551	64.4
Secondary education (Grades 7–12)	9 900	35.4	5 519	47.7	4 381	26.7
Other	213	0.8	–	–	213	1.3
Total	27 950	100.0	11 570	100.0	16 380	100.0

Source: NIS, Child Domestic Workers Survey in Phnom Penh, 2003.

More than half of the child domestic workers attended school.

According to the 2003 survey, 55 per cent of the child domestic workers were attending school; 5 per cent had never gone to school and 40 per cent had dropped out. Overall, 59 per cent had attended primary school (Classes 1–6) and 35 per cent had completed or attended secondary school (Classes 7–12). Literacy among the child domestic workers was higher for boys (97 per cent) than for girls (78 per cent).

Table 6.8: Literacy of child domestic workers by non-slum and slum areas and sex, Phnom Penh, 2003

Literacy	Phnom Penh						Non-slum		Slum	
	Male	(%)	Female	(%)	Total	(%)	Total	(%)	Total	(%)
Literate	11 183	96.7	12 794	78.1	23 977	85.8	12 378	81.0	11 599	91.5
Illiterate	386	3.3	3 587	21.9	3 973	14.2	2 899	19.0	1 074	8.5
Total	11 569	100.0	16 381	100.0	27 950	100.0	15 277	100.0	12 673	100.0

Source: NIS, Child Domestic Workers Survey in Phnom Penh, 2003.

In response to the question, “Who invited you to begin this work?” 57 per cent of the children responding replied that their family or a relative sent them. The researchers estimated that only 11 per cent of the children had parents or a guardian living in Phnom Penh. Relatively more girls (48 per cent) than boys (12 per cent) said they had moved to the city in search of domestic work as part of their need for a job. A larger share of boys (66 per cent) than girls (16 per cent) moved to Phnom Penh as domestic workers in order to pursue educational opportunities as well.

While most recruitment of child domestic workers is through parents and relatives, there is concern about the involvement of suppliers and agents.

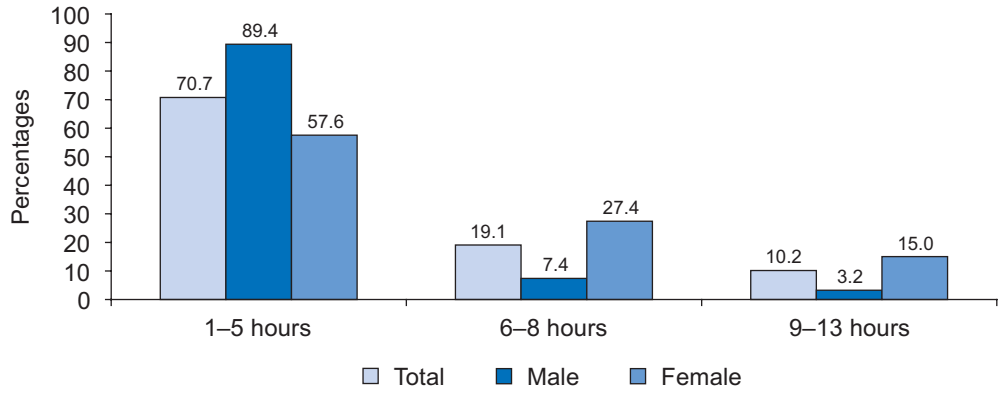
Many employers found child domestic workers through the parents (34 per cent). Another 22 per cent of the children were recommended by relatives. One-fourth of the employers

looked for the workers on their own. Only 2 per cent of the children came looking for work on their own initiative. A worrisome aspect of the labour market for child domestic workers is that 6 per cent were recruited by suppliers or agents.

Although most work less than six hours per day many put in much longer hours.

On the average, 71 per cent of the child domestic helpers worked less than six hours. However, the proportion of boys (89 per cent) working the least amount of hours was substantially higher than the percentage of girls (58 per cent), which of course means a greater share of girls worked longer hours. It is particularly alarming that 10 per cent of the children worked between 9 and 13 hours per day, with 15 per cent of the girls working such long hours compared to 3 per cent of boys.

Figure 6.2: Distribution of working hours per day for child domestic workers by sex, Phnom Penh, 2003



Source: NIS, Child Domestic Workers Survey in Phnom Penh, 2003.

A large proportion of street children work as scavengers, beggars and vendors.

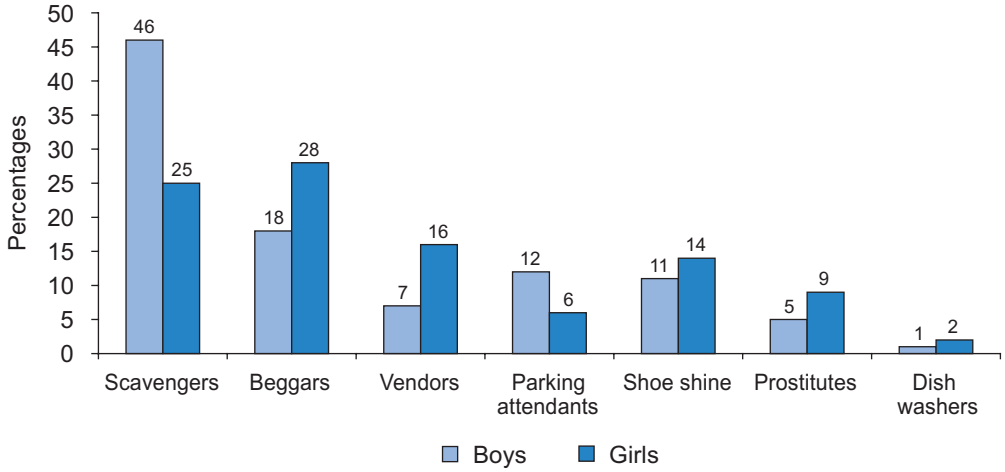
It is difficult to obtain accurate information about street children because they do not reside in households that would normally be included in surveys. In addition, they are apparently very mobile moving from town to town. Earlier estimates placed the number of street children in Phnom Penh at about 1,000.[85] According to the NGO Mith Samlanh, which runs programmes for street children, the largest proportions worked in 2000 as scavengers, beggars and vendors, as shown in Figure 5.9. Boys accounted for higher percentages working as scavengers and parking attendants, while the shares for girls were greater in other occupations. The findings of the study indicated that nearly two-thirds of street children worked 7–9 hours a day. One-fifth of them earned 1,000 *riels* per day, while 65 per cent earned between 2,000 and 3,000 *riels*.[86]

Other types of work identified as hazardous include fishing and seafood, brick making and salt production.

The ILO has conducted rapid assessments of some sectors identified as hazardous in Cambodia. Three groups of children were identified in a 2004 study of fishing in Kampot

[85] MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000, p. xii and p. 39.
[86] Ibid., pp. 39–40.

Figure 6.3: Occupational distribution of street children in Phnom Penh, 2000



Source: Mith Samlanh in MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000.

and Kep provinces. The first was unpaid family workers employed mainly on boats. The second type of work was as paid daily labourers working on fishing boats or in processing plants. The third group of children worked independently selling their catch directly to buyers. The working conditions were often found to be harsh and their hours of work and attendance at school varied according to the season. The rapid assessment of child brick workers in Kampong Cham and Siem Reap provinces during 2004 found that the main tasks were carrying bricks and filling moulds. Complaints included the fact that work was "heavy" and "tiring," with three-fourths of the children reporting no day off. Two-fifths said they were unable to attend school while employed in brick production. Average earnings were low. The perception of employers was that the children were "suitable," cheap and obedient. Another ILO study of children working alongside their families in salt production in 2003 revealed that many carried heavy loads in hot weather.[87]

Worst forms of child labour

Other concerns in Cambodia have been child soldiers, child prostitutes and street children.

Some children working in the worst forms of child labour are not enumerated in national household-based surveys. Anecdotal evidence suggests that the numbers are small but not negligible. Among them are child prostitutes and street children. However, most child soldiers are thought to have left the armed forces under the disarmament, demobilization and reintegration programme beginning in 1999 and extended in 2001.[88] It can then be presumed that there are no more child soldiers in Cambodia. Some sources suggest that the numbers of girls and boys involved in prostitution are growing. The Vulnerable Children's Assistance Organization conducted a survey of four localities in Phnom Penh in 2000 to learn more about children working as commercial sex workers.[89] The *Cambodia Human Development Report 2000* included the description in Box 6.3.

[87] UCW, *Cambodia: Children's work in Cambodia: A challenge for growth and poverty reduction,* An Inter-Agency Research Cooperation Project of the ILO, UNICEF and the World Bank, Human Development Sector Reports, East Asia and the Pacific Region, The World Bank, December 2006.
[88] Coalition to Stop the Use of Child Soldiers, *Child Soldiers Global Report 2004*, London, 2004, pp. 169–170.
[89] MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000, p. 37.

Box 6.3: The plight of child sex workers

Young children, the majority of them girls, are often sold by desperately poor parents into sexual slavery to brokers or middle-men. In such cases, the child is "pledged" for a certain period of time, and held responsible for repaying the initial loan (taken on by her parents) and the accumulated interest on the loan to the broker from earnings as child sex workers. In other cases, parents are tricked into believing that their children will be provided legitimate work in the city. At any rate, the child soon finds herself in sexual bondage, forced to service countless customers against her wishes, and threatened with violent repercussions if she should try to escape. The demand for child commercial sex workers is said to have increased with the spread of HIV/AIDS, as children are perceived to have had fewer or no sexual partners and therefore less likely to be infected. Child trafficking and prostitution are contemporary forms of slavery, and represent the worst forms of child labour.

Source: MOP, *Cambodia Human Development Report 2000: Children and employment*, Phnom Penh, October 2000, p. 37.

A related issue is child trafficking. Cambodia serves as a sending, transit and receiving country for international child trafficking.[90] Children are trafficked into several forms of forced labour as well as sexual exploitation. Although there are few reliable statistics, evidence indicates that children are trafficked to Thailand and Viet Nam for forced begging. Some surveys show that 30 to 35 per cent of those involved in the commercial sex industry are children between the ages of 12 and 17. Inside Cambodia children are trafficked for sexual exploitation to cities such as Phnom Penh, Sihanouk Ville and Siem Reap and to the border areas of Battambang and Banteay Meanchey. Children are sold to brothel owners in the border town of Poipet that caters to a clientele from both Cambodia and Thailand. A large proportion of the victims come from poor rural areas with an estimated 40–60 per cent of children in prostitution forced or tricked into the business.[91]

[90] See website of the ILO Mekong Sub-Regional Project to Combat Trafficking in Children and Women at http://www.ilo.org/public/english/region/asro/bangkok/child/trafficking/index.htm.
[91] ILO, *Child labour and responses – Cambodia,* 2007.

Both internal mobility and international migration are labour market issues in Cambodia.

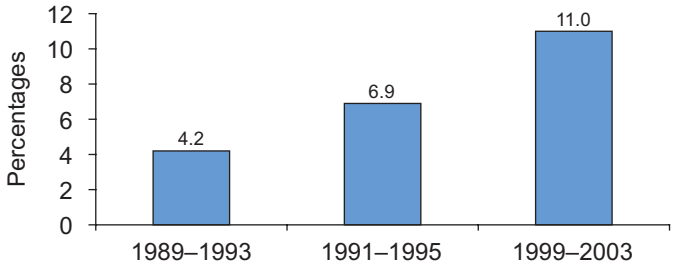
Migration includes labour mobility from one location or job to another within the country as well as across borders. A number of factors have prompted many Cambodians to move from their homes in search of better opportunities and higher earnings. Landlessness and poverty are push factors from local communities unable to absorb the rural workforce into productive employment and new entrants to the labour market. Population dynamics and lifestyle choices add to flows of young workers from the countryside to the city.

7.1 Internal migration

While most Cambodians have not moved from their villages, internal migration has been increasing in recent years.

The results of the Cambodia Socio-Economic Survey 2004 show that the population was more likely to move in recent years than during the 1990s. There are no significant differences by sex.

Figure 7.1: Percentages of people moving during three time periods, 1980–1993, 1991–1995 and 1999–2003



Source: NIS, *Education: Summary subject matter report for the Cambodia Socio-Economic Survey 2004*, June 2005.

The Cambodia Inter-Censal Population Survey 2004 used two measures of migration: One based on birth in a village other than the one registered at the time of enumeration and the other based on previous residence in another village. Tabulations for migrants defined by previous residence were calculated for moves within a district, between districts in the same province, between provinces or from another country. In addition, data were tabulated for duration at the current residence, denoting "recent" movement as within the previous five years.[92] According to the findings based on previous residence, there were 4.5 million migrants, up from 3.6 million in the 1998 population survey. They were nearly equally divided between the sexes but with fewer in urban areas (1.1 million) than rural areas (3.4 million).[93] And based on previous residence, 96 per cent of the migrants in 2004 were "internal" and the other 4 per cent left the country. Three in five of the total, or 61 per cent, migrated within the same province, with 36 per cent moving within the same district.[94]

The Cambodia Socio-Economic Survey data showed that 70 per cent of the population aged 5 years and older had, as of 2004, always lived in their current village. On average,

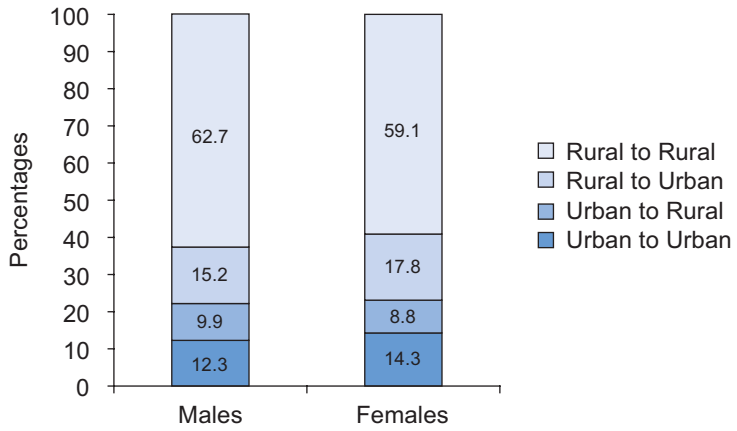
[92] NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, pp. 20–21.
[93] Ibid., Tables 2.5 and 2.6, pp. 23–24.
[94] Ibid., Table 2.9, p. 26.

those who moved away had a higher education than people left behind: 24 per cent of males and 11 per cent of females had at least a lower-secondary education. But among those who did not migrate, only 10 per cent of males and 5 per cent of females had a similar educational attainment.[95]

Much of the migration is from one rural area to another.

With 85 per cent of Cambodia's population living in rural areas, it is not surprising that most internal migration from a previous residence is from one rural area to another. For recent migrants in the five years prior to the CSES 2004 survey, rural-to-rural migration represented 61 per cent of people moving, compared with 58 per cent in 1998. More men (63 per cent) than women (59 per cent) had recently moved. Rural-to-urban migrants accounted for less than one-fifth of the total: 15 per cent of males and 18 per cent of females. This small share may be somewhat unexpected given the frequent mention of migration flows to urban areas.

Figure 7.2: Percentage distribution of recent internal migration based on previous residence by migration stream and sex, 2004



Note: Recent migration is defined as in the previous five years.
Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.10, p. 27.

Migration rates, calculated as migrants in each migration stream from 1999 to 2004 as a percentage of the 2004 population in the sector of origin, reveal that the greatest rates are from one urban area to another (7.2 per cent) or within rural areas (5.9 per cent).

Table 7.1: Five-year migration rates by migration stream and sex, 1999–2004

	Total	Male	Female
Rural to rural	5.9	6.6	5.2
Rural to urban	1.6	1.6	1.6
Urban to rural	5.1	5.9	4.4
Urban to urban	7.2	7.3	7.2

Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.11, p. 28.

[95] NIS: *Education: Summary subject matter report for the Cambodia Socio-Economic Survey 2004*, June 2005.

Phnom Penh and the port area around Sihanouk Ville have the highest concentrations of migrants.

Despite the fact that most migration is within rural areas, the combined effects of population growth, rural underemployment, urban development and widening disparities have prompted many Cambodians to move from rural areas to urban areas. Phnom Penh has the highest proportion of migrants, with 67 per cent having at some time lived in another place. Of course, the city lost almost all of its residents in 1975 when the Khmer Rouge moved them out to the countryside. When the war was over, many had died or did not return. The majority of non-migrants in 2004 were younger than 30. The capital city attracts migrants as a centre of the economy, politics and education. About one-fourth of its migrant population moved there less than five years prior to the CSES survey in 2004. The share of women among the migrants is high. Many of the young women moved there to work in garment factories that began operation in the late 1990s. The vast majority (85 per cent) of migrant workers in the garment industry are women from rural villages.[96]

The areas with the next highest proportion of migrants are Kaoh Kong and Krong Kreah Sihanouk in which 55 per cent of the residents are migrants. Recent migrants represent 16 per cent of the combined population. The coastal area attracts workers in its trade, tourism, fishing and logging industries. The urban centre of Krong Kreah Sihanouk is on the road that links the port to Phnom Penh and the rest of the country. Other areas with especially large migrant populations are Pursat (52 per cent), Battambang and Krong Pailin (46 per cent) and Kampong Chhnang (45 per cent). The areas with the lowest proportions are Prey Veng (19 per cent) and the combined area of Kratie, Mondul Kiri, Preah Vihear, Ratanak Kiri and Stung Treng (23 per cent).[97]

Despite high rates of recent migration, fewer than half of all Cambodian migrants moved in the past ten years.

The majority of persons moved more than five years before the Cambodia Inter-Censal Population Survey in 2004. On average, migrants moved 13 years before the survey. About three-fifths moved more than a decade earlier and 36 per cent moved at least 20 years before the survey.

Table 7.2: Migrants by duration of residence in place of enumeration and sex, 2004

	<1 year	1–4 years	5–9 years	10–19 years	20+ years	Total	Mean duration
Total	5.9	17.8	17.2	23.5	35.7	100.0	12.9
International migrants	1.5	5.8	21.3	44.5	26.9	100.0	14.0
Internal migrants	6.1	18.3	17.0	22.6	36.0	100.0	12.9
Male	6.3	19.7	18.4	24.6	31.2	100.0	12.2
International migrants	2.0	6.6	21.1	44.9	25.5	100.0	13.8
Internal migrants	6.4	20.2	18.3	23.7	31.4	100.0	12.2
Female	5.5	16.1	16.0	22.4	39.9	100.0	13.6
International migrants	1.1	5.0	21.5	44.1	28.2	100.0	14.2
Internal migrants	5.7	16.5	15.8	21.6	40.4	100.0	13.6

Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.16, p. 43

[96] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 66.
[97] NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.17, pp. 44–45.

Recent migration rates for youth are very high, especially for young men and young women in their twenties.

Young adults aged 20–24 years accounted for about one-fifth of recent migrants in 2004. Age-specific rates are calculated by taking the number of migrants based on previous residence in another village who have moved in the past five years as a percentage of the total population for the whole country.[98] For all age groups together, 8 per cent of the population had moved in the past five years.

The high age-specific migration rates for persons aged 15–34 are particularly striking, with rates of 17 per cent for the group aged 20–24, 18 per cent for the group aged 25–29 and 12 per cent for the group aged 30–34 in 2004. In urban areas, the proportions of youth aged 20–24 who were migrants breaks down by sex as 28 per cent for males and 29 per cent for females. Among the migrants aged 25–29, the migration rates were 36 per cent for males and 27 per cent for females.

Table 7.3: Age-specific five-year migration rates by rural–urban residence and sex, 2004

Age group	Cambodia			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
15–19	8.2	7.2	9.2	17.3	14.7	19.7	6.5	5.8	7.1
20–24	17.2	19.5	15.0	28.2	27.9	28.5	14.8	17.8	12.1
25–29	17.8	22.9	13.0	31.6	36.4	27.3	15.1	20.4	10.2
30–34	11.7	14.2	9.5	22.4	25.3	19.6	9.6	12.0	7.5
35–39	8.9	10.9	7.1	16.9	20.0	14.1	7.4	9.1	5.9
All ages	8.3	9.1	7.6	16.4	16.6	16.2	6.9	7.8	6.0

Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.14, p. 38.

While a large share of migrants moved to follow their families, many of the household heads moved to look for work and take up jobs. Others returned after being displaced by conflict and disasters.

When asked why they left their native village, only 15 per cent of migrants included in the CIPS 2004 responded with "looking for employment" or "transferred by employer." Work-related reasons were heard from larger proportions of urban migrants (21 per cent) and male migrants in urban areas (31 per cent). However, many of those who moved with their family (44 per cent) most likely followed the breadwinner in search of employment. Another common reason stated was repatriation or return after displacement.[99]

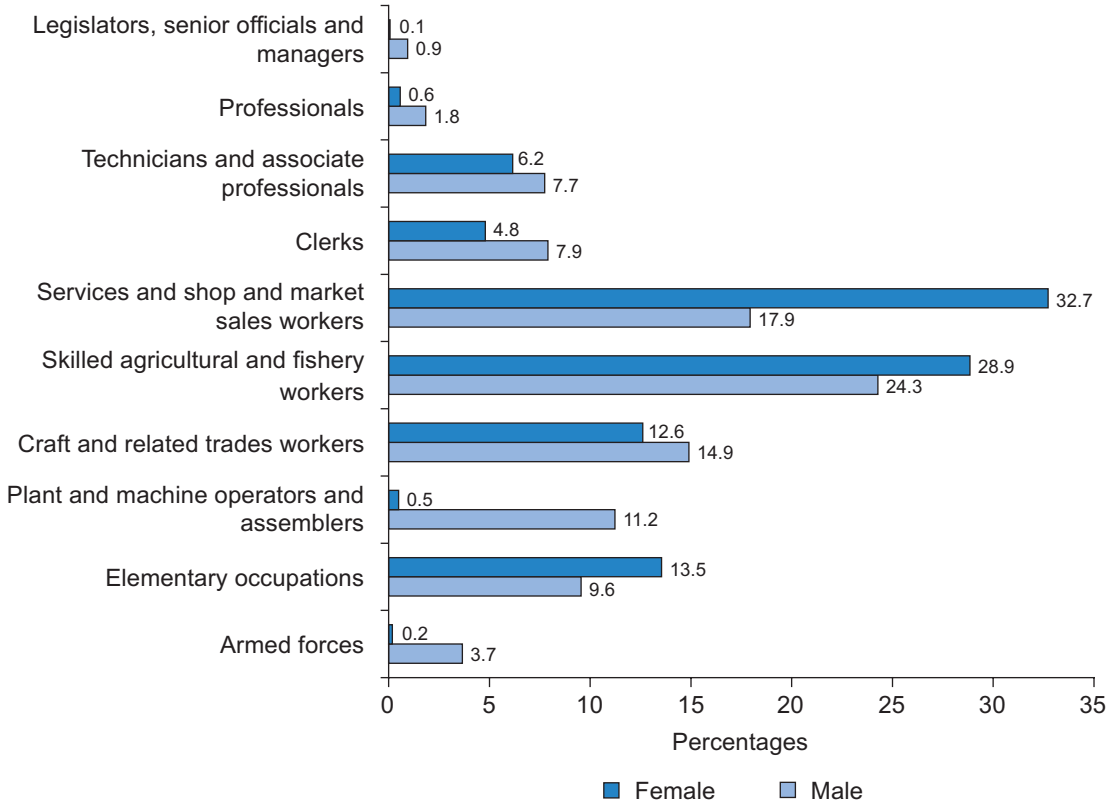
Compared with the overall population aged 10 years and older in 2004, migrants were more likely to be illiterate: 26 per cent as opposed to 24 per cent. However, a smaller proportion of migrants (67 per cent) than the population as a whole (70 per cent) had not completed primary school. The percentage that had a lower secondary education or more was higher among migrants (15 per cent) than for the general population aged 10 years and older (11 per cent).[100] Urban migrants are considerably better educated than rural migrants, with 34 per cent of the males and 22 per cent of the females having an educational attainment of at least lower secondary school.

[98] These are calculated for urban areas and rural areas.
[99] NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, pp. 36, 32, 38.
[100] Ibid., p. 46.

More than half of female migrants in the labour force of urban areas were employed in sales jobs or as workers skilled in agriculture and fishing.

Of the 4.5 million migrants based on previous residence, 3.4 million (76 per cent) were economically active (81 per cent of male migrants and 72 of female migrants).[101] In rural areas, migrants were slightly less likely to be fishery or agricultural workers and slightly more likely to be in sales, crafts and "elementary occupations"[102] than the economically active population as a whole. As shown in Figure 7.3, women in urban areas were more likely than men in 2004 to be employed in sales jobs, agricultural and fishery work or in elementary occupations.

Figure 7.3: Percentage distribution of economically active migrants by occupational classification and sex in urban areas, 2004



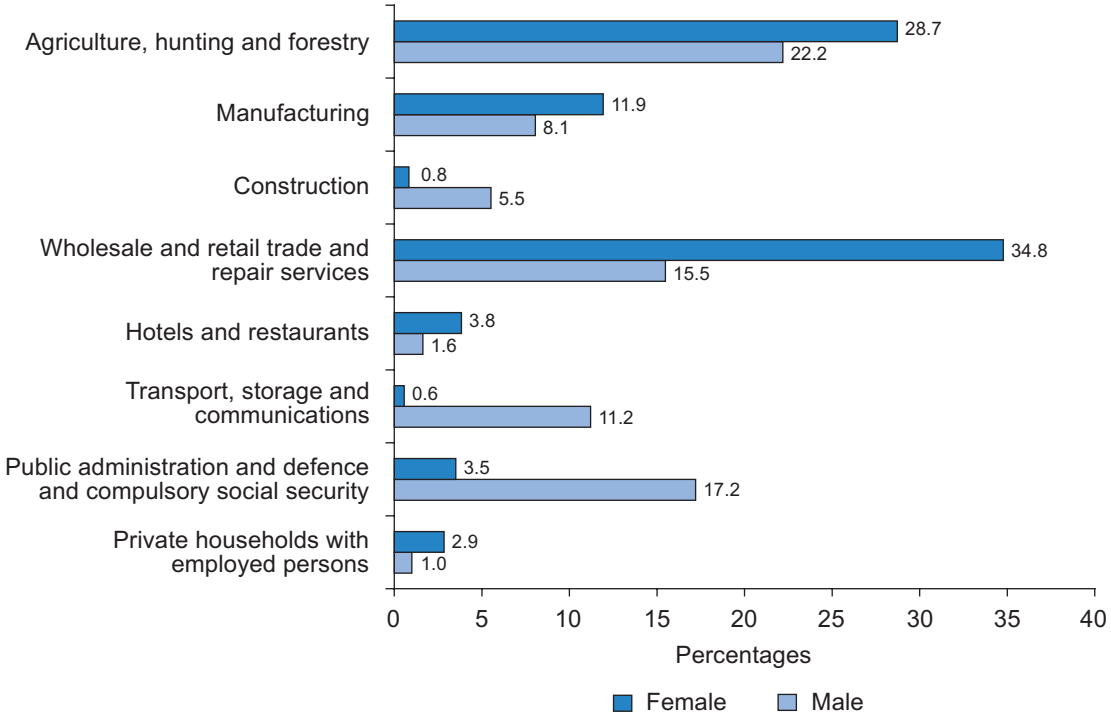
Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.20, pp. 51-54.

The largest shares of economically active women migrants had jobs in agriculture and trade, followed by manufacturing.

The Cambodia Inter-Censal Population Survey 2004 also classified the economically active population by industrial sector. In that accounting, most migrants worked in agriculture, hunting and forestry (62 per cent), followed by trade and repair services (12 per cent). More women than men worked in agriculture, manufacturing, trade, restaurants, hotels and private households. As shown in Figure 7.4 for urban areas, a large proportion of migrant women workers were in trade and repair services (35 per cent) or agriculture (29 per cent). Larger percentages of females than males had jobs in manufacturing, hotels and restaurants and in private households. Migrant men were more

[101] This excludes the unemployed who had never worked before the survey.
[102] See footnote 34.

Figure 7.4: Percentage distribution of economically active migrants by selected industrial classification and sex in urban areas, 2004



Source: NIS, *Cambodia Inter-Censal Population Survey 2004, Analysis of CIPS results, Report 5, Spatial distribution and migratory movements,* Phnom Penh, July 2005, Table 2.23, pp. 57–62.

likely than migrant women to be employed in construction, transport, storage and communications and public administration.

Remittances sent home by migrants working elsewhere in Cambodia are an important source of household income in rural villages. According to the Cambodia Socio-Economic Survey, 13 per cent of rural households received in 2004 some remittances from family members living in urban areas. The annual average for receiving households was 327,000 *riels*.[103]

7.2 International labour migration

Cambodia is both a sending and receiving country for migrant workers.

Cambodia is both a receiving and sending country for international migrants. Government statistics reveal workers from many countries, but primarily from China, Thailand and the Philippines.[104] Chinese migrants taking up jobs as factory managers and supervisors as well as in skilled and semi-skilled work generally receive higher wages than most Cambodian workers.

Because of historical events there have been large numbers of Vietnamese living and working at different times in Cambodia. However, it is more difficult to find records.[105] Most

[103] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 66.
[104] Elizabeth Morris, *Report on the ILO sub-regional training workshop on labour migration policy and management*, Ayutthaya, Thailand, 2-6 August 2004, ILO, 2004, p. 24.
[105] According to the Cambodia Socio-Economic Survey 2004, there were just 65,250 Vietnamese living in Cambodia, or 0.5 per cent of the population.

Vietnamese migrants living in Cambodia before 1975 left when the Khmer Rouge came to power. The numbers increased following the overthrow of the Khmer Rouge by the Vietnamese army in 1979. The troops withdrew at the end of the 1980s. A new wave of Vietnamese immigrants accompanied growing opportunities in the market economy.[106] While some of the estimated 500,000 Vietnamese[107] have lived in Cambodia for quite a while, others are more recent arrivals. Many crossed the border without a work permit after paying unofficial fees to fill a demand for skilled workers, including in construction. Surveys and interviews indicate that Vietnamese also found other jobs in fishing or in trade. Many of the sex workers in brothels, karaoke bars, massage parlours, dance halls and "coin-rubbing" places are of Vietnamese origin.[108]

Migrant workers travel through both official systems and irregular channels.

Many Cambodians migrate to neighbouring Thailand through both official channels and informal networks. The Government is opening new opportunities for employment in the Republic of Korea,[109] Malaysia,[110] Japan and Brunei. Yet a number of abuses continue to be reported, including non-payment and underpayment of wages and substitution of contracts upon arrival in the country of destination with terms much less favourable for wages and conditions of work. Those who migrate through irregular channels or lose their legal status in foreign countries are more vulnerable to exploitation and abuse. Many become victims of trafficking for forced labour and sex work.[111]

The numbers going through official channels are very small: 1,690 to Malaysia, 1,501 to the Republic of Korea and 445 to Thailand in 2006. Of the total for that year, one-half were women.[112] Most Cambodians seeking employment in Malaysia are women domestic workers. Other sectors are construction, manufacturing and entertainment but many are in irregular status. The large majority of Cambodians working in the Republic of Korea are men with demand for their work in manufacturing, construction and services. Small and medium enterprises look to migrants for positions that go unfilled by locals.[113]

Migrant workers seeking jobs in Thailand are pushed by poverty in their rural communities where little economic development has taken place. Most have inadequate opportunities at home for decent work in either agricultural production or off-farm activities. While mere survival is often an issue in the sending areas, better opportunities are available in farm work along both sides of the border between Thailand and Cambodia or in non-farm work farther inland in Thailand. Labour migration has become a regular part of coping strategies in provinces of Battambang and Banteay Meanchey, as explained in Box 7.1.

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[106] Martin Godfrey, So Sovannarith, Tep Saravy, Pon Dorina, Claude Katz, Sarthi Acharya, Sisowath D. Chanto and Hing Thoraxy, *A study of the Cambodian labour market: Reference to poverty reduction, growth and adjustment in crisis,* Phnom Penh, CDRI, Working Paper 18, 2001, p. 24.

[107] EIU, *Country Profile 2005*, p. 15. Other estimates are around 1 million.

[108] Martin Godfrey, So Sovannarith, Tep Saravy, Pon Dorina, Claude Katz, Sarthi Acharya, Sisowath D. Chanto and Hing Thoraxy, *A study of the Cambodian labour market: Reference to poverty reduction, growth and adjustment in crisis,* Phnom Penh, Cambodia Development Research Institute, Working Paper 18, 2001, p. 25.

[109] A memorandum of understanding is being negotiated under the Employment Permit System.

[110] Discussions took place at the Second Meeting of the Joint Commission for Bilateral Cooperation between Cambodia and Malaysia in Siem Reap during June 2006.

[111] Derks (2004) cited in *Migration in Cambodia: Background study,* Paper prepared for World Bank Greater Mekong Subregion Labour Migration Programme: Impacts and regulation of labour migration, Bangkok, 20–21 June 2005. See also the final report: The World Bank, *Labour migration in the Greater Mekong Subregion, Synthesis Report: Phase I,* December 2006.

[112] Chan Sophal, *Improving labour migration management in Cambodia*, Draft paper prepared for the ILO, CDRI, Bangkok, 19 September 2007, p. 5.

[113] Bruno Maltoni, *Review of labour migration dynamics in Cambodia,* IOM, Phnom Penh, 2006, pp. 36, 40–41.

Box 7.1: Labour migration as a coping strategy in border provinces

Migrant labour in the border provinces can be divided into three types: in order of importance, they are (i) farm work at the Thai border, (ii) farm work at the Khmer border and (iii) non-farm work deep inland in Thailand. Working on the Thai side of the border is more lucrative, and workers often benefit from free fruit and vegetables and a generally lower cost of living. Migrant work in Thailand recently has been facilitated by the offer of formal work permits from the Thai Government. Seasonal waged farm work has become increasingly significant in the Malai district in Battambang province, where about half of the estimated workers migrate seasonally to work either in Malai or in Thailand. Most can find employment on average, for six months a year, earning approximately US$270, a good deal compared with the average rice farmer's annual income of US$100.

Sources: CDRI (2006) forthcoming and EIC (2006) forthcoming in World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 62.

The main routes for irregular migration into Thailand are from coastal areas of Cambodia and through the Cambodian border town of Poipet. Most migrants travel with the help of intermediaries (*mekhal)* who link Cambodian communities with Thai employers, often through networks that also provide for accommodation and arrange for remittances. Some middlemen were once migrants or refugees. Others are relatives or friends. Reported fees have ranged between US$75 and $200. Payments to "helpers" must also be made at irregular border crossings or are included in the cost of a package deal. The skills of agents can prove useful if a migrant is fortunate in selecting the right person.

Thailand has introduced a registration system for migrant workers.

According to the registration records of migrants previously in irregular status conducted in Thailand in July 2004, there were some 180,000 migrants of Cambodian origin.[114] Of them, 104,789 were issued work permits. In June 2006, another 25,952 work permits were granted. Most of the Cambodians receiving permits were employed in construction, fishing and agriculture, with a large number not classified by type of employer. Data are not disaggregated by sex.

Half of the Cambodian nationals who received work permits for Thailand in 2004 were employed in the East (52,019) in the provinces of Chonburi, Trat, Rayong and others. Another 21,149 migrants were working in central Thailand (21,149) in the provinces of Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon and others. A total of 17,246 worked in Bangkok and 10,048 in the South. The remaining migrants with permits were located in the West (2,083), North (801) and North-East (1,443).[115]

Official statistics understate the total number of migrants working in Thailand.

These official statistics understate the total number of Cambodians and do not include those who commute on a daily basis or find work for short periods of time in agriculture, including labour-intensive tasks in the production of rice, corn and sugarcane. Other

[114] At a meeting in Bangkok held in November 2004 a government official estimated that there were 180,000 Cambodian workers in Thailand. Two years later in November 2006 the total number of Cambodians in Thailand was estimated by official sources to be 300,000.

[115] Jerrold W. Huguet and Sureeporn Punpuing, *International migration in Thailand,* IOM, 2005, Table 14, p. 32.

Table 7.4: Number of work permits issued by type of business to Cambodian nationals, 1 July – 15 December 2004 and extended 1–30 June 2005

Type of business	Work permits issued 1 July – 15 December 2004		Work permits extended 1–30 June 2006	
	Number	Percentage	Number	Percentage
Fishing boats	23 243	21.1	3 261	13.1
Fishery processing	4 584	4.2	1 119	4.5
Agriculture	20 544	18.7	5 232	21.0
Rice mill	244	0.2	78	0.3
Brick factory	223	0.2	36	0.1
Ice factory	307	0.3	191	0.8
Transport	2 414	2.2	580	2.3
Construction	27 646	25.1	4 861	19.5
Mining	98	0.1	15	0.1
Housemaids	8 258	7.5	2 312	9.3
Other	22 464	20.4	7 267	29.1
Total	110 025	100.0	24 952	100.0

Source: Jerrold W. Huguet and Sureeporn Punpuing, *International migration in Thailand,* IOM, Bangkok, 2005, Table 13, p. 31 and Ministry of Labour, July 2006.

migrants travel farther into Thailand to fill jobs as construction workers, farm workers and unskilled workers in other sectors, such as food processing and fisheries and in shops and restaurants.

Many migrants are young workers attracted by higher wages in Thailand and pushed by poverty, landlessness and debt in Cambodia.

According to interviews conducted by the Cambodia Development Research Institute, most migrants going to Thailand were between 17 and 35 years of age. They reported that the earnings received in Thailand were greater than in Cambodia. Wages of unskilled agricultural workers in Thailand have been rising due to labour shortages caused by a demographic transition and greater access to education and training.[116] Daily earnings for construction workers in 2000, for example, were only US$1.60 in Cambodia, compared with US$3.70 in Thailand. Women generally receive less than men, except in agricultural work.[117]

Push factors include poverty and landlessness. Land sold to pay off debts makes villagers vulnerable to crises related to illness, debt or gambling. Natural disasters, such as flood or drought, are also contributing factors. Another is the lack of complementary inputs such as micro credit or basic infrastructure, including irrigation systems. Without employment opportunities at home, the migrants seek jobs abroad. In addition, years of war played a role in the breakdown of traditional values, community cohesion and family ties, making it easier to move away.[118]

[116] The World Bank, *Labour migration in the Greater Subregion, Synthesis report: Phase I,* Draft, July 2006, p. 15. See the final report: The World Bank, *Labour migration in the Greater Mekong Subregion, Synthesis Report: Phase I,* December 2006.

[117] Martin Godfrey, So Sovannarith, Tep Saravy, Pon Dorina, Claude Katz, Sarthi Acharya, Sisowath D. Chanto and Hing Thoraxy, *A study of the Cambodian labour market: Reference to poverty reduction, growth and adjustment in crisis,* Phnom Penh, CDRI, Working Paper 18, 2001, p. 25.

[118] AMRC, Mekong Migration Network, *Migration needs, issues and responses in the Greater Mekong Subregion,* Hong Kong, 2005, pp. 85–86.

A rough profile of Cambodians working in Thailand can be put together with data obtained by the population census in 2000.

Questions on nationality and place of birth were included in the Population and Housing Census of Thailand in 2000. Data based on a 20 per cent sample indicate that there were 4,183 people born in Cambodia and 17,207 of Cambodian nationality. While there is certainly a problem of under-enumeration, the data do provide a profile of Cambodian migrants in Thailand.[119] There were near-equal numbers of males (49 per cent) and females (51 per cent); nearly one-third lived in urban areas; one-fifth (19 per cent) were youth aged 15–24; 30 per cent were considered literate; and almost a third was single (31 per cent). Of the total, 44 per cent were classified as either the household head or the spouse, while 51 per cent were related to the household head. Among the men aged 15–59, 22 per cent had at least a secondary school education, compared with 14 per cent of women. As shown in Table 7.5, one-third of the males were employed as agricultural and fishery workers and one-fourth worked in unskilled occupations. More females than males had sales jobs or were employed as craft workers, with fewer in agricultural work and fishery jobs.

Table 7.5: Cambodian nationals 15–59 years living in Thailand by occupation and sex, 2000

Occupation in last week	Male	Female
Legislators, senior officials and managers	7.6	5.3
Professionals	2.6	6.2
Technicians and associate professionals	2.3	2.0
Clerks	0.9	2.8
Service workers and shop and market sales workers	8.7	17.5
Skilled agricultural and fishery workers	34.8	19.2
Craft and related trade workers	9.9	20.0
Plant and machine operators and asemblers	6.3	5.3
Elementary occupations	25.4	21.8
Armed forces	1.4	0.0
Total	100.0	100.0
Number	2 981	2 655

Note: Data from Population and Housing Census of Thailand 2000.

Source: Aphichat Chamratrithirong, *Profile of labour migrants from Myanmar, Cambodia and Laos, Analysis of Population and Housing Census of Thailand 2000,* Draft paper prepared for the World Bank Greater Mekong Subregion Labour Migration Programme, Institute for Population and Social Research, Mahidol University, Bangkok, 16 March 2006.

[119] Aphichat Chamratrithirong, *Profile of labour migrants from Myanmar, Cambodia and Laos, Analysis of Population and Housing Census of Thailand 2000,* Draft paper prepared for the World Bank Greater Mekong Sub-region Labour Migration Programme, Institute for Population and Social Research, Mahidol University, Bangkok, 16 March 2006.

Table 7.6: Cambodian nationals 15–59 years living in Thailand by status in employment and sex, 2000

	Male	Female
Employer	1.7	2.1
Own-account worker	28.4	16.2
Government official	4.7	4.7
Employee of government	2.3	0.6
Employee of non-governmental organization	44.7	39.2
Working in household with no wages	14.8	35.5
Cooperative	0.6	0.5
Do not know and other	2.8	1.3
Total	100.0	100.0

Note: Data from Population and Housing Census of Thailand 2000.
Source: Aphichat Chamratrithirong, *Profile of labour migrants from Myanmar, Cambodia and Laos, Analysis of Population and Housing Census of Thailand 2000,* Draft paper prepared for the World Bank Greater Mekong Subregion Labour Migration Programme, Institute for Population and Social Research, Mahidol University, Bangkok, 16 March 2006.

Data from the population census show a large proportion of migrant workers operating their own businesses.

The Thai census data on work status show that a fairly large share of men found work operating their own business, while women were more likely to be counted as unpaid family workers. The data also indicate that 52 per cent of males and 46 per cent of females aged 15–59 made their last move in search of work.[120]

Thailand does not permit unskilled workers to enter through legal channels.

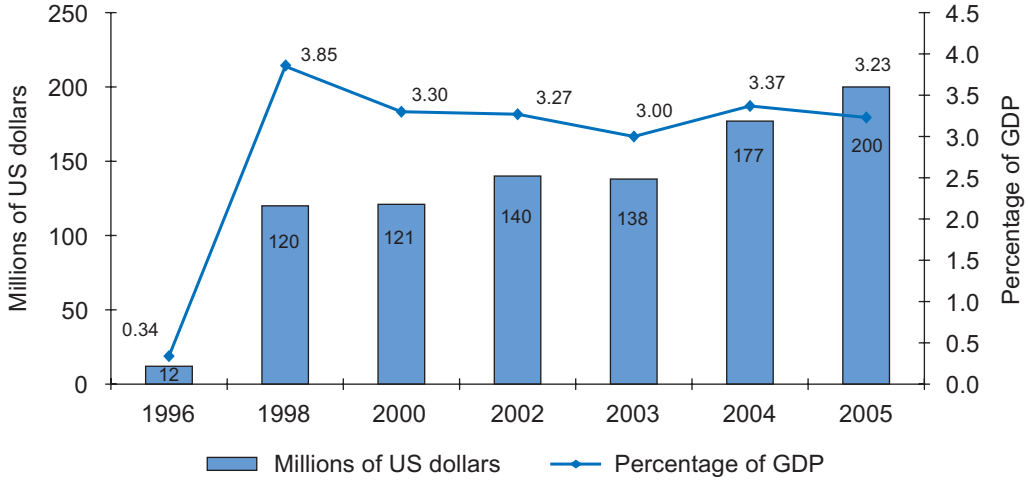
Thailand does not permit unskilled workers to enter through legal channels, although many were accorded work permits under the registration system. While migrants often pay high fees to recruitment agents and are vulnerable to exploitation and abuse, including trafficking, the benefits can be significant in terms of savings and remittances. One of biggest concerns to migrant workers is how to channel their money back home. Transfers are generally informal. The most common method is through a phone call made by intermediaries in Thailand to contacts in Cambodia who are then instructed to pay the family of the migrant. While that method is safer than carrying cash, with the risk of robbery by thieves and officials, the phone transfers can cost an amount equal to about 30 per cent of the remittances.[121]

While there is a need to improve data on remittances, the evidence suggests that flows are growing and substantial.

A conservative estimate of 500 Thai *baht* per month for remittances indicates that Cambodian migrants with work permits in 2004 sent home about US$1.3 million per month

[120] NGOs employ a surprising proportion of persons. This refers to those employed by any organization other than the government and not limited to NGOs.
[121] Bruno Maltoni, *Impact of remittances on local communities in Cambodia: The case of Prey Veng Province,* Draft paper prepared for the World Bank Greater Mekong Subregion Labour Migration Programme, 24 March 2006. Another figure put forward is 10 per cent of the remittances. Bruno Maltoni, *Review of labour migration dynamics in Cambodia,* IOM, Phnom Penh, 2006, p. 29. This is obviously an important area for future research.

Figure 7.5: Workers' remittances and compensation of employees, received, 1996–2005



Source: World Bank, *World Development Indicators 2007* cited in Chan Sophal, "Improving labour migration management in Cambodia," Draft Paper prepared for the ILO, CDRI, Bangkok, 19 September 2007, Table 4, p. 6.

and US$15 million per year. "Back of the envelope" figures based on the number of migrants of working age and an average of 750 Thai *baht* per month might place the annual figure closer to US$40 million. World Bank estimated for total remittances and compensation of Cambodian employees paid from working abroad at US$170 million for that year or 3.3 per cent of GDP.[122]

According to CDRI interviews with village chiefs and development committees in Cambodia, remittance-receiving households purchased land and motorcycles, set up businesses and built houses. Some migrants obtained skills in construction and tailoring while working abroad.[123] Other studies point to the importance of meeting expenditures related to health and illness. World Bank research on the impact of remittances in Prey Veng Province, for instance, confirmed the significant impact on Cambodian households, with most foreign-earned income spent on health care, debt repayment and purchase of food, fertilizer and gasoline.[124]

[122] Workers' remittances and compensation of employees are World Bank staff estimates based on data from the International Monetary Fund's *Balance of payments yearbook*. The IMF data are supplemented by World Bank staff estimates for missing data for countries where workers' remittances are important. The data from the *World development indicators* is the sum of three items: workers' remittances, compensation of employees and migrants' transfers.

[123] Martin Godfrey, So Sovannarith, Tep Saravy, Pon Dorina, Claude Katz, Sarthi Acharya, Sisowath D. Chanto and Hing Thoraxy, *A study of the Cambodian labour market: Reference to poverty reduction, growth and adjustment in crisis,* Phnom Penh, CDRI, Working Paper 18, 2001, p. 26.

[124] Bruno Maltoni, *Impact of remittances on local communities in Cambodia: The case of Prey Veng Province,* Draft paper prepared for the World Bank Greater Mekong Subregion Labour Migration Programme, 24 March 2006.

8.1 Poverty trends

New estimates for poverty headcounts for all of Cambodia

Cambodia is fortunate to have a series of surveys that shed light on consumption and poverty. They offer profiles of poverty for 1993–1994, 1996, 1999 and 2004. Unfortunately, differences in the coverage of the surveys and the design of the questionnaires mean that the data are not strictly comparable, making it impossible to identify trends over the decade. Due to problems of security in some areas during the Khmer Rouge period and access to remote areas of several provinces, coverage of the 1993–1994 survey was limited; it included only 56 per cent of rural villages and 65 per cent of urban areas other than Phnom Penh. In addition, consumption data have been collected in different ways.[125]

With adjustments to the datasets, it is possible to compare poverty indicators for 1994 and 2004. The adjusted statistics show a drop in the poverty rate, from 47 per cent to 35 per cent.

To make comparisons possible, the World Bank has gone back to the original datasets to create a subset of the 2004 data by adjusting the geographical coverage and consumption statistics. These calculations have allowed analysts to estimate changes in the percentage of the population falling below the poverty line over the ten-year period for the smaller sample. According to these calculations, the poverty rate dropped from 39 per cent to 28 per cent for the subsample between 1994 and 2004. These figures were then generalized using estimates for the distribution of the population within and outside of the earlier sampling frame. The resulting estimates show that poverty for Cambodia, as a whole, fell from 47 per cent in 1994 to 35 per cent in 2004.[126]

Poverty trends for the smaller sample

Trends for poverty lines and food poverty, using the comparable sample, show that both dropped between 1994 and 2004.[127] In each case, rural poverty was substantially greater than in the capital city. By 2004, the percentage of the population below the poverty line in rural areas had fallen to 34 per cent, while in Phnom Penh it was 5 per cent. Other urban areas showed poverty rates in between, at 21 per cent. The lower line for food poverty produced estimates for 2004 of 17 per cent in rural areas, 13 per cent for "other urban" and just 3 per cent for Phnom Penh.

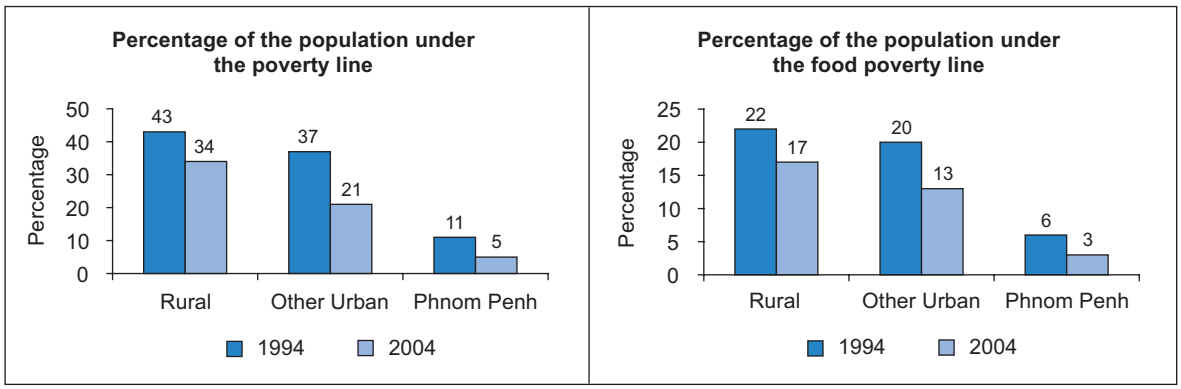
Poverty rates fell in both cities and countryside but remained primarily a rural phenomenon in 2004.

Two other measures are the poverty gap index and the poverty severity index. The *poverty gap index* is the average difference in the total population between the per capita consumption of each individual and the poverty line, with a value of zero assigned to those on the line. The *poverty severity index* is calculated by squaring the individual poverty gaps before averaging them in order to give greater weight to larger gaps and highlight

[125] The World Bank, Cambodia: *Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 18–19.
[126] See the explanation for the "backward projection" of national estimates, Ibid., p. 22.
[127] The food poverty line is based on the estimated cost of a basket of food that would provide a subsistence-level dietary intake of 2,100 calories per day. Non-food allowances are derived from the non-food consumption of Cambodians whose total per capita household consumption is just equal to the food poverty line, or the amount of consumption that food-poor individuals divert from food consumption to non-food consumption. Ibid., p. 20.

the situation of those in "extreme poverty" with very low consumption. Once again, the geographically comparable sample frame was used to compare data for 1994 and 2004. Using the adjusted data, the poverty gap index fell from 9.2 per cent in 1994 to 6.7 per cent in 2004.[128] The deepest poverty was in rural areas, especially in the plateau and mountains and around the Tonle Sap region.[129] Table 8.1 provides the data from the complete sample.

Figure 8.1: Poverty incidence and food poverty by urban and rural areas, 1994 and 2004



Note: Adjusted data based on geographically comparable subsample.
Source: SESC 1994 and CSES 2004 in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 23.

Consumption levels and other indicators show improvement

Survey data point to improvements in per capita consumption of both food and non-food items, reinforcing other indications that living standards are rising and poverty levels are falling. The fastest rise in average consumption between 1994 and 2004 was in urban areas outside Phnom Penh, while the slowest was in rural areas. The share of non-food items in family budgets was rising in line with falling poverty. Other indicators for wealth and income, such as consumer durables and household construction, also improved over the ten-year period according to the World Bank research.[130]

The greatest rise in average consumption was in urban areas outside of Phnom Penh.

Uneven improvements and rising inequality

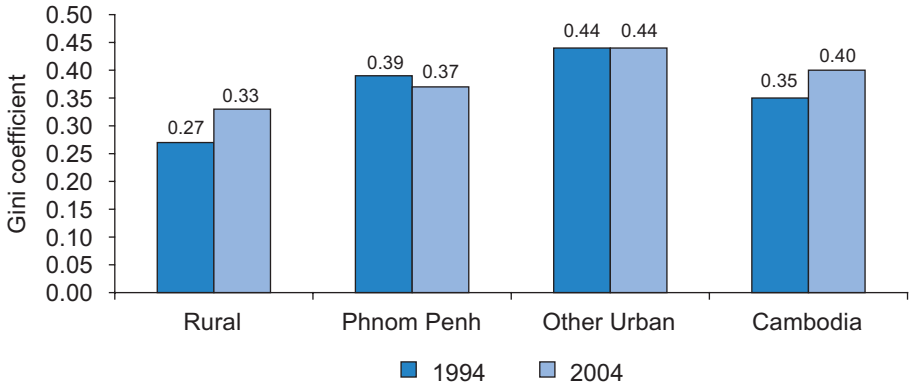
The rate of poverty reduction has been uneven across income groups, with greater progress in the richest groups than in the poorest groups. Inequality in the distribution of income or consumption, as measured by the Gini coefficient that ranges from 0 representing complete equality to 1 showing complete inequality, has increased. The Gini coefficient was 0.42 in Cambodia, according to data from the Cambodia Socio-Economic Survey 2004. Inequality was higher in Phnom Penh (0.37) and other cities (0.43) than in the countryside (0.34).

[128] The poverty gap index for the unadjusted sample was 9.0 in 2004.
[129] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 22–24.
[130] Ibid., pp. 24–26.

Cambodia has experienced increasing inequality.

To look at trends over the preceding decade, adjusted survey data based on geographically comparable areas have been calculated. These show that for the country as a whole, the Gini coefficient for real per capita consumption rose from 0.35 to 0.40. Inequality increased in rural areas, fell in Phnom Penh and remain unchanged in other cities.

Figure 8.2: Gini coefficients by urban and rural areas, 1994 and 2004



Note: Adjusted data based on geographically comparable subsample.
Source: SESC 1994 and CSES 2004 in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 200*6, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 29.

A major challenge will be to improve the productivity of employment to address underemployment and poverty in rural areas.

Improving the productivity of employment to address underemployment and poverty in rural areas is a major challenge. The depth of poverty is relatively shallow, pointing to broad-based policies of pro-poor growth targeting rural areas, combined with special measures for vulnerable groups. According to the 2004 UNDP report, "Such a strategy will be based, first, on increasing the dynamism of agriculture and, second, on generating non-farm employment, particularly in rural areas if excessive stress on urban infrastructure is to be avoided. Both supply-side and demand-side measures will be needed. On the one hand, there is a clear need for demand expansion to promote rural prosperity and to integrate more of the rural population into the market economy. On the other hand, there is a need for great improvements in the supply of human and physical assets (both public and private) in order to improve the capacity of the vast majority of Cambodians to take advantage of opportunities that may arise."[131]

International experience points to a strong correlation between high rates of inequality and slow rates of economic growth and poverty reduction.

There is a growing body of research pointing to a strong correlation between high levels of inequality and slow rates of economic growth and poverty reduction. Greater inequality can lead to unequal economic opportunities, inefficient resource allocation and wasted human potential. It can be associated with political inequalities that constrain investment

[131] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 14.

and innovation. Important tools for reducing inequality are promoting employment opportunities, ensuring universal education and providing social protection.[132]

8.2 Poverty profile

Poverty measures

According to the Cambodia Socio-Economic Survey, the poverty headcount in 2004 showed 35 per cent of the population living under the national poverty line. Poverty was higher in rural areas (39 per cent) than in urban areas (18 per cent). There was a range in urban centres with 5 per cent in Phnom Penh and 25 per cent in other areas living in poverty.[133] One in five Cambodians lived below the food poverty line in 2004.

Table 8.1: Poverty estimates by geographical area, 2004

Zone	Poverty headcount index	Distribution of poor (% of all poor)	Poverty gap index	Poverty severity index
Phnom Penh	4.6	1.1	1.2	0.5
Urban	1.1	0.2	0.2	0.0
Rural	8.9	1.0	2.5	1.1
Plains	32.1	39.7	7.5	2.6
Urban	13.7	0.7	3.0	0.9
Rural	32.9	39.0	7.6	2.6
Tonle Sap	42.8	37.0	12.2	4.7
Urban	28.2	3.7	8.5	3.5
Rural	45.4	33.4	12.8	4.9
Coastal	26.8	6.1	5.7	1.9
Urban	20.4	1.6	4.2	1.4
Rural	30.1	4.6	6.4	2.1
Plateau and Mountain	52.0	16.1	15.2	5.9
Urban	32.6	1.8	8.4	3.1
Rural	56.3	14.2	16.7	6.5
Cambodia	34.7	100.0	9.0	3.3
Urban	17.6	7.9	4.6	1.8
Rural	37.8	92.1	9.8	3.6

Source: The World Bank, *From peace to prosperity: An assessment of Cambodian poverty* (forthcoming), Technical appendix, Phnom Penh, November 2005 cited in Neak Samsen and Dourng Kakada, *Studies on economic growth, employment and poverty reduction: The case of Cambodia*, Prepared for the ILO by the EIC, Phnom Penh, 22 May 2006.

The international poverty line differs from the national poverty line in that it accounts for changes in prices over time, with adjustments for inflation as well as across counties with an adjustment for the cost of living. The poverty headcount, based on "one dollar per capita per day 1993 purchasing power parity" was lower in real terms, at 19 per cent in 2004 and based on 1,753 *riels* or US$0.43 per capita per day in rural areas and 2,351 *riels* or US$0.58 per capita per day in Phnom Penh.[134]

[132] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 29, 49–51.
[133] Ibid., p. 35.
[134] Ibid., p. 38.

Spatial characteristics

Poverty is concentrated in the countryside, with 92 per cent of the population living below the national poverty line in rural areas.

Poverty is primarily a rural phenomenon, with 92 per cent of the population living below the national poverty line in rural areas. In terms of Cambodia's five zones, presented in Table 8.2, the headcount index was highest for the plateau and mountains (52 per cent) and Tonle Sap region (43 per cent) in 2004. These two zones accounted for a little more than half of the total population (53 per cent) below the national poverty line.

Table 8.2: Poverty headcounts and percentage of the poor by zone, 2004

Zone	Poverty headcount index			Population distribution of poverty headcount (% of all poor)		
	Total	Urban	Rural	Total	Urban	Rural
Phnom Penh	5	1	9	1	0	1
Plains	32	14	33	40	1	39
Tonle Sap	43	28	45	37	4	33
Coastal	27	20	30	6	1	4
Plateau and mountains	52	33	56	16	1	14
Total	35	18	38	100	8	92

Source: CSES 2004 in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Table 3.1, p. 39.

Poverty rates are highest in remote areas.

According to data from the Cambodia Socio-Economic Survey 2004, poverty rates were highest in remote areas. People who are poor tend to be those who only have limited access to physical infrastructure, such as roads and irrigation, and social infrastructure, including basic services for energy, water, sanitation, schools and health care. Moving from the highest quintile in terms of consumption to the lowest quintile, the average distance to basic infrastructure increases. According to the 2004 World Bank assessment, the food poor are especially isolated from access to markets and health care.[135] Poor households rely on traditional sources of energy and have less access to clean water and decent sanitation.[136]

Rural areas

Cambodia remains primarily an agrarian economy, with 60 per cent of the labour force in agriculture and 92 per cent of the poor living in rural areas. Labour and land are the most important assets. With low levels of human capital and limited opportunities for non-farm employment, most of the rural poor depend on land resources. Landlessness, defined as households without any access to land for cultivation, increased from 13 per cent in 1997 to 16 per cent in 1999. It reached 20 per cent in 2004, according to the Cambodia Socio-Economic Survey. These households did not own, borrow or lease land and did not use communal land. There also has been a considerable concentration of land holdings,

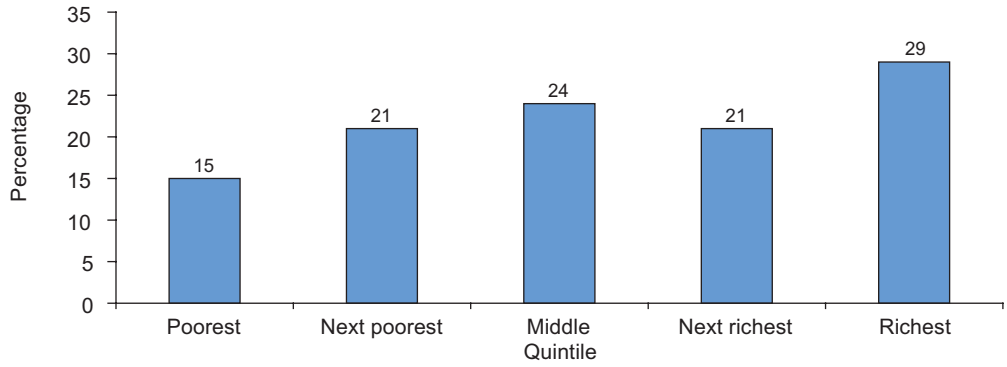
[135] Ibid., p. 45.
[136] Ibid., pp. 45–46.

with the share of land owned by the richest 20 per cent, ranked from small plots to large holdings, growing from 59 per cent in 1999 to 70 per cent in 2003. The share of the top 10 per cent increased from 45 per cent to 64 per cent over the same period.[137]

Landlessness has increased. Poverty in the countryside is associated with insecurity of titles to land.

Among rural households that owned land, the poorest quintile was much less likely than the richest quintile, measured in terms of consumption, to have a secure land title. Figure 8.3 illustrates the relationship between poverty incidence and secure titles.

Figure 8.3: Secure land titles by quintile groups, 2004



Source: CSES 2004 in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Figure 3.12, p. 47.

Urban areas

Urban poverty is linked to the lack of security in employment and income.

Poverty in urban areas is also associated with the lack of security in employment and income. Many residents of urban slums are employed in the informal economy, working as casual labourers in construction jobs, self-employment as street vendors, female employees in the garment industry and domestic workers in households. Some children make a significant contribution to poor households working as rag pickers, shoe cleaners or street beggars. Others drop out of school and remain at home to look after younger siblings and do household chores while their parents are out at work. In addition to poverty, there are issues of vulnerability and exclusion for the poorest groups, many of whom live on the streets. Others are employed as sex workers.[138]

Household characteristics

Poverty rates are lower among populations with higher literacy and more education.

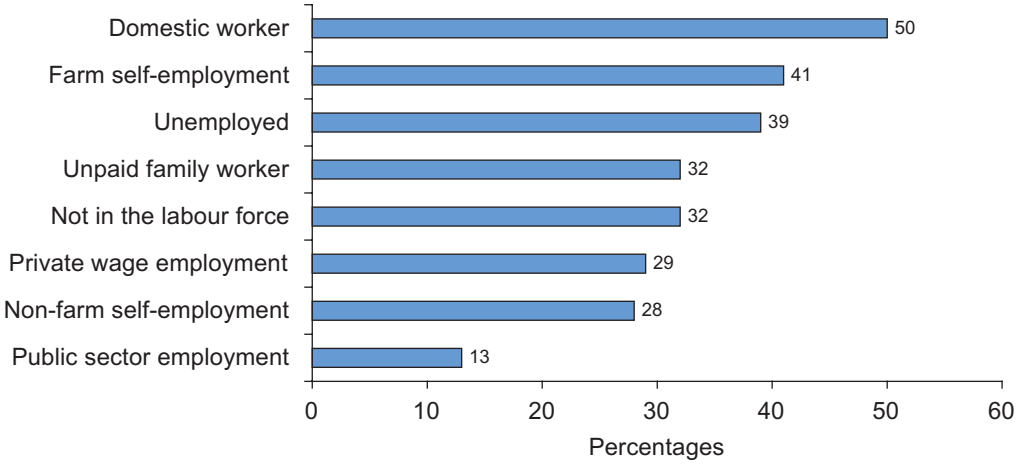
Most poor households are headed by persons in their "prime age" from 30 to 49 years. There does not appear to be much difference in the sex of the household head, despite the fact that female-headed households are often identified as more likely to be poor.

[137] David O. Dapice, *A SWOT analysis of the Cambodian economy,* A UNDP funded discussion paper prepared in cooperation with the Supreme National Economic Council and Harvard's Kennedy School, Cambodian Economic Forum (CEF), Phnom Penh, 17 January 2006, p. 15.
[138] See Chapter 6.

Nor is there a difference in poverty incidence by marital status. Data from the Cambodia Socio-Economic Survey 2004 do not point to statistical differences in poverty measures by disability and ethnicity of the household head either, although the samples were small. Literacy and schooling, on the other hand, are strongly correlated with poverty measures. The relationship is indirect, with the chances of being in poverty falling with additional years spent in school.[139] Poor households tend to be larger, with poverty rates increasing from 10 per cent for households of two persons to 25 per cent with four persons, 48 per cent with eight persons and 52 per cent with ten or more members. Average consumption falls with household size, even after converting to an adult-equivalence scale.[140] Dependency ratios measuring the burden of younger members and elderly persons supported by working-age adults are inversely related to poverty rates – the poorest consumption quintile had a dependency rate of 97 per cent compared with the richest quintile, with a dependency rate of 54 per cent, in 2004.[141]

Poverty incidence varies by status in the labour force and type of employment classified by sector, occupation and status. Figure 8.4 shows poverty incidence in different categories calculated with data from the Cambodia Socio-Economic Survey 2004. These indicate that households headed by domestic workers and self-employed farmers were more likely to be poor with 50 per cent and 41 per cent, respectively, living below the poverty line.

Figure 8.4: Poverty incidence by economic activity and employment classifications of the household head, 2004



Source: NIS, Cambodia Socio-Economic Survey 2004 in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, Figure 3.9, p. 45.

[139] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 40–41.
[140] Ibid., p. 44.
[141] Ibid., p. 44.

8.3 Poverty dynamics

Moving Out of Poverty Study

A special survey on "moving out of poverty" with panel data shows some households "moved up" while others "moved down" between 2001 and 2004.

The two time periods used to look at trends in poverty, based on adjusted data from the 1993/1994 Socio-Economic Survey of Cambodia and the Cambodia Socio-Economic Survey 2004, are not panel surveys designed to track the same households over time. They are, instead, two "snapshots" of different households and household members that give an indication of changes in the "averages." To have a better understanding of the dynamics in which some rise out of poverty while others fall into poverty, the Cambodia Development Research Institute conducted a Moving Out of Poverty Study (MOPS). Nearly a 1,000 of the households first surveyed in 2001 were re-visited in 2003/2004.

The transition matrix presented in Table 8.3 shows movements into and out of three categories – very poor, moderately poor and well off. A little more than half of the households (52 per cent) stayed in the same classification. Another 26 per cent "moved up" (classified as climbing out of poverty, climbing into wealth and rags to riches) while the remaining 22 per cent "moved down" (classified as deepening poverty, slipping into poverty and riches to rags). Additional information about the experience of these two groups not collected in the study would be useful for developing strategies for women and men to work out of poverty.

Table 8.3: Transition matrix for panel households in Moving Out of Poverty Study, 2001 and 2004

		2004		
		Very poor	**Moderately poor**	**Well off**
2001	Very poor	14 per cent "Chronic poor"	10 per cent "Climbing out of poverty"	4 per cent "Rags to riches"
	Moderately poor	7 per cent "Deepening poverty"	14 per cent "Static middle"	12 per cent "Climbing into wealth"
	Well off	3 per cent "Riches to rags"	12 per cent "Slipping into poverty"	24 per cent "Comfortable rich"

Source: CDRI 2006 (forthcoming) in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 31.

Vulnerability

Cambodian households suffer from "shocks" to employment and income.

Despite the fact that several studies show a reduction in poverty of about 10 to 15 per cent over the decade before 2004, many households remain near the poverty line and risk being pushed back into poverty. The World Bank, in its *Poverty Assessment 2006,* identified sources of vulnerability, classified as either covariant shocks that affect many households at the same time or idiosyncratic shocks that affect specific individuals, as shown in Table 8.4.

Table 8.4: Sources of vulnerability

Covariant shocks	• Extreme floods and droughts • Change in international trade affecting the comparative advantage of Cambodian goods and services • Evictions and fires in urban squatter communities
Idiosyncratic shocks	• Illness • Crop failure and livestock death on a particular farm due to flood, drought, disease and pests • Lifecycle events such as weddings, deaths and births

Source: The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 52–53.

8.4 Employment as the principal route out of poverty

A powerful tool for poverty reduction is decent work.

The UNDP report on the *Macroeconomics of Poverty Reduction in Cambodia* stresses the importance of "sustainable employment opportunities" as the "most direct route" out of poverty.[142] Generating jobs is essential for reducing poverty. The creation of employment has the capacity to reduce poverty, but some jobs have more potential than other jobs.[143] The quality of work – and not just the quantity of jobs – is important for poverty reduction.

According to the ILO, the most powerful tool for poverty reduction is decent work. The four dimensions of decent work are employment, rights, protection and representation or dialogue. *Employment* is the principal route out of poverty. This requires investment and entrepreneurship for job creation and sustainable livelihoods. Not all jobs are good jobs. People in poverty require a voice to get out of poverty through the recognition of their *rights* and empowerment through representation and participation. Poor people generally have inadequate earning power and weak support systems. Addressing poverty requires *protection* against contingencies, such as old age, illness and disability that make it difficult or impossible to work. People in poverty need to engage in *dialogue* or consultations and negotiations to find ways out of poverty.[144]

The quality as well as the quantity of jobs is important.

Unemployment is only the "tip of the iceberg." It is not just the absence of work that is a source of poverty but the productivity of employment. Productive employment is the economic foundation of decent work.[145] "Productivity growth, after all, is the engine of the economic growth that enables working men and women to earn enough to lift themselves out of poverty," asserts Juan Somavia, ILO Director-General.[146] In Cambodia, this will

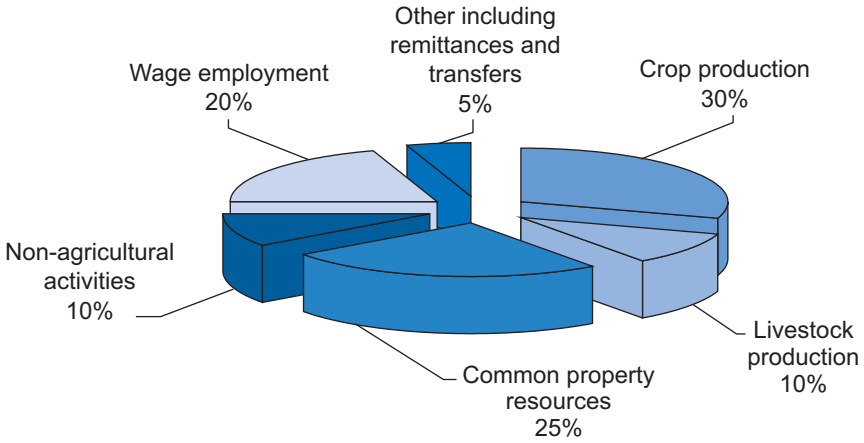
[142] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* United Nations Development Programme, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 12.
[143] François Bourguignon, "Employment and development: Good jobs and bad jobs," Presentation at the ILO, Geneva, 3 July 2006.
[144] ILO, *Working out of poverty,* Report of the Director-General, International Labour Conference, 91st Session 2003, Geneva, 2003.
[145] ILO, *World Employment Report 2004–05, Employment, productivity and poverty reduction,* Geneva, 2005.
[146] ILO, Press release, "Half of the world's workers living below US$2 a day poverty line: ILO says new policies for promoting productivity growth and decent jobs could improve outlook for working poor," Geneva, 7 December 2004.

involve improving the productivity and earnings of jobs in the agricultural sector and informal economy, which employs most of the nation's poor.

"Good jobs" provide adequate earnings.

People who are poor get their income primarily from agriculture. According to the Cambodia Socio-Economic Survey, 40 per cent of household income in 2004 came from crops and livestock, with another 25 per cent from common property resources. While wage employment accounted for just 20 per cent of the income of the poor, it was an important source for the chronic poor, who derived 38 per cent of household income from hiring out their labour.[147]

Figure 8.5: Sources of income for people who are poor, 2004



Source: The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006,* Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 79.

Employment provides most household income, with more from self-employment than paid employment.

The 1999 Cambodia Socio-Economic Survey pointed to the significance of different sources of household income. The share from self-employment (60 per cent) was high relative to wage employment (21 per cent) and other sources (19 per cent) including rental income, interest received, transfers, imputed value of owner households and others. Much of the self-employment income from those classified as employers or own-account workers represented the returns from work in agricultural production and the informal economy. This share naturally will be larger in the countryside than in cities; the 1999 CSES data showed it to be 71 per cent in rural areas, 30 per cent in Phnom Penh and 58 per cent in other cities. Likewise, comparing the geographic areas for which data were available, the proportion of income from wage employment was highest in Phnom Penh, accounting for more than a third (35 per cent) of total household income in 1999.[148]

A breakdown of self-employment income with data from 1999 estimated that more than two-thirds of earnings derived from agricultural production, with rice production alone accounting from 16 per cent. Just under one-fifth came from non-farm activities.

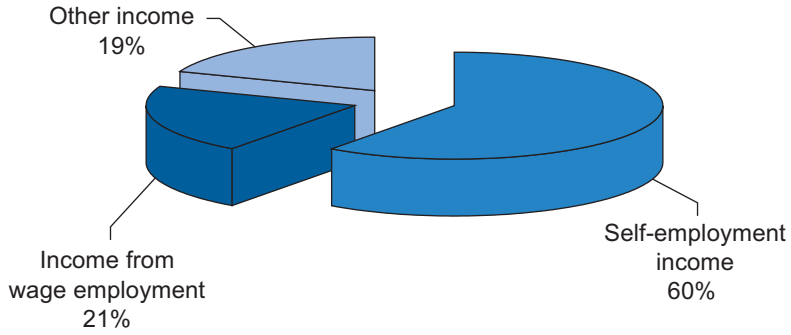
[147] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 33.
[148] NIS, Report on the Cambodia Socio-Economic Survey 1999, May 2000, p. 59.

Table 8.5: Average monthly household income by main source of income and urban-rural residence, 1999

Main source of income	Cambodia		Phnom Penh		Other Urban		Rural	
	Value (Riels)	(%)	Value (Riels)	(%)	Value (Riels)	(%)	Value (Riels)	(%)
Self-employment income	241 990	60.0	345 340	30.3	298 509	58.0	224 352	71.4
Income from wage employment	83 687	20.7	397 463	34.9	109 609	21.3	48 442	15.4
Other income	77 657	19.3	396 750	34.8	106 909	20.8	41 452	13.2
Total	403 334	100.0	1 139 553	100.0	515 027	100.0	314 247	100.0

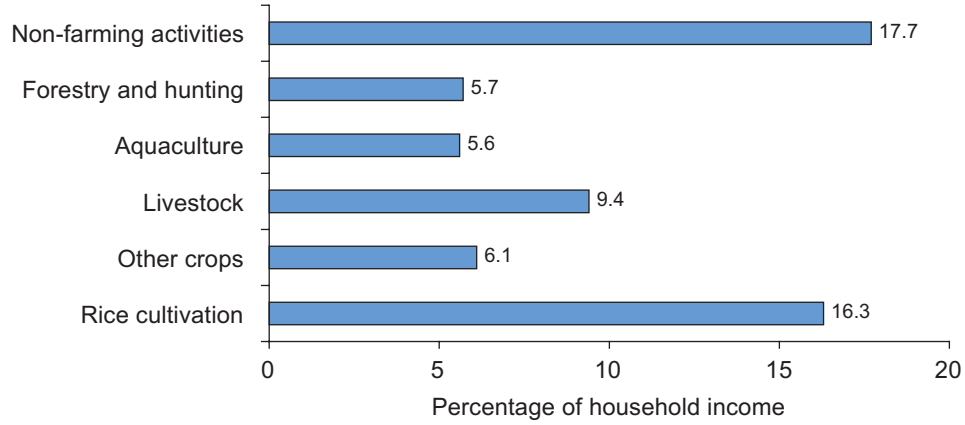
Source: NIS, Report on the Cambodia Socio-Economic Survey 1999, May 2000.

Figure 8.6: Average monthly household income by source, 1999



Source: NIS, Report on the Cambodia Socio-Economic Survey 1999, May 2000.

Figure 8.7: Breakdown of self-employment income as a percentage of household income, 1999



Source: From Ministry of Commerce 2002 cited in Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 40 in Table 8.6.

As shown in Table 8.6, the consumption decile calculations of the 1999 CSES data provide a more detailed view of the contribution from different income sources: Self-employment supplied a greater proportion of income for the poorest consumption decile (64 per cent) than the richest consumption decile (36 per cent). The bottom decile relied on self-employment in rice production for 21 per cent of its consumption income, compared with 2 per cent of the top decile. The corresponding percentages for livestock production were 17 per cent for the lowest decile, compared with 2 per cent for the highest decile. Self-employment in non-farming activities accounted for only 9 per cent of the

Table 8.6: Selected sources of household income by consumption decile, 1999

Source of Income	Consumption Decile										
	1	2	3	4	5	6	7	8	9	10	Average
Self-employment	67.7	71.4	66.3	70.3	73.6	68.5	71.2	70.7	63.3	36.3	60.9
Cultivation	27.8	29.7	31.1	30.3	31.9	32.1	30.6	32.3	19.8	3.2	22.4
Rice cultivation	21.4	24.3	25.3	23.6	25.7	25.0	22.7	20.4	9.7	2.1	16.3
Other crops	6.4	5.4	5.8	6.7	6.2	7.1	7.9	11.9	10.1	1.1	6.1
Livestock	16.6	14.3	14.2	13.0	12.4	11.9	11.6	12.0	8.3	1.5	9.4
Aquaculture	6.1	7.1	5.8	8.7	6.9	6.8	8.7	7.1	5.2	2.1	5.6
Forestry and hunting	8.3	10.2	5.5	7.3	7.7	7.9	8.1	6.1	4.9	0.6	5.7
Non-farming activities	8.9	10.0	9.7	10.9	14.7	9.8	12.2	13.2	25.1	29.0	17.7
Wages	19.0	15.0	15.9	14.5	14.3	18.5	17.6	16.5	21.0	30.2	20.5
Remittances	1.2	1.9	1.6	2.8	1.3	2.4	1.6	1.7	2.3	2.6	2.1
Others including rents and dividends	12.1	11.7	10.9	12.4	10.8	10.6	9.6	11.1	13.4	31.1	16.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: There are some problems with the published data for the third quintile.
Source: Ministry of Commerce 2002 cited in Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 40.

income for the bottom decile, compared with 29 per cent from the top decile. Wage income amounted to 19 per cent of the income from the poorest decile, compared with 30 per cent from the richest decile.

Unemployment and inactivity are "luxuries" afforded by rich households.

The link between employment and poverty can be obscured by classifying the distribution of income within households by the characteristics of the head of household. Sometimes, the household head is not the principal breadwinner but the oldest family member. And quite often the oldest household member is economically inactive. It is thus useful to look at the composition of households. The 1999 CSES data shown in Table 8.7 for the poorest quintile and richest quintile in terms of household per capita consumption offers a somewhat unexpected breakdown.

Table 8.7: Distribution within households by per capita consumption quintile, labour force status and sex, 1999

	Poorest quintile			Richest quintile		
	Total	Male	Female	Total	Male	Female
Employers	0.0	0.0	0.0	0.1	0.0	0.1
Own-account worker	17.2	11.8	5.4	18.2	10.1	8.1
Employees	5.3	3.2	2.1	16.0	10.5	5.5
Unpaid family workers	24.4	7.3	17.2	15.4	4.7	10.7
Unemployed	1.0	0.5	0.6	1.3	0.7	0.7
Economically inactive adults	22.4	10.8	11.5	30.4	12.6	17.6
Under working age	29.6	15.2	14.3	8.5	9.3	9.1
Total household members	100.0	48.9	51.1	100.0	48.0	52.0

Source: CSES 1999 cited in cited in Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 43.

There are relatively more unemployed household members and economically inactive adults in the richest quintile than in the poorest quintile. This suggests that rather than being a cause of poverty, unemployment and inactivity are luxuries supported by other sources of household income. Because the statistics used were per capita consumption, it is not surprising that poor households have more dependants younger than the working age.

Own-account workers represented about the same proportion in both poor and rich households. However, as the information in Table 8.6 illustrates, more of the rich households derived income from non-farming activities than the poor households. The relatively large proportion of unpaid family workers in the bottom quintile is probably correlated with farm households. The difference between households in terms of paid employees was striking at 16 per cent of rich household members compared with the 5 per cent in poor households.

There is a wide range of daily earnings even among vulnerable workers.

Research conducted by the Urban Resource Centre found that most residents of squatter settlements in urban areas were employed in the informal economy as motorcycle-taxi (*motodop*) drivers, construction workers, domestic workers and street vendors. Others worked in garment factories and in restaurants.[149] For its survey of selected workers the Cambodia Development Research Institute expanded its list from cyclo drivers, porters, small vegetable sellers and scavengers in 1997 to include also waitresses, rice-field workers, garment workers, motorcycle-taxi drivers, unskilled construction workers and skilled construction workers in 2000. There is considerable variation in earnings from those types of jobs, as shown in Table 8.8 and Figure 8.8.

Table 8.8: Average daily earnings of vulnerable workers, 2000–2005
(Constant November 2000 prices)

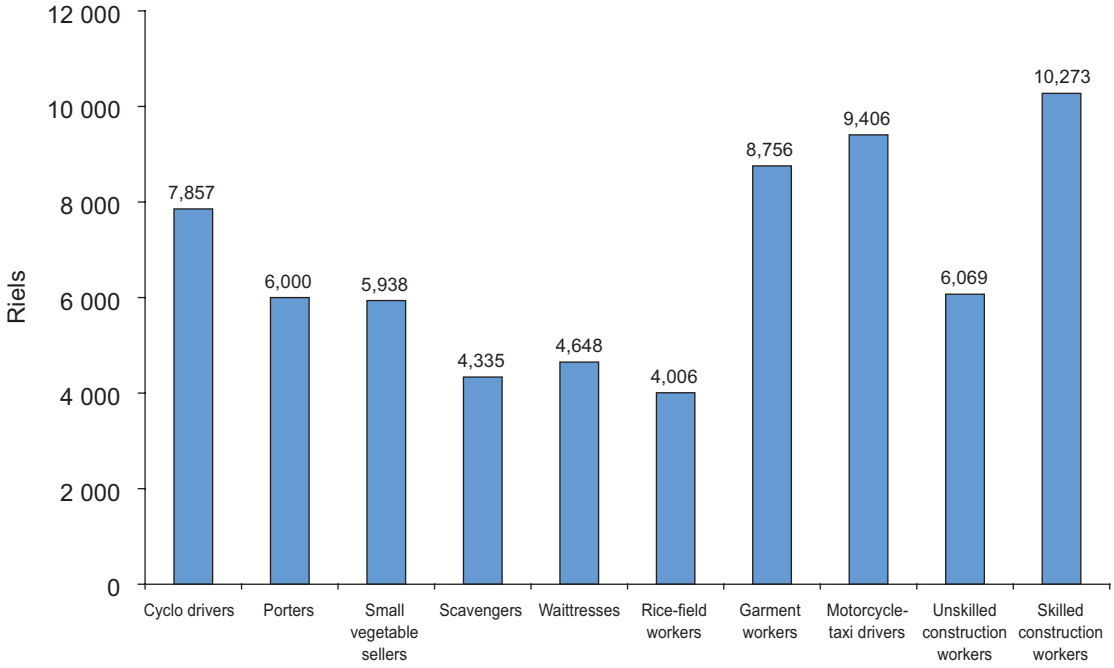
	2000	2003	2004	2005		
	November	November	November	February	May	August
Cyclo drivers	7,594	9,494	5,670	8,529	7,726	7,857
Porters	6,233	6,286	5,121	6,933	7,056	6,000
Small vegetable sellers	5,256	6,480	6,767	6,385	8,574	5,938
Scavengers	2,718	3,772	4,024	5,382	5,270	4,335
Waittresses	2,111	4,289	4,207	4,470	4,287	4,648
Rice-field workers	4,198	4,947	3,788	3,997	3,822	4,006
Garment workers	6,701	9,671	9,328	9,213	7,235	8,756
Motorcycle-taxi drivers	8,610	9,671	8,688	11,767	11,130	9,406
Unskilled construction workers	5,399	5,996	5,944	5,747	8,130	6,069
Skilled construction workers	12,127	16,344	12,071	14,367	12,320	10,273

Source: CDRI, *Cambodia Development Review*, Volume 9, Issue 4, October–December 2005.

According to the CDRI survey in August 2005, the daily earnings dropped over the previous year for six groups: garment workers, small vegetable traders, porters, unskilled construction workers, skilled construction workers and scavengers. This was due primarily to increased competition from larger numbers of workers in these groups. And yet, over the same period, the earnings of cyclo drivers and motorcycle-taxi drivers increased. The CDRI analysis suggests this was due to greater demand from an increase in tourists.

[149] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 47.

Figure 8.8: Average daily earnings of vulnerable workers, August 2005



Source: CDRI, *Cambodia Development Review*, Volume 9, Issue 4, October–December 2005.

Because of the shift in demand, motorcycle-taxi drivers, for instance, said they put in two to four hours more each day than the previous year resulting in 10- to 14 hour-working days.[150]

Interviews with vulnerable workers reveal responsiveness of employment and earnings to changes in markets.

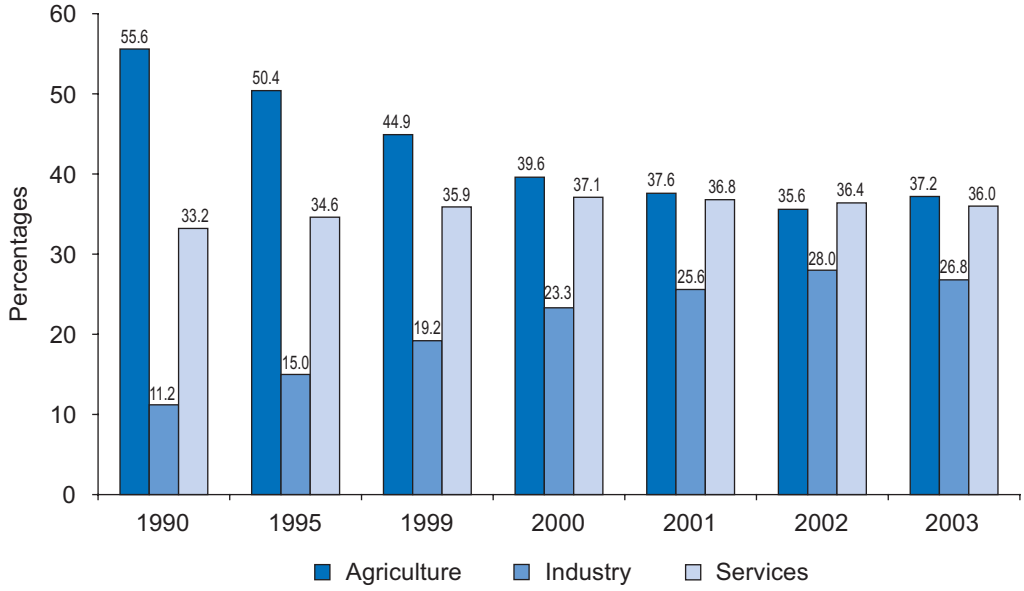
In the CDRI interviews garment workers reported that their earnings had declined over the year from 9,211 *riels* in August 2004 to 8,750 *riels* in August 2005. They attributed the decline to an increased number of job seekers. This had many employers hiring new employees on a temporary basis and paying them lower wages. At the same time, monthly expenses had increased due to inflation. The real earnings of scavengers also dropped over the same year period. And this also was explained by an increase in the number of workers, in this case, rubbish collectors. Many of the "new" collectors were children who were earning money for school supplies and supplementing the income of their parents who were barely able to provide for basic needs of the family. The decline in the earnings of small vegetable traders was attributed to higher transport costs due to rising gasoline prices. Skilled construction workers reported a 24 per cent decline in their earnings over the same year. They cited both an increase in the supply of workers and a decrease in demand for services during the rainy season. Larger numbers of unskilled construction workers included migrants from the provinces. While there had not been a significant drop in daily earnings, the workers complained about unstable employment that did not produce sufficient income to support their families. Declining earnings for porters also accompanied an increase in the supply of labour, many reported to be school drop-outs from poor families aged between 15 and 20 years.[151]

[150] Ouch Chandarany and Pon Dorina, "Economy watch – Domestic performance: Poverty situation – Real daily earnings of vulnerable workers (Survey 1–20 August 2005)," *Cambodia Development Review,* Volume 9, Issue 4, October–December 2005, pp. 16–17.

[151] Pon Dorina and Ouch Chandarany, "Poverty situation-earnings of vulnerable workers," *Cambodia Development Review,* Volume 8, Issue 4, October–December 2004, p. 16.

It will be necessary for Cambodia to diversify its sources of production and employment. This will mean increasing productivity and growth in agriculture as well as looking beyond garments and tourism to other sectors and subsectors.

Figure 9.1: Structure of output, 1990–2003
(Percentage of GDP at current prices)



Source: ADB, *Key Indicators of Developing Asian and Pacific Countries*, 2005.

Agriculture

Agriculture will continue to be the main source of employment and income.

Enhancing the agricultural sector is the key to poverty reduction under the National Strategic Development Plan 2006–2010.[152] Agriculture, including crops, livestock, forestry and fishing, will continue to absorb the majority of workers in Cambodia for some time to come. According to Economic Institute of Cambodia estimates and projections, there were 4.1 million workers employed in agriculture in 2004, with the total expected to reach 4.4 million in 2008. And rice farming was predicted to remain the dominant source of rural incomes. In 2004, rice production accounted for 76 per cent of agricultural revenue.[153] With 2.9 million workers estimated in 2005 and 3.2 million projected for 2008, by far the most women and men in the agricultural sector are employed in rice production.

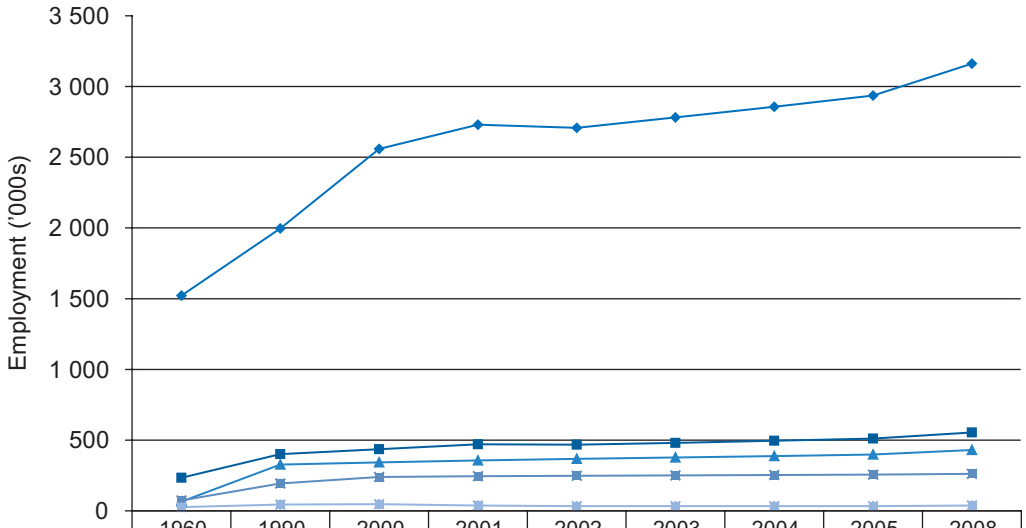
Most employment in the agricultural sector is in rice production characterised by subsistence farming and traditional techniques.

The proportion of workers in agriculture increased during the 1990s. One reason for the increase was the gradual settlement of land rights. Of course, there was also a return of refugees, soldiers and rebels to farming. Most employment is in subsistence farming that is carried out on a small scale using traditional techniques. Rainfall is irregular and uneven, resulting in droughts and floods. Rain is critical during the period of rice cultivation in June and July. The situation could be considerably eased with certain improvement.

[152] National Strategic Development Plan 2006–2010, Phnom Penh, December 2005, p. 13.
[153] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 81.

Productivity could be increased with higher quality inputs and improved irrigation systems. Poor infrastructure is a major impediment to moving surplus rice to deficit areas and export markets. Much of the commercial production is in Battambang, where changes in rice prices and exchange rates affect trade with Thailand and typically allow rice farmers along the border to obtain higher prices outside of Cambodia. The same can occur along the border with Viet Nam.[154] Most rice exports are not processed with little value added.[155] Other crops with potential for expansion include soybeans and sesame.

Figure 9.2: Estimates and projections for employment in agriculture, 1960–2008
(thousands)



	1960	1990	2000	2001	2002	2003	2004	2005	2008
Paddy	1 522	1 997	2 559	2 730	2 708	2 781	2 857	2 936	3 162
Other crops	234	401	436	470	468	481	496	511	554
Livestock	65	327	343	356	367	377	387	398	430
Fishery	74	193	240	245	248	251	254	256	262
Rubber and forestry	26	44	47	38	33	33	33	34	37

Source: Economic Institute of Cambodia, *Cambodia Economic Watch*, April 2005, p. 254.

There is potential for employment growth in rubber production which is labour intensive. To date, output and employment have not grown much due to inadequate investment in replacement trees. Expanding planted areas is an expensive undertaking because rubber trees take six years to become productive. Forests provide an important source of rural livelihoods, including firewood for consumption.[156] Livestock production suffers from problems of health and hygiene and export taxes that encourage illegal exports and discourage quality production. Pig production has been increasing, while poultry production is threatened by avian influenza.

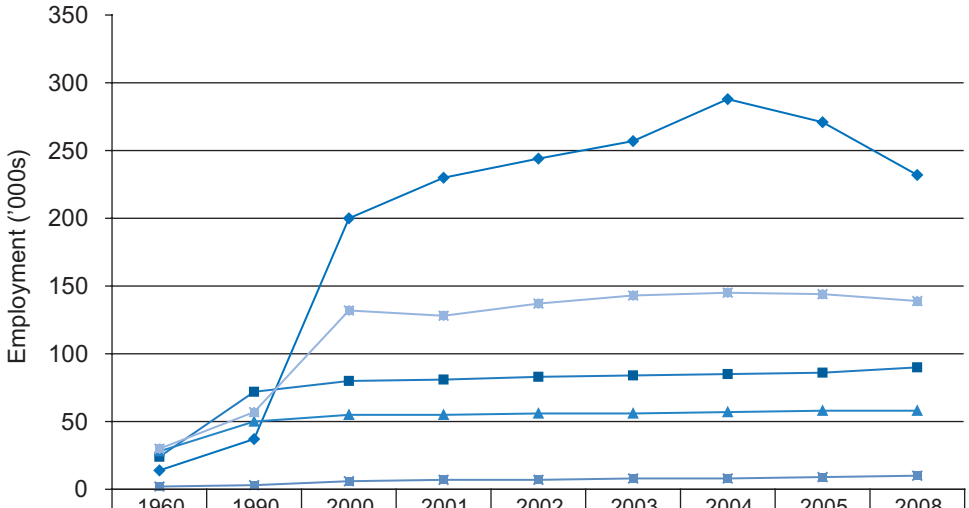
Freshwater fishing has been a main source of employment and income.

The number of people counted as employed in fishing increased from 74,000 in 1960 to 193,000 in 1990, 240,000 in 2000 and then an estimated 256,000 in 2005, according to

[154] Sophal et al. (1999) cited in Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 166.
[155] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 166.
[156] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 84.

the Economic Institute of Cambodia. While men dominate the jobs in fishing, women are active in fish trade and fish processing.[157] Freshwater fishing has traditionally been a major source of employment and income in Cambodia. The annual reflux of the Mekong River up the river and into the lake of the Tonle Sap has contributed to food security around the fishing grounds. This source of food is now in danger of being eroded and destroyed by environmental degradation and over fishing. It is hoped that recent changes in the fishing lot system that have reduced the commercial concession size and ideally will lead to improvements in fish stocks. Government intervention has discouraged fish exports. The state monopoly Kamifex controls all legal sales. Bureaucratic costs and reduced prices have encouraged smuggling.[158]

Figure 9.3: Estimates and projections for employment in industry, 1960–2008
(thousands)



	1960	1990	2000	2001	2002	2003	2004	2005	2008
Garments	14	37	200	230	244	257	288	271	232
Food, beverage and tobacco	24	72	80	81	83	84	85	86	90
Other manufacturing	28	50	55	55	56	56	57	58	58
Electricity, gas and water	2	3	6	7	7	8	8	9	10
Construction and mining	30	57	132	128	137	143	145	144	139

Source: Economic Institute of Cambodia, *Cambodia Economic Watch*, April 2005, p. 254.

Manufacturing

Garment manufacturing has dominated industrial employment and export production for the past decade. An upsurge during the 1990s led to an increase in employment of more than fivefold from 37,000 jobs in 1990 to 200,000 in 2000. Most employees are young women. According to projections from the Economic Institute of Cambodia, employment was expected to fall with the end of the Multi-Fibre Agreement, from 288,000 in 2004 to 271,000 in 2005 and then 232,000 in 2008. However, this has not been the case due to the safeguards extended by the European Union and United States until 2008. The garment subsector is expected to continue to dominate industrial employment through 2008, followed by construction and mining, food processing and other manufacturing. Given the changing environment for garment exports, it will be essential for Cambodia to

[157] Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training, *Action research on the gender dimension of skills development in Cambodia,* MOEYS and ILO, Bangkok and Geneva, April 2004, p. 16.
[158] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 168.

improve its productivity and competitiveness and to diversify its production and employment. For Cambodia to maintain a foothold, it will also be necessary to improve transport and infrastructure.[159]

Garment production has dominated industrial employment and export production for the past decade.

For garment manufacturing to gain access to markets in the United States and Europe, Cambodia was required to adhere to labour standards that had to be incorporated into its labour code. Compliance with the Cambodian Labour Code and the European Union Generalized System of Preferences meant implementing a minimum wage of US$45 per month. Progress has been made in other areas against discrimination in employment and the prohibition of forced labour, bonded labour and exploitative child labour. Improvements in the application of the labour code have led to an additional 9 per cent quota of exports to the United States – less than the expected 14 per cent.[160] Of course, some employers have complained about the double-time payments required for night-shift work. But the industry has benefited from consultations between employers' organizations and trade unions, which have led to a reduction in the frequency of strikes that are costly to employers facing tight deadlines. The presence of trade unions allows greater protection for garment workers and also provides an avenue for collective bargaining.

Cambodia textile producers must cope with higher costs than elsewhere in the region. Considerable improvements could be made by improving efficiency in ports and customs. Other benefits could come from domestic sourcing of productive inputs, such as cotton, buttons, zippers, thread, ribbon and embroidery.[161] These could contribute to a more equal distribution of employment and income.

Handicraft production has potential for creating more employment.

There is also considerable potential still in developing handicraft production for creating income and employment, especially as part-time off-farm activities in rural areas. Handicraft production has the advantage of allowing flexible hours and providing seasonal work. Part of that potential could be achieved with better links between handicraft production and the tourism industry.

Agricultural processing

Additional processing of commercial crops can add to value and income.

Agricultural processing has not yet made a significant contribution to the employment opportunities for Cambodian workers. According to the World Bank *Poverty Assessment 2006,* there are tens of thousands of micro enterprises, a few hundred small and medium enterprises and only a handful of companies with more than 100 employees. Most employment is in rice mills. Commercial milling generally produces low returns due to fragmented production, high costs and official fees.[162]

[159] The World Bank, *Cambodia, Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 68.
[160] Sok Hach et al. (2001) cited in Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 157.
[161] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 164.
[162] The World Bank, *Cambodia: Halving Poverty by 2015? Poverty Assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 66.

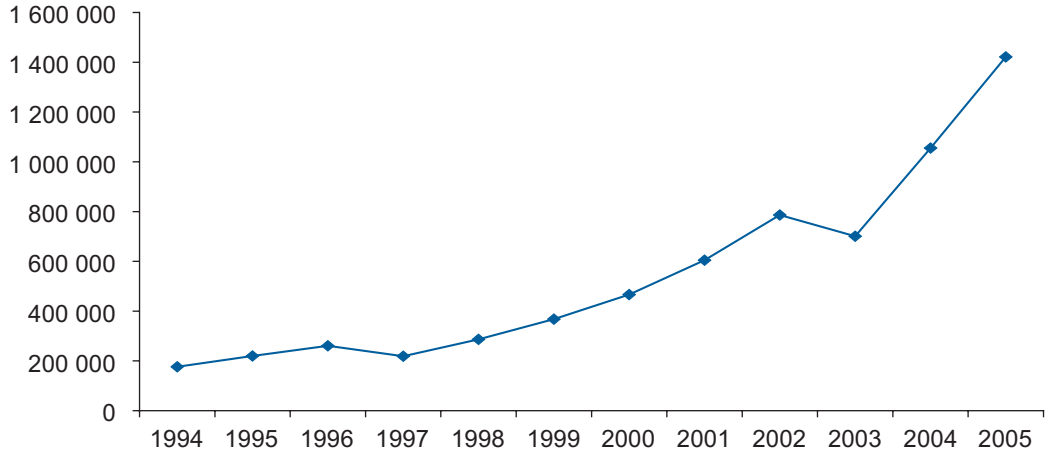
There is commercial potential in agro-industrial production for palm oil, tapioca processing, livestock production, rubber plantations, cashew plantations and rice mills. Employment opportunities are restricted by transport costs and unofficial fees. Additional processing takes place at the household level – rice milling, fish processing and food processing – but these activities will not increase without improvements in markets, technology and information.[163]

Tourism

There is considerable scope to increase employment and income in the tourism sector. Estimates from the Economic Institute of Cambodia show that direct employment in the tourism industry doubled, from around 31,000 jobs in 1995 to 60,000 in 2000.[164] Tourism is still growing with increasing numbers of visitors each year. There are possibilities for ecotourism in the provinces of Takeo, Kompong Speu, Kratie, Ratana Kiri and Mondol Kiri as well as in the Bokor and Cardamom mountains. Casinos built in the border areas with Thailand continue to attract gamblers from Thailand.

Figure 9.4 shows the remarkable increase in international visitor arrivals, from 176,700 in 1994 to more than 1.4 million in 2005. Of them, 60 per cent arrived by air – 36 per cent to Phnom Penh and 24 per cent to Siem Reap. The largest numbers of tourists are Korean, followed by Americans and Japanese.

Figure 9.4: Visitor arrivals in Cambodia, 1994–2005



Source: Ministry of Trade website at: http://www.mot.gov.kh/statistic.asp#

Links to tourism can provide jobs and income.

The potential links are not limited to services but include construction, agriculture and manufacturing. To tap greater potential in agricultural production that links to the tourism sector, it will be necessary to overcome production constraints and marketing problems. Currently, both backward and forward links are below potential. Those currently benefiting from better jobs with higher wages and employment security are, for the most part, Cambodians with more education.[165]

[163] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 167.
[164] Ibid., p. 158.
[165] The World Bank, *Cambodia, Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 70.

Men generally dominate the available hotel work, with women more apt to be in lower-paying jobs in restaurants and bars.[166] Most of the major hotels are foreign owned and attract group tours that tend to use large buses rather than local transport. They also are likely to take tourists only to major outlets for handicraft items produced in large-scale operations. Handicraft producers in local areas will require improvements in both quantity and quality of their products to take advantage of potential markets in Cambodia and overseas. Handicraft production is labour intensive and an important source of non-farm income for rural women.

Box 9.1: Linking the rural poor to growth centres in Siem Reap

Despite its bustling tourism Siem Reap remains the second-poorest province in Cambodia. Local people living around the Angkor Archaeological Park struggle to reap the benefits of the growth and to make enough income for basic needs.

Studies of supply chains show that 50 per cent of vegetables and 80 per cent of fruits in Siem Reap are imported from neighbouring countries.[167] The province is home to an estimated 70,000 smallholder farming households living in abject poverty and relying on farming practices that have changed little from the subsistence production practised for centuries. Local farmers lack the knowledge and aspiration to change. Through a project on the informal economy the ILO worked with farmers to build up their capacity to produce a regular supply of marketable vegetables to restaurants and hotels in Siem Reap. An intervention involving the Human Resources and Rural Economic Development Organization, the AGRIKHMER organization and the Provincial Department of Agriculture, Forestry and Fisheries (DAFF) was successful in:

- Introducing better work methods to improve product consistency, production predictability and work organization
- Developing a local supply chain of fresh vegetables and market linkages
- Training extension workers from the DAFF on improving production efficiency and extension services.

One of the lessons learned was the importance of regular visits by agricultural specialists for sustaining the networks and enthusiasm of producers.

Another ILO initiative supported traditional musical performances to promote income-generating opportunities among villagers. Working together with the Angkor Partnership Development Organization, the ILO Project on Alleviating Poverty Through Peer Training and its informal economy project supported activities for vulnerable and disabled persons that improved their skills and helped them raise incomes through:

- Coaching and training musicians on business practices and market development
- Supporting links between potential clients and local communities
- Building networks and associations

Source: ILO, *Informal economy, poverty and employment project: Good practices compendium* (Draft version), ILO Subregional Office for East Asia, Bangkok, January 2007.

[166] Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training, *Action research on the gender dimension of skills development in Cambodia,* MOEYS and ILO, Bangkok and Geneva, April 2004, p. 24.

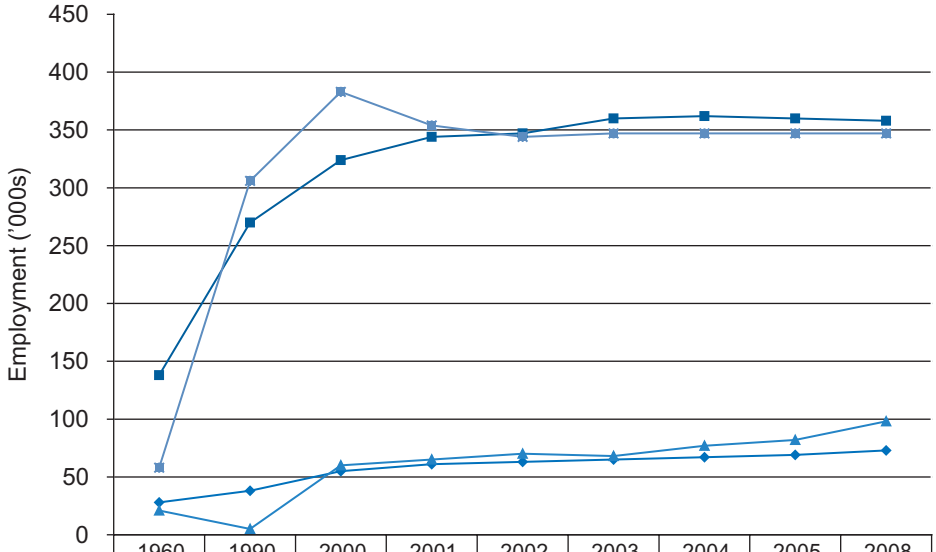
[167] Curtis J. Hundley and Emerging Markets Consulting, *Cambodia agribusiness development facility, Strategic framework,* NZAID, 5 April 2005, p. 16 and p. 36 and see also Sukanya Sirikeratikul, *Cambodia HRI food service sector 2006,* USDA Foreign Agricultural Service GAIN Report, Global Agriculture, CB6002, 30 March 2006, p. 7 at http://www.usdathailand.org/uselctfl/rprt/21.doc.

"Backpacker tourism" is a prime area for targeted expansion. Although generally spending less on a daily basis in upscale hotels, backpackers tend to stay longer in the country. Their visits channel additional income to local areas and offer a learning experience on service provision and foreign tastes. "Backpackers are also more likely to spend money in small and micro enterprises, such as retail shops, food stalls, motorbike transport, selling local products and services and thereby creating linkages from directly tourist-related enterprises to the wider local economy."[168]

Retail trade can offer better opportunities.

Trading activities open a large number of employment opportunities in the service sector. Much of retail trade is in the informal economy dominated by women. It is generally the case that as trade moves along a continuum from informal to formal, the proportion of women falls.[169] Women are more likely to work in micro enterprises or as street vendors while greater proportions of men run larger businesses. Commercial activities on a small scale represent a natural extension of women's responsibilities for household finances as well as food preparation, traditional weaving and backyard gardens.[170] Better jobs with higher earnings and social protection are associated with retail trade in the formal sector.

Figure 9.5: Estimates and projections for employment in services, 1960–2008
(thousands)



	1960	1990	2000	2001	2002	2003	2004	2005	2008
Transport and communication	28	38	55	61	63	65	67	69	73
Trade	138	270	324	344	347	360	362	360	358
Hotels and restaurants	21	5	60	65	70	68	77	82	98
Public administration	58	306	383	354	344	347	347	347	347

Source: Economic Institute of Cambodia, *Cambodia Economic Watch*, April 2005, p. 254.

[168] Melanie Beresford, Nguon Sokha, Rathin Roy, Sau Sisovanna and Ceema Namazie, *The macroeconomics of poverty reduction in Cambodia,* UNDP, The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction, 2004, p. 165.
[169] Kyoko Kusakabe, *Participation of women in the market: A case study of women traders in the changing economy of Phnom Penh*, Cambodia, Ph.D. Thesis, Asian Institute of Technology, Thailand, 1999 cited in Kusakabe, p. 23.
[170] Srobhan Gorman, Pon Dorina and Sok Kheng, *Gender and development in Cambodia: An Overview,* CDRI, Working Paper No. 10, 1999, p. 41 cited in Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training: *Action research on the gender dimension of skills development in Cambodia,* MOEYS and the ILO, Bangkok and Geneva, April 2004, p. 23.

One of Cambodia's major economic and social challenges is to create employment opportunities for new entrants to the labour force while at the same time increasing earnings and raising productivity for the vast majority of workers employed in rural areas and the informal economy. The National Strategic Development Plan 2006–2010 places poverty reduction as the highest priority.[171] The four pillars of the rectangular strategy on private sector development and employment generation are: (i) strengthening the private sector and attracting investments; (ii) promoting small and medium enterprises; (iii) job creation and better working conditions; and (iv) providing a social safety net for workers. The main objectives for employment creation and working conditions are creating gainful employment opportunities in both formal and informal sectors, improving the supply of qualified workers and eliminating the worst forms of child labour.[172] Employment is the best way out of poverty. And the provision of more and better jobs is linked to other goals for economic and social development.

As noted above participants at the Tripartite Brainstorming on Training and Employment in Cambodia organized in 2005[173] discussed a four policy areas for promoting employment opportunities. A fifth was added. The following discussion follows these five strategies: (i) skills for livelihoods and employability; (ii) enterprise development for job creation and increased productivity; (iii) improving links between domestic markets and the global economy; migration for employment in Cambodia and abroad; and (iv) maximizing the benefits from oil and gas for decent work.

10.1 Skills for livelihoods and employability

Brief overview

A key to reducing poverty in Cambodia is to raise productivity and incomes among the working poor, many of whom are employed in rural areas and the informal economy. High rates of illiteracy and low levels of education mean that many of them lack core work skills. Improvements in education and training have proved effective in reducing poverty. Greater incomes enable families to educate their children. All these factors create better opportunities for employment and income in the future.

Global trade and technological change, including the spread of information technology, have transformed the modern workplace and created a demand for new skills among workers including competence in using existing technologies and the ability to adapt quickly and proficiently to new ones. While remarkable progress has been made in improving education and training, much remains to be done in matching the skills needed for changing labour markets in Cambodia and reducing the gender disparities that limit the choices and opportunities available to girls and women. To move beyond the current dependence on subsistence agriculture, informal employment and a narrow range of paid jobs, Cambodia will need to develop a workforce with the education and skills to attract investment in high-tech production with greater value added.

One of the pillars of the Rectangular Strategy is human resource development, which commits the government to the goal of "education for all" that ensures equal access to nine years of basic education. The strategy stresses the importance of partnerships with the private sector and aims to improve the quality of education, including technical and vocational education and training.

[171] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 3.13, p. 30.
[172] Ibid., 4.81, p. 58.
[173] Organized by the ILO and the Ministry of Labour and Vocational Training in Phnom Penh, October 2005.

The Socio-Economic Development Plan (SEDP II) 2001–2005 called for a strategic plan on technical and vocational education and training (TVET), through various approaches in workplace training, greater autonomy of public institutions and shared experience with private providers. The private sector now is to be the main engine for TVET provision.

The Education Strategic Plan 2004–2008 for the Ministry of Education, Youth and Sport (MOEYS) highlights the need for training programmes to meet market demand. The plan promotes training through public-private partnerships for young people, enterprise-based training and community-based training linked to Community Lifelong Learning Centres as well as the continuation of technical programmes.[174] The component on youth training supports increased enrolments in enterprise-based training, new opportunities for youth apprenticeships and training by private providers and NGOs.

Skills development is also part of the Neary Rattanak II which is a five-year strategic plan for 2005–2009 in the Ministry of Women's Affairs (MOWA). This includes raising literacy rates and improving life skills. The strategy is to expand employment opportunities in cooperation with other ministries, including the MOEYS and the Ministry of Labour and Vocational Training (MOLVT).[175]

Cambodia has two streams of skills training – formal and non-formal. Higher levels of formal training are available in government universities, including Phnom Penh University, the Institute of Technology Cambodia, the Faculty of Law and Science of Economics, the Combined Faculty of Medicine and the Royal University of Fine Arts. There are also several private universities.[176]

The MOEYS runs several technical and vocational secondary schools. Technical secondary schools offer training in physical education and sports, business, finance, planning, public works, transport and communications. Vocational secondary schools focus on specific skills or a particular sector. The MOEYS has operated vocational training centres (VTCs) since the 1980s in Phnom Penh and Battambang. The VTCs offer training with two- to three-year courses focusing on skills for mechanics and electricians.

A National Training Board (NTB) was re-established in 2005 under the Deputy Prime Minister and the Council of Ministers with 31 official members. The Ministry of Labour and Vocational Training serves as the Secretariat. A committee under the NTB has been assigned the immediate tasks of formulating policies and a national action plan, coordinating training in vocational training centres and implementing training policies.

The National Training Board oversees training in centres under the Ministry of Labour and Vocational Training and other ministries as well as private training providers and enterprises that offer apprenticeships. There is an obligation to place trained workers into employment and test their qualifications and capacity. The National Training Board also oversees training by recruitment agencies, which must have a training centre for workers seeking employment abroad. As mentioned in Section 7.2, each recruitment agency must provide one to three months of pre-departure training. This includes training in language, culture and laws as well as practical job skills.

In addition to formal training, Cambodia has a system of non-formal education that provides skills training through government organizations, private providers and NGOs and

[174] ILO, *Decent work for women and men in the informal economy: Profile and good practices in Cambodia*, ILO Subregional Office for East Asia, Informal Economy, Poverty and Employment Project and Expansion of Employment Opportunities for Women Project in cooperation with EIC and UNIFEM Phnom Penh, 2006.
[175] Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training, *Action research on the gender dimension of skills development in Cambodia,* MOEYS and ILO, Bangkok and Geneva, April 2004, p. 40.
[176] Ibid.

through apprenticeships. The MOEYS established provincial training centres (PTCs) in the 1990s to provide short-term training for specific target groups. These have offered modular courses for periods of one week to six months. In addition to the training, the PTCs at one time operated mobile units that delivered training to villages, such as for food processing, business start-ups, hairdressing and repair of radios, bicycles and engines. These enabled rural women with household responsibilities to participate.[177]

The former Ministry of Women's and Veteran's Affairs set up vocational training in the Women in Development Centres and Provincial Women's Affairs Offices, while the former Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation (MOSALVY) ran its own vocational training centres and supported apprenticeship programmes. Other ministries have training centres and special programmes related to areas of responsibility, such as agricultural extension and transport mechanics. NGOs provide training for special target groups. Private institutions in Phnom Penh and other large cities offer training, such as foreign languages and information technology.

Another form of training is apprenticeships. These are required under the Labour Law in enterprises with more than 60 employees. Apprenticeships are widely used in some occupations, although not many people are accepted as apprentices in large companies, which object to the requirement and penalties for non-compliance. However, larger businesses do offer on-the-job training and support external courses.[178] Traditional forms of apprenticeship are used for young people in the craft industry. In some cases, the apprentice pays a "master craftsperson" to teach the skills. In other cases, the apprentice receives training, food, accommodation and even pocket money in exchange for labour services.[179]

Key challenges

Large numbers of working poor. While unemployment rates in Cambodia are low, most workers cannot afford to be without a job. Instead, they must accept any means to earn a living, including low-productivity work in agricultural production and the informal economy. There is an urgent need to provide skills that will enable the working poor to increase their productivity and earnings. Appropriate skills can enhance geographic mobility as a way out of rural areas or be linked to specific opportunities in local communities. Regression analysis, using data from the Cambodia Socio-Economic Survey 2004, suggests that education enhances productivity in agriculture. Statistical analysis shows that an additional year of schooling for the household head raised productivity in agriculture by 40,000 *riels* per hectare.[180]

Illiteracy. High levels of illiteracy, especially among older women in rural areas, make it more difficult to gain access to skills training. While the most cost-effective way to reduce illiteracy over time is through improved access to basic education and a reduced number of school drop-outs, adult literacy may be required for target groups. Literacy training can be accompanied by income support and should be linked to potential employment opportunities, such as income-generating activities.

[177] See ADB, *Employment strategies for Women: Cambodia*, 1998, pp. 22–28.
[178] Cheryl Urashima, *Rapid assessment of priorities and needs in gender and employment promotion in Cambodia,* Prepared for the ILO Japan Expanding Employment Opportunities for Women in Cambodia, January 2002, p. 37.
[179] Kyoko Kusakabe, Yim Pich Malika and Research Team of the Department of Vocational Education and Training, *Action research on the gender dimension of skills development in Cambodia,* MOEYS and ILO, Bangkok and Geneva, April 2004, p. 42.
[180] The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, p. 91.

Educational attainment. Statistics from the Cambodia Socio-Economic Survey 2004 show that two-thirds of the labour force did not complete primary school. The highest level of educational attainment for another 22 per cent was primary school. Smaller proportions had completed lower secondary school (8 per cent) and upper secondary school (3 per cent). Only 1 per cent had a higher level of educational attainment.[181]

Skills mismatch. Even for those who have benefited from education and training, there is often a mismatch between the skills of those looking for work and the types of opportunities that are available in either paid employment or self-employment.

Core work skills. Studies show that in addition to basic education, workers need core work skills, especially communication skills. The introduction of core work skills listed in Box 10.1 can benefit the working poor and disadvantaged groups.

Box 10.1: Core work skills

Basic workplace skills
- Reads with understanding
- Listens with understanding
- Writes clearly and concisely
- Speaks clearly and concisely
- Observes critically
- Uses technology
- Locates and uses resources
- Applies mathematical concepts

Basic workplace knowledge
- Applies health and safety concepts
- Understands process and products
- Works in organizational structure and culture
- Understands finances

Basic employability skills
- Works in teams
- Solves problems
- Demonstrates quality awareness
- Demonstrates self-management strategies
- Demonstrates effective interpersonal relations

Lifelong learning skills
- Knows how to learn
- Manages change
- Applies skills and knowledge in new contexts

Source: www.ed.psu/foundationskills cited in Sam Ian Cummings draft report on skills training for the working poor, ILO Subregional Office for East Asia, Bangkok.

Gender issues. Women are at a considerable disadvantage in the labour market due to the gender disparity in educational opportunities.[182] Lack of basic skills for literacy and numeracy makes it more difficult for them to participate in skills training. Moreover, training is often delivered in centres that are not convenient for women who have to handle large

[181] See Chapter 5.
[182] See Sections 4.1 and 5.

amounts of unpaid work taking care of a household and children. Another issue is the nature of training that has reinforced gender stereotypes by providing traditional skills considered to be "women's work," such as hairdressing and sewing. These factors push women into the informal economy and micro vending[183] and increase their vulnerability to engage in sex work. In seeking new opportunities by migrating to cities or abroad, migrant women are at greater risk of exploitation, violence and trafficking.[184]

Target groups. The provincial training centres have specifically targeted groups such as female-headed households, people with disabilities, demobilized soldiers, internally displaced persons, returning refugees, eldest daughters, orphans, school drop-outs and families with more than four children. The training needs for school drop-outs and new workforce entrants are different from other groups, such as older persons with household responsibilities. This requires setting priorities and developing training suitable for different groups.

Access to training centres. Often the distances between training centres and trainees' homes are quite far. None of the provincial training centres has accommodations, although men can stay overnight in classrooms. The lack of transportation or accommodation at the centres thus limits participation in the training. Mobile units introduced during the 1990s were useful in allowing older working adults to participate in training.

Curricula and materials for training. Course selections, training materials and teaching equipment should meet the market demand in local areas because "training for the sake of training" does not lead to employment opportunities and income generation. This calls for approaches that both identify viable opportunities in local areas and provide information about labour markets and product markets. Previous experience within the provincial training centres demonstrates the importance of conducting local surveys prior to course selection to ensure relevance of the training content. Local economic development and community-based training begin with the economic opportunities and then develop the training courses. Community-based approaches require special training materials.

Weak services for job placement and self-employment. Training prepares job seekers with vocational skills for both paid employment and self-employment. Placement services in training centres can help match skills training with job openings. And skills training for self-employment should be accompanied by entrepreneurship training, flexible credit and business development services.

NSDP priorities

With poverty reduction the primary priority, the National Strategic Development Plan 2006–2010 emphasizes the expansion of technical and vocational education and training. The general strategy to enhance human capital for economic development requires skills that can help to raise farm productivity, promote rural development and support small enterprises. The NSDP calls for technical and vocational education and training networks to serve both men and women equitably, especially those who are poor, disabled or vulnerable, by responding to labour market needs in both the short term and long run.[185] As part of efforts to integrate Cambodia into the region and the world, the plan includes upgrading skills and creating employment with a pro-poor focus.[186]

[183] USG, *Vendors' Purses: Women micro entrepreneurs and their business needs*, *Phnom Penh*, *Cambodia,* by Francesca Agnello, Joanne Moller and ,USG August 2004, p. vii.
[184] See Chapter 7.
[185] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 4.81, p. 58.
[186] Ibid., 4.23, p. 39.

ILO approaches

The ILO Human Resources Development Recommendation, 2004 (No. 195) calls on governments to institute human resources development, education, training and lifelong learning policies that:

- Facilitate lifelong learning and employability as part of a range of policy measures designed to create decent jobs, as well as to achieve sustainable economic and social development.
- Give equal consideration to economic and social objectives, emphasize sustainable economic development in the context of the globalizing economy and the knowledge- and skills-based society together with the development of competencies, promotion of decent work, job retention, social development, social inclusion and poverty reduction.
- Stress the importance of innovation, competitiveness, productivity, growth of the economy, the creation of decent jobs and the employability of people, considering that innovation creates new employment opportunities and also requires new approaches to education and training to meet the demand for new skills.
- Address the challenge of transforming activities in the informal economy into decent work that is fully integrated into mainstream economic life; policies and programmes should be developed with the aim of creating decent jobs and opportunities for education and training, as well as validating prior learning and skills gained to assist workers and employers to move into the formal economy.
- Promote and sustain public and private investment in the infrastructure needed for the use of information and communication technology in education and training, as well as in the training of teachers and trainers and using local, national and international collaborative networks.
- Reduce inequality in participation by women and men in education and training.[187]

Tripartite consultation

During the tripartite brainstorming workshop on training and employment in Cambodia, representatives of the Government, employers' organizations and trade unions identified a number of proposals for moving forward in promoting skills for livelihoods and sustainability, as listed in Table 10.1.

[187] The term *lifelong learning* encompasses all learning activities undertaken throughout life for the development of competencies and qualifications; the term *competencies* covers the knowledge, skills and know-how applied and mastered in a specific context; the term *qualifications* means a formal expression of the vocational or professional abilities of a worker that is recognized at international, national or sector levels; the term *employability* relates to portable competencies and qualifications that enhance an individual's capacity to make use of the education and training opportunities available in order to secure and retain decent work, to progress within the enterprise and between jobs, and to cope with changing technology and labour market conditions.

Table 10.1: Key priorities for skills development set forward by government, employers and workers, Phnom Penh, October 2005

Government	Employers	Workers
• Develop a national training policy for all Cambodians • Set up a national training system, including a qualifications framework • Strengthen systems for improving the quality of skills training • Establish partnerships to improve skills development	• Improve basic education and vocational training, including core work skills • Establish a training committee within the Cambodian Federation of Employers and Business Associations and organize a survey of present and future skills needs • Establish links between the companies and the National Training Board	• Eliminate illiteracy and improve skills development at all levels that are in line with basic rights outlined in the Constitution • Recognize locally acquired qualifications in Cambodia and abroad • Improve the quality of training and the skills of the workforce so that workers are not considered "cheap labour" • Give trade unions a voice in developing policies and curriculum at the national level

Source: ILO-MOLVT Tripartite Brainstorming on Training and Employment in Cambodia, Phnom Penh, 19 October 2005.

Policy options

In response to the NSDP priorities on workplace skills, the National Training Board was tasked by a government decree with preparing a National Technical and Vocational Education and Training Plan to be implemented by the Directorate of Technical and Vocational Education and Training.[188] The responsibilities of the NTB are to:

- Study and develop a national policy on occupations that is consistent with the needs of the employment market;
- Prepare and develop occupational standards that are based on the national policy for technical and vocational education and training;
- Prepare and develop a national policy for technical and vocational education and training;
- Prepare policies and manage technical and vocational education and training systems;
- Screen proposals for establishing institutions, centres and schools to provide education, training and vocational services;
- Control, monitor and evaluate public and private institutions for technical and vocational education and training;
- Coordinate and communicate with ministries, institutions and organizations in the region and the world to promote technical and vocational education and training in cooperation with the Ministry of Foreign Affairs and international cooperation organizations;
- Cooperate with enterprises and institutions to strengthen and promote technical and vocational education and training;

[188] Royal Government of Cambodia Sub-Decree No. 52 ANKR.KB, Chapter 2, Article 3b on Vocational Training cited in Directorate General, TVET, Draft National Technical and Vocational Education and Training Development Plan, Submitted to the National Training Board for Endorsement, 28 February 2006.

- Prepare and develop occupational and work standards that meet national and international market needs;
- Prepare and manage testing for competency in all occupations and award licenses or certificates acknowledging levels of competence based on the results;
- Manage the training of apprentices and the records of apprenticeships in accordance with the Labour Law.

The strategy identified four "stages" that would move the process from 1995 through 2020. The *first stage* (1995–2005) was to start building a national TVET competency-based system, upgrade TVET facilities in each province and begin developing basic components for the TVET system. The *second stage* (2005–2008) is to develop and implement a national plan. The *third stage* (2009–2014) is to strengthen a Technical Institute and Sectoral Council and expand the systems set up in step two. The *fourth stage* (2015–2020) is to develop a system providing distance education for technology and expand the number of training providers using international standards, with Technical Institutes in each province and National Technical Training Institute (NTTI) regional centres.

The national plan for stage two, which the National Training Board approved in March 2006, promotes two "tracks." The first track responds to an urgent need to raise family earnings of poor households by providing skills that lead to higher farm productivity and self-employment opportunities. The second track is to meet the changing needs of enterprises in a global economy for a workforce that is skilled and adaptable.[189]

According to the national plan, the first track must be given urgent attention while the second track can be addressed through public-private partnerships with the government providing coordination, enforcing standards and ensuring access by the poor. Based on an assessment of demand for technical and vocational education and training over the period 2005–2006 the highest priority is for developing villagers' skills and basic trades, a medium priority is supporting skills for engineers and managers and a lower priority is for promoting skilled workers and trained technicians.

There are fourteen policy priorities outlined in the National TVET Plan grouped under the headings: overall objectives, development policy and enabling policy for the TVET system. In an annex to this report, the priorities are outlined in greater detail.

Overall objectives

- Target TVET programmes at poverty reduction to provide skills training for income generation and local needs.
- Link TVET training to local markets in rural communes and urban *sangkats*[190] as part of the decentralization process.

National policy to support the overall objectives

- Organize short-term, non-traditional courses within communes for on-site delivery of training through enterprises and experienced NGOs, using existing facilities.
- Support efforts to reduce the number of unemployed and out-of-school youth in the poorest communes.

[189] Directorate General, TVET, *Draft National Technical and Vocational Education and Training Development Plan*, Submitted to the National Training Board for Endorsement, 28 February 2006.
[190] A *sangkat* is a commune located in a *khan* or district within a municipality.

- Provide commune-based skills training for self-employment, including micro enterprises.
- Link training for self-employment to micro credit.
- Develop a programme to assist small enterprises in rural areas by expanding informal apprenticeship programmes and promoting the use of appropriate technology, a voucher system and micro credit.

Enabling policy to sustain demand-driven TVET system

- Involve the Government, enterprises, communities and trainees in the finance, design, decisions and delivery of TVET through public-private partnerships.
- Expand the provision of TVET through enterprise involvement and private sector training providers.
- Expand the provision of TVET through public-private partnerships by offering incentives to training providers and enterprises.
- Ensure that training providers meet agreed standards.
- Improve the quality of TVET leadership, management and cooperation in both the public and private sectors.
- Support the development of a labour market information system under the National Training Board, with a focus on balancing the supply and demand for skills.
- Establish national skills standards and put a national competency assessment into place.

10.2 Enterprise development for job creation and increased productivity

Brief overview

Enterprise development is not limited to export production in the formal sector but includes the start up and expansion of micro enterprises and small businesses in the informal sector and rural economy. The former is important to propel Cambodia into the world economy, while the latter is crucial for providing opportunities for "good jobs" and "adequate earnings" that will raise the majority of workers out of poverty.

Development plans call for the private sector to be the main source of economic growth. The Cambodia Investment Board of the Council for the Development of Cambodia acts as the focal point to attract private-sector investment. A Government-Private Sector Forum established in 1999 is supported by seven sectoral working groups. A Steering Committee for Private Sector Development was established in 2004 to propose and implement measures that improve the private sector through the investment climate and trade facilitation.[191] Investment has focused on garments, tourism, construction, banking, aviation, forestry and plantations.

The SME Development Framework report states that small-scale enterprises dominate economic activity and account for a substantial part of employment in Cambodia. The sector is made up mostly of unregistered farmers and agricultural enterprises. In 2005, the Ministry of Industry, Mines and Energy (MIME), through its annual survey of industrial enterprises, determined that there were 29,297 small industrial establishments with fewer than 50 employees.[192] According to the National Strategic Development Plan 2006–2010,

[191] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 2.46, p. 20.
[192] SME Secretariat, Sub-Committee on Small and Medium Enterprises, Government of Cambodia, *Small and medium enterprise annual report 2006,* Phnom Penh, 31 August 2006, Table 3, p. 5.

small and medium enterprises make up 99 per cent of all enterprises and about half of all employment in the private sector.[193]

Food, beverage and tobacco manufacturers represent the largest number of small industrial establishments. It is difficult to estimate the exact number because there are so many unlicensed industrial enterprises. According to MIME data for 2005, there were a total of 21,516 small rice-milling enterprises of which more than 10,000 had not obtained operating permits and were operating informally. These small rice-milling businesses accounted for 73 per cent of all small industrial establishments and employed more than 47,500 women and men. Altogether, food processors accounted for 23,727, or 81 per cent, of all small industrial enterprises. Almost 12,000 of them did not have operating permits. There were 1,665 small textile and garment enterprises, of which 90 per cent did not have operating permits. These were mostly weaving enterprises and producers of textiles for the handicraft industry.[194]

Government planners recognized the importance of strong private SME sector development combined with poverty-reduction interventions as part of the Second Socio-Economic Development Plan 2001–2005, the National Poverty Reduction Strategy and the Rectangular Strategy. Small enterprise development continues to be an important approach to economic growth and employment promotion under the National Strategic Development Plan 2006–2010.[195]

To encourage further growth, the Government's industrial policy aims to diversify production away from reliance on a few key sectors, increasing its range of exports and improving productivity. It intends to do this by: (i) developing labour-intensive industries such as garments, toys and footwear; (ii) promoting the development of agro-business by strengthening the legal framework for longer-term land management and providing tax incentives for establishing factories to process agricultural products, such as cotton, jute, sugar, palm oil, cashew nuts, rubber, cassava and fruits; and (iii) developing industries based on processing of existing resources such as in the production of fish, meat, cement, brick and tile. As part of its industrial strategy, the Government also intends to promote SMEs, micro enterprises and handicrafts.

The decentralization process and local elections for Commune Councils provide scope for development of public-private partnerships in community services, such as public transport, street cleaning and garbage collection. Programmes to improve local governance have promoted community participation in development planning. Resources are allocated to local levels to implement these plans. Training materials have been developed to exploit the potential of partnerships throughout the country.

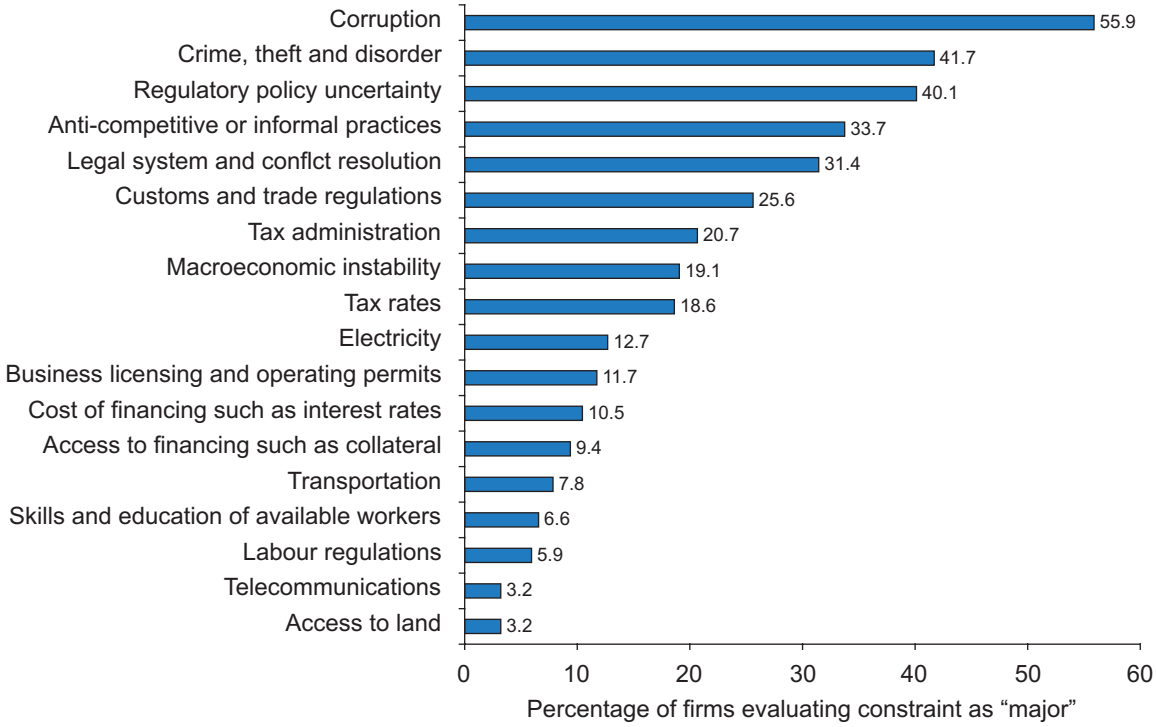
Key challenges

Legal and regulatory framework. The existing legal framework for supporting SME activity remains weak, with many necessary laws still in the review process or awaiting approval by the Council of Ministers and the National Assembly. The government is considering several major commercial laws.[196] The passage and implementation of these laws will provide additional building blocks for an enabling business environment for SMEs. Procedures for registration and licensing of businesses have recently been simplified,

[193] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 2.50, p. 21.
[194] SME Secretariat, Sub-Committee on Small and Medium Enterprises, Government of Cambodia, *Small and medium enterprise annual report 2006,* Phnom Penh, 31 August 2006, Table 3, p. 5.
[195] SME Secretariat, Sub-Committee on Small and Medium Enterprises, Government of Cambodia, *SME Development Framework,* October 2004, p. 3.
[196] These include those relating to contracts, insolvency, secured transactions and commercial courts.

resulting in a significant increase in companies registered with the Ministry of Commerce. However, the requirements and criteria for licenses and inspections are not always clear to entrepreneurs. Despite the significance of the sector, micro and small enterprises continue to encounter policy and legal obstacles while receiving limited assistance. Government ministries and local authorities are not always able to coordinate policies, and there are still constraints to the development of micro and small enterprises. Issues relating to policy uncertainty, the legal system, trade regulations, tax administration and business licensing are shown to be significant in terms of the constraints mentioned by respondents in an investment climate survey, as shown in Figure 10.1.

Figure 10.1: "Major" constraints identified by respondents in the Cambodia Investment Climate Survey, 2004



Source: Cambodia Investment Climate Survey 2004 in The World Bank, Public Private Infrastructure Advisory Facility, Mekong Project Development Facility and International Finance Corporation, *Cambodia, Seizing the global opportunity: Investment climate assessment and reform strategy for Cambodia*, Prepared for the Royal Cambodian Government by the World Bank Group, Report No. 279-KH, Poverty Reduction and Economic Management Sector Unit, Financial and Private Sector Development Unit, East Asia and the Pacific Region, 12 August 2004.

Financial services. Microfinance institutions, non-government organizations and specialized banks have been providing credit services in Cambodia for some time. Yet many people, including the working poor, have limited access to rural credit. Informal credit markets charge high interest rates. But loans are necessary to purchase raw materials and manufactured inputs for agricultural production, small enterprises and petty trade. With little savings mobilization, financial institutions turn to donor grants and bank borrowing for lending activities. A Rural Development Bank has been introduced to provide financing and assistance to finance institutions and registered NGOs. There are currently 3 banks, 16 licensed and 24 registered microfinance institutions that provide loans to Cambodian farmers and business persons operating under the supervision of the national Bank of Cambodia.[197] Despite the current challenges, micro credit schemes based in

[197] Men Kimseng, "Summit helps people in need," *UNDP Cambodia Newsletter*, Issue No. 11, 1st Quarter of 2006.

communities and primarily run by women have proved successful in Cambodia. The default rate is very low. These schemes have demonstrated their effectiveness in supporting small income-generating activities and protecting savings and assets in times of emergency.

Business development services. Experience shows that credit alone is not sufficient for business start-ups and expansion. Micro and small enterprise entrepreneurs need business development services, including business training, legal and tax advice, market information and support on technology. When surveyed by the Urban Sector Group, most micro vendors said that the only advice they received on running a business came from parents, relatives and other vendors. Ninety per cent of them had not heard of any organization that provides business development services, although some were aware of associations for savings and credit. Among the services they would prefer to have, many mentioned help with marketing and processing. However, they also expressed concern that training would take too much time. Of those who were interested in taking a business training course, 73 per cent were willing to commit one hour per day and 70 per cent could afford a fee of 2,000 *riels* per session.[198]

Employers' organizations. Although business associations in Cambodia are providing representation and a forum that can work toward creating an enabling business environment, there is a need for stronger representation of small enterprises at the local, provincial and national levels. The Cambodian Federation of Employers and Business Associations, the Phnom Penh Small and Medium Industry Association and the Cambodian Craft Cooperation are potential partners in extending representation to small enterprises. With limited membership and resources, business associations are unable to provide necessary information and development services to micro and small businesses. Only a few of them have been able to carry out the two basic functions of an association: to be a representative voice and to provide business support services. In general, their representative voice needs to be strengthened for greater participation in policy formulation.

Informal economy. There is some indication that policy frameworks will focus on the formal sector and not address the needs of the informal economy that employs most of the workforce. An Urban Sector Group study of the informal sector in Phnom Penh pointed to the fact that the current legal and regulatory framework is not conducive to growth of micro and small enterprises.[199] As many as 37 authorizations are needed for the movement of goods across provincial borders; there is evidence of corruption; basic infrastructure for water and electricity are often inadequate for business requirements; and unforeseen health problems can wipe out some businesses due to the high cost of health services. Also, while microfinance institutions have been developed to respond to the credit needs of household businesses, clients of these institutions often lack the business skills to ensure loan repayment.

An ILO-supported survey of market vendors in Phnom Penh conducted in 2003 revealed that their most common complaint was harassment from market security officials and police, who demand fees for the use of selling space. If payment is not made, they are chased away and may have their goods confiscated. Thus micro vendors lose customers because they must frequently change locations. Securing and retaining a place to sell goods is one of the most difficult problems confronting the micro vendors. Rents for selling space in the market areas are too high for most of them, and the area is typically too

[198] USG, *Women micro entrepreneurs and their business needs, Phnom Penh, Cambodia: Research report,* by Francesca Agnello and Joanne Moller and the USG, August 2004, pp. 31–33.
[199] Ibid.

small, dirty and insecure. This affects the amount of goods a vendor can display, access by customers to individual vendors and, ultimately, their sales and profits.[200]

NSDP priorities

The private sector has been the main engine of economic growth and the cornerstone of economic policy.[201] Under the National Strategic Development Plan 2006–2010 the private sector will continue to be the driving force for economic growth.[202] The NSDP aims to encourage investment in rural areas to broaden the base of economic activities and promote agricultural growth.[203] This will require a rural finance system that is affordable and accessible to the poor.[204] To promote SME development, the NSDP calls for specific measures, as outlined in Box 10.2.

Box 10.2: Measures to promote SMEs in the NSDP 2006–2010

- Put in place measures to enable SMEs and micro-enterprises to function in a beneficial business environment and obtain better access to medium- and long-term finance
- Establish specific systems to support women in business and facilitate their access to SME development initiatives and services
- Streamline registration procedures and support start-up processes
- Establish national standards and productivity improvement
- Provide consultancy services for SMEs to assist the development of modern production technology, improvement of product quality, management and access to markets
- Promote vocational and skills training, both domestic and overseas
- Strengthen the legal framework in such areas as factories, industrial zones, patents and inventions, measurements and industrial safety
- Enhance cooperation among all government ministries and agencies concerned with SME promotion

Source: *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 4.79, p. 57.

ILO approaches

The ILO Job Creation in Small and Medium-Sized Enterprise Recommendation, 1998 (No. 189) calls for governments to aim for three general goals: (i) create a supportive policy and legal framework conducive to the growth and development of micro, small and

[200] Ibid. See also Francesca Agnello and Joanne Moller, *Report on vendors' livelihoods: Women micro entrepreneurs and their business needs in Phnom Penh, Cambodia,* ILO and USG Group, ISED Series No. 4, February 2006. Other publications on street vendors include: Kyoko Kusakabe, *On the borders of legality: A review of studies on street vending in Phnom Penh, Cambodia,* Informal economy, poverty and employment, Cambodia Series, No. 4, ILO, Bangkok, 2006; Kyoko Kusakabe, *Policy issues on street vending: Thailand, Cambodia and Mongolia,* Informal economy, poverty and employment, ILO, Bangkok, 2006; Kyoko Kusakabe, *Women's participation in the market: Women retail traders in Phnom Penh, Cambodia,* Gender Studies Monograph 9, Gender and Development Studies, School of Environmental Resources and Development, Asian Institute of Technology, Thailand, 2001; Suzanna Stout Banwell, *Vendors' voices: The story of women micro-vendors in Phnom Penh markets and an innovative porgramme designed to enhance their lives and livelihoods,* The Asia Foundation, Phnom Penh, 2001; Kyoko Kusakabe, Chan Monnyrath, Chea Sopheap, theng Chan Chham, *Social capital of women micro-vendors in Phnom Penh markets: A study of vendors' association,* UMP-Asia Occasional Paper No. 53, United Nations Urban Management Programme, Thailand, 2001; Sovann Pou, *Women in the urban informal sector: A case study in Phnom Penh,* 2005; and Rajalakshmi Rama Rao, *Women in the urban informal sector: A case study in Phnom Penh,* USG, Phnom Penh, 2005.

[201] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 2.46, p. 19.

[202] Ibid., 4.26, p. 40.

[203] Ibid., 2.31, p. 41 and 4.34, p. 43.

[204] Ibid., 2.33, p. 42.

medium enterprises; (ii) develop an enterprise culture that favours initiative, productivity, environmental consciousness, quality jobs, good labour and industrial relations, and adequate and equitable social practices; and (iii) develop an effective service infrastructure designed to promote the availability and accessibility of a range of support.

The ILO also has introduced a number of tools and strategies to operationalize these objectives in Cambodia. In close collaboration with the Ministry of Industry, Mines and Energy (MIME), the ILO has worked with business development service providers to build capacity in offering business management training using the training packages[205] and distributing video clips about business development. Together with the MIME and the Cambodian Federation of Employers and Business Associations, it has supported small business associations, with special emphasis on strengthening the capacity of women entrepreneurs to represent their collective interests. The ILO also has assisted its partners in organizing trade fairs and micro and small enterprise promotion days, both in Phnom Penh and in the provinces. It has organized studies on the business climate, the potential for public-private partnerships and the situation of women entrepreneurs. Another method of gaining access to international markets through non-price competition is by documenting compliance with labour standards.

Tripartite consultation

During the tripartite brainstorming workshop on training and employment in Cambodia, representatives of the government, employers' organizations and trade unions identified key priorities for enterprise development and job creation, as outlined in Table 10.2.

Table 10.2: Key priorities for enterprise development and job creation set forward by government, employers and workers, Phnom Penh, October 2005

Government	Employers	Workers
• Introduce polices to encourage investment that creates jobs and income, including measures to decentralize decisions about investment and improve access to information • Implement the Labour Law, improve enforcement and increase transparency • Set up an Investment Forum, with participation by government agencies and the private sector	• Include employers in efforts to identify barriers to the private sector and job creation and suggest ways to improve the business environment • Participate in working groups on tourism, taxes and governance to identify and eliminate obstacles to business • Introduce measures that will lead to better coordination, including stakeholder participation and greater transparency • Ensure that the Cambodian Federation of Employers and Business Associations represents the voice of business for large companies as well as SMEs	• Reduce administrative bureaucracy through one-stop shops • Explain the Investment Law clearly to all investors • Implement the Labour Law effectively to eliminate discrimination against all workers and protect the rights of trade unions • Encourage trade union participation in policy development

Source: ILO-MOLVT Tripartite Brainstorming on Training and Employment in Cambodia, Phnom Penh, 19 October 2005.

[205] These include Start Your Business and GET Ahead for Women in Enterprise.

Policy options

Coordination

- Link activities of the Ministry of Labour and Vocational Training and the social partners to frameworks, strategies and programmes for development under the National Strategic Development Plan 2006–2010.
- Set priorities based on experience and expertise for employment promotion.
- Build capacity in and coordination among government ministries for micro and small enterprise development.

Business environment

- Encourage a consultation process with business associations and other stakeholders to foster public-private partnerships that enhance employment.
- Participate in consultations to promote policy advocacy for micro and small enterprises and small and medium enterprise development, including improvements in the legal and regulatory environment.
- Remove barriers to start-up and expansion of MSEs and SMEs, including capital, credit, infrastructure and registration.
- Advocate for a one-stop window to obtain licenses, permits and fees.
- Develop action plans for SME development at local levels, based on participatory processes for local economic development.

Business development services

- Build the capacity of business development service providers to offer high-quality business training, counselling services and market information.
- Support business development service providers to establish services that are relevant and affordable for small enterprises including women entrepreneurs.

Local economic development

- Link employment services with support services, such as agricultural extension to raise agricultural productivity and promote self-employment opportunities in rural areas.
- Link employment promotion in local areas to handicraft production and improved marketing, such as through the “one village one product” concept applied in Thailand.
- Link enterprise development to bottom-up, community-based, participatory approaches for identifying economic prospects and employment opportunities through methodologies developed for local economic development and community-based training.
- Ensure coordination with rural development programmes and urban development initiatives.
- Encourage public-private partnerships for community services, such as those for garbage collection, street cleaning and public transport.

Employers’ organizations

- Identify specific barriers to business development.
- Strengthen capacity to increase participation in policy discussions.

- Advocate for changes in the legal and regulatory environment.
- Press for improvements in governance to reduce bureaucratic procedures, administrative costs and informal payments.
- Promote a level playing field by encouraging greater formality in business enterprises.

Informal economy

- Encourage representation in associations of micro and small enterprise owners and workers.
- Ensure that skills training is appropriate by involving representatives of small businesses, training providers and other stakeholders in the planning of programmes.
- Promote greater rights for micro enterprises and the informal economy.
- Advocate for clear and transparent market regulations.
- Acknowledge the presence of vendors as an integral part of any city market and, thus, encourage that they be taken into account and accommodated accordingly during any urban planning process.

10.3 Improving links between domestic markets and the global economy

Brief overview

Investment and trade should provide new opportunities for employment and earnings. However, product markets and labour markets in Cambodia remain fragmented. Despite the remittances that keep workers in urban centres and families in rural areas connected, economic linkages are weak. The main engines of growth being garment manufacturing, which is principally concentrated in Phnom Penh, and tourism, which is largely centred in Siem Reap. Progress has been made in rehabilitating damaged infrastructure, especially roads but also the ports and airports. The generation, transmission and distribution of electricity have been improved, and new energy sources are being developed and explored, including offshore oil and gas resources. The use of telecommunications and Internet has expanded.[206]

Yet the fragmentation of the economy continues to limit access to rural markets and international trade. Policies to open markets offer new opportunities for increased employment, greater productivity and higher incomes in micro and small enterprises (MSEs) and small and medium enterprises (SMEs)[207] as well as for larger domestic firms and foreign direct investment. Infrastructure development creates job opportunities for both the formal sector and local communities. Improved roads lead to greater access and higher enrolments in education and training. To take advantage of the potential for increasing opportunities for growing numbers of young workers entering the labour force, it will be necessary to improve basic infrastructure and the business environment for enterprise development.

Key challenges

The Government has planned a number of measures to open up markets in remote areas. In addition, efforts must be made to ensure that businesses can compete in export markets. Some of the constraints relate to infrastructure development and the business environment.

[206] National Strategic Development Plan 2006–2010, December 2005, p. viii.
[207] MSEs are micro and small enterprises while SMEs are small and medium enterprises.

Remote areas. Large areas of the rural sector are cut off from markets. Greater access would open up the potential for export markets, value added and supply chains. Much of the rice production that dominates the agricultural sector remains rain fed and is produced on a subsistence basis rather than as a commercial crop. Timber and rubber are important export commodities. Other products, including maize, soybeans, fruit, fish and cattle, are also sold abroad. The Government has sought to attract investment in agricultural processing. But access to markets – both domestic markets and export markets – is constrained by post-harvest processing, transport infrastructure, commercial credit, market information and quality control. In moving toward commercial production, there is potential for spices, herbs, fruits and oils. There also may be a niche for organic products.

Property rights. According to the World Bank *Poverty Assessment 2006,* the primary binding constraint to agricultural growth is insecurity of land tenure, with many farmers working on small holdings arranged through peace deals reached in the 1990s. Without official titles, farmers have only a short planning horizon and lack incentives for agricultural investment.

Basic infrastructure. The National Strategic Development Plan 2006–2010 points to the importance of physical infrastructure for sustainable development, including roads, bridges, ports, railways, energy, irrigation and telecommunications.[208] Substantial improvements have been made over recent years; continued development must support the key priorities for national development, employment promotion and poverty reduction.

Box 10.3: Farm productivity and rural infrastructure

Studies on farm-level productivity indicate the importance of rural infrastructure. In particular, farms with access to markets in their villages have 26 per cent higher crop yields than those without. The analysis of regression results also shows that farms with shorter distances to all-weather roads have significantly higher crop yields. Controlling for all other factors, decreasing the distance from the village to an all-weather road by one kilometre will enhance productivity by about 30,000 *riels* per hectare.

Source: The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 90–91.

Bureaucracy. The Cambodia Investment Climate Survey has identified major constraints in doing business in Cambodia, shown in Figure 10.1. Among them are administrative costs and informal practices, which represent major barriers to competitiveness. The Cambodian Garment Manufacturers' Association estimated that corruption alone raises the price of finished goods by 15–20 per cent.[209] The Government has introduced a programme aimed at improving competitiveness by reducing the cost of trade processing and the time taken for clearance and inspections. Further improvements that are still needed include introducing a single administrative document for clearance of exports and imports. A draft National Export Strategy 2006–2010 outlines additional measures to improve the competitiveness of the garment industry, including strengthening supply chains through closer integration in the Association of Southeast Asian Nations.[210]

Narrow base. Key links to the global economy – garments and tourism – represent a narrow base of economic activity, introducing vulnerability to shocks and downturns. The

[208] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 2.39–2.45, pp. 18–19.
[209] EIU, *Country Profile 2005,* p. 18.
[210] ADB, *Asian Development Outlook 2006,* p. 196.

outlook for garment manufacturing is uncertain. While tourism already provides employment to many Cambodians, the National Strategic Development Plan 2006–2010 calls for closer links to related fields by promoting history and culture and making the country a preferred destination in the region. There are plans for employing people in surrounding areas to improve their livelihoods and reduce poverty by supporting the tourism industry.[211] A Cambodia Tourism Marketing and Promotion Board will be formed to encourage public-private partnerships.[212]

NSDP priorities

Reducing the fragmentation in the economy will contribute to rural development. This is a major cross-cutting theme in the National Strategic Development Plan 2006–2010 that proposes a multi-pronged approach to foster rural development and empower local communities through participatory programmes at local levels.[213] The ILO approach developed for Integrated Rural Accessibility Planning (IRAP) is a methodology to identify priorities and develop proposals for infrastructure and investment. IRAP is used to rank communities according to their level of access to basic services in order to set priorities for rural development.[214] Through IRAP, improvements in infrastructure and expansion of credit have emerged as primary needs. Infrastructure development can be used to promote employment of local labour and development of small businesses. "Support to Commune Councils will continue to be provided to undertake rural infrastructure projects, such as road rehabilitation and construction, including small bridges and culverts, water supply wells, sanitation structures, schools, water gates and small-scale irrigation systems. These efforts along with those planned for agricultural development would provide employment and income earning opportunities in rural areas and thus also stem internal migration to urban centres."[215] The role of Village Development Committees is to be strengthened to promote participatory community development.[216]

The National Strategic Development Plan 2006–2010 identifies the need to tap the unrealized potential in rural areas with improvements in agriculture through an increase in productivity, diversification of products, use of inputs and access to markets.[217] The NSDP suggests improvements in agricultural extension services, which are expected to benefit women who dominate the workforce in rural areas. A comprehensive strategy for agriculture is to be developed. The plan includes specific ideas such as "one village one product" and export markets for niche products. It also points to the need for a comprehensive land policy.[218] In addition, development of livestock, fishing and forestry under the NSDP is to buttress both output and employment.

The National Strategic Development Plan 2006–2010 aims to increase economic integration into the region and the world by developing special economic zones, improving the business climate and legal framework, and encouraging dialogue through the Private Sector Forum and the Steering Committee for Private Sector Development. Initiatives are being designed to enhance export-led pro-poor growth. This includes promoting labour-intensive industries and human resource development.[219] The Government will promote greater access of Cambodian products to external markets. The NSDP calls for

[211] National Strategic Development Plan 2006–2010, Phnom Penh, December 2005, 4.77, p. 56.
[212] Ibid., 4.78, p. 57.
[213] Ibid., 2.34, p. 17.
[214] Ibid., 2.47, p. 18.
[215] Ibid., 4.53, p. 49.
[216] Ibid., 4.54, p. 50.
[217] Ibid., 4.39, p. 44.
[218] Ibid., 4.50, p. 48.
[219] Ibid., 4.72, p. 55, 4.73, p. 55.

strengthening business membership organizations and promoting export processing zones.[220]

ILO approaches

One method of gaining access to international markets is documenting factory compliance with labour standards. Buyers are eager to purchase goods produced in compliance with labour standards and to avoid censure by consumers and unions by dealing with sweat shops. The ILO project Better Factories Cambodia has helped to attract international buyers, as described in Box 10.4.

Box 10.4: ILO's Better Factories Cambodia Project

Garment manufacturers and labour unions in Cambodia have proved that their strategy to win and maintain export markets by documenting compliance with national labour law and international labour standards can be successful. The ILO's Better Factories Cambodia project has helped by establishing a credible, transparent and independent monitoring system of all export-garment factories, documenting for international buyers that they observe core labour standards. The Cambodian Ministry of Commerce requires all factories with export licenses to register for independent monitoring with the ILO project. The project also provides training directly to factories to enable them to improve working conditions, productivity and product quality. The main beneficiaries of the project are the nearly 270,000 female factory workers. In a World Bank survey, international buyers cited labour standards in Cambodia as the most important element in their decision to source there and attributed this to the Better Factories Cambodia project.

Source: ILO, *Decent work country programme, Cambodia 2006–2007 and beyond*, Draft, Bangkok, ILO Subregional Office for East Asia, August 2006.

To reduce poverty in Cambodia, it will be necessary to link the rural sector and informal economy to growth sectors in urban centres and international markets in a global economy. The ILO has a number of participatory approaches that aim to involve workers and communities in planning development, promoting employment, developing skills, acquiring resources and accessing markets.

The ILO has developed and adapted a model for local economic development (LED) that finds economic opportunities for promoting micro enterprises, small businesses and public-private partnerships that offer employment and earnings to women and men within their communities. The local economic development approach gets participants to identify institutional barriers, resource gaps and training needs and then develop a road map to move forward. LED is a way to link various tools that can provide business training, financial services, association building, cooperative development, vocational training and other support that enables residents to earn a livelihood and expand their businesses.

Another tool that has been adapted and adopted for use in Cambodia is the Integrated Rural Accessibility Planning model that is part of the NSDP. This approach also looks at strengths and weaknesses in communities with a focus on infrastructure needs for local development, such as roads, bridges, wells, schools and irrigation. The ILO has demonstrated the income-earning potential of labour-based methods to maximize local job creation when constructing and maintaining rural infrastructure – roads, schools and irrigation – and of integrated rural accessibility planning.

[220] Ibid., 4.76, p. 56.

Specific tools for business development already used in Cambodia are the ILO training packages for Start Your Business and GET Ahead for Women in Enterprise. An ILO Integrated Support to Small Enterprises in Mekong Delta Countries Project, funded by the Netherlands, introduced business training in Phnom Penh, Battambang and Siem Reap. The ILO project Expansion of Employment Opportunities for Women, funded by Japan, also has reached out to help rural women understand the basic principles of entrepreneurship and boost their self-confidence through empowerment. Another approach used in Cambodia is the ILO Women's Entrepreneurship and Gender Equality project that creates access to resources, opportunities, markets and decision making, so that women can start and expand their own enterprises.

The ILO Training for Rural Economic Empowerment (TREE) is a more recent version of community-based training that has been successful for more than 20 years in Asia, Africa and Latin America. It was introduced in Cambodia in the 1990s. This approach is used to first identify potential income-generating activities in both paid employment and self-employment and then to determine training needs. TREE involves the local community and social partners at all stages in the design and delivery of training and ensures that there is follow-up support. It is particularly suited for rural communities and isolated areas where there are few formal sector jobs. TREE is about mobilizing and empowering partner organizations at national and local levels, providing demand-driven training, developing and implementing an integrated plan for post-training support services and promoting decent work and equal opportunities. While it is dependent upon human capital, TREE must also involve markets, infrastructure, finance, business, services, products and governance to be successful.

During the tripartite brainstorming workshop on training and employment in Cambodia, representatives discussed ways to reduce fragmentation of the domestic economy and improve links with global markets, as outlined in Table 10.3.

Table 10.3: Key priorities for improving links between domestic markets and the global economy identified by government, employers and workers, Phnom Penh, October 2005

Government	Employers	Workers
• Encourage the collection and dissemination of information, drawing on discussions with tripartite partners and training providers and managed with information technology • Improve working conditions to increase productivity and improve competitiveness • Expand national production of raw materials and industrial inputs to reduce reliance on imported goods	• Introduce a "Buy Cambodia" campaign through a partnership between government agencies and business associations to address the perception that domestic products are sometimes seen as "inferior" both at home and abroad • Disseminate information about markets and buyers through business associations • Improve linkages between complementary products, such as tourism and handicrafts, through information sharing and business networks	• Encourage the government to improve physical infrastructure and reduce the costs of electricity and water • Reduce bureaucratic "red tape" • Strengthen labour inspection to deal with pressing issues, such as overtime work, in order to improve working conditions • Eliminate discrepancies between "paper" and "reality" with regard to labour law and collective bargaining • Respect the rights of workers to form unions

Source: ILO-MOLVT Tripartite Brainstorming on Training and Employment in Cambodia, Phnom Penh, 19 October 2005.

Policy options

Infrastructure

- Raise awareness about the importance of transport, ports, communications and energy for linking markets that create jobs and increase incomes.
- Encourage the economic use of local resources for employment creation in building and maintaining community infrastructure, especially the selection of labour-intensive methods.
- Promote road construction that links villages to schools and encourages local participation in the construction and maintenance of school buildings in remote areas.
- Press for the removal of the principal constraints to improvements in rice production, diversification of agricultural products and development of off-farm enterprises through improved infrastructure.

Information

- Support networking for information sharing and successful practices among informal sector enterprises within the region.
- Explore innovative ways of disseminating information about markets to producers in remote areas.
- Provide direct support for information, training and technology to improve quality and packaging of products.
- Improve labour market information to link job seekers and employment opportunities.
- Assess urban centres outside Phnom Penh to promote their role as growth centres for connecting rural areas and new markets.

Diversification

- Support other ministries to broaden the export-production base beyond garment manufacturing and the tourism industry.
- Promote trade polices and encourage skills development that increase exports and employment.
- Participate in the development of a legislative framework, valuation procedures, reporting mechanisms and impact evaluation to maximize the development potential and employment opportunities associated with accession to the World Trade Organization.
- Identify problems and introduce changes to attract foreign direct investment.
- Compile good-practice models for non-farm employment, including agricultural processing in rural areas.

Linkages

- Support the development of backward and forward links between small enterprises and the tourism industry for handicraft production and ecotourism development to attract budget travellers with guest houses, home-stay opportunities and eating establishments.
- Develop networks to share good-practice models for creating jobs as part of tourism development.

- Link tourism development with skills training for core work skills and new language skills as well as vocational instruction and business training.
- Explore possibilities for public-private partnerships to support job creation in the tourism industry.
- Organize trade fairs to open market networks and encourage enterprise development.

Social dialogue and labour standards

- Continue efforts to improve working conditions as a way to attract foreign investment and gain access to international markets.
- Raise awareness about how to increase competitiveness and market access through "better factories."
- Expand monitoring, information and training to support factory improvements.
- Encourage effective measures for resolving disputes to increase competitiveness by reducing costs and raising productivity.

10.4 Migration for employment in Cambodia and abroad

Brief overview

There is a need to strengthen regular channels of migration to protect workers moving inside Cambodia and going abroad. Although much of the internal migration is within rural areas, the capital city has a high concentration of migrants as noted in Chapter 7. Large numbers of young women have moved to Phnom Penh to work in garment factories. Many of the other migrants have found a variety of jobs in services or continue to work as farmers and fishermen in places of destination. Recent rates of labour migration are especially high for young people in their twenties. And although a large share of the migrant population moves with their family, many are probably following the principal breadwinner in search of employment opportunities.

Cambodia is a receiving and sending country for international labour migration. Many of the migrants living and working in the country are from Viet Nam and China. Increasing numbers of Cambodian workers seeking employment abroad are attracted by higher incomes. They travel through both official channels and irregular networks. Many take up jobs in the neighbouring countries of Thailand and Malaysia. Others are placed through guest worker programmes in Asia and the Middle East. A large share is young people. Remittances are important for both migrants and those left behind.

The legislation that still guides labour migration policy and management is Sub-decree 57 on Sending Khmer Migrants to Work Abroad issued in 1995 by the coalition government and drafted by the then Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation in collaboration with the Ministry of the Interior and the Ministry of Foreign Affairs. The objectives were to improve the living standards and vocational skills of Cambodian workers, open employment opportunities for workers who might otherwise be unemployed or underemployed and generate national income and foreign exchange. Sub-decree 57 outlines the responsibilities of the labour ministry and recruitment agencies. In addition, there are Ministerial Orders or Prakas 198 on Education of HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad (May 2006) and Sub-decree 70 on the Creation of Manpower Training and Overseas Sending Board (July 2006).[221]

[221] Chan Sophal, *Improving labour migration management in Cambodia,* Draft paper prepared for the ILO, CDRI, Bangkok, 19 September 2007, p. 8 and UNIFEM, *Cambodian women migrant workers: Findings from a migration mapping study,* UNIFEM Regional Programme on Empowering Women Migrant Workers, Phnom Penh, July 2006. pp. 18–19.

One of the legacies of the Sub-decree 57 are the rather stringent requirements for recruitment agencies. Companies are obliged to deposit US$100,000 with what is now the Ministry of Labour and Vocational Training and to pay for the expenses of the applicants. These and other measures are part of the reason that there are now only a few agencies that are licensed to recruit and send workers abroad. Recognising the burden placed on agencies, the Government now allows the companies to charge the workers for some costs such as health checks. However, the process is expensive for the migrants as well as the recruiters and most workers seeking employment abroad go through irregular channels.

In order to implement the Sub-decree 57 and *Prakas* 198 the Government has signed memoranda of understanding with local organizations to carry out training. Coordination of Action Research on AIDS and Mobility (CARAM) began providing training on AIDS awareness in August 2006 and the Legal Support for Children and Women (LSCW) offers training on legal issues and the rights of migrant workers. The Ministry of Labour and Vocational Training is developing a public recruitment service under the Sub-Decree 70 for training workers seeking employment abroad. Alongside private training providers, pre-departure training will be provided in centres selected by the Ministry of Labour and Vocational Training. The National Polytechnic Institute of Cambodia (NPIC) will train migrant workers going to the Republic of Korea and Preah Kossamak will offer technical skills training for workers destined for Japan. Other centres will focus on a particular receiving country offering instruction on cultural, social, legal, linguistic and health issues as well as technical skills.[222]

Migration policy in Thailand follows up on the Bangkok Declaration on Irregular Migration that was adopted during a symposium in 1999 by participants, who acknowledged that "international migration, particularly irregular migration, has increasingly become a major economic, social, humanitarian, political and security concern for a number of countries in the Asia-Pacific region" and that comprehensive, coherent and effective policies need to be formulated within a regional framework. The Bangkok Declaration urges countries to engage in bilateral, regional and multilateral consultations and cooperation on questions of international migration.

In May 2003 the Governments of Cambodia and Thailand signed a Memorandum of Understanding on Cooperation in the Employment of Workers. The MOU calls for legal and organized employment of Cambodian workers in Thailand. It aims to create: (i) a bilateral administrative process that provides for a structured employment procedure; (ii) a mechanism for return or deportation of migrant workers; (iii) labour protection guidelines; and (iv) prevention and intervention mechanisms against irregular migration. A second Memorandum of Understanding was signed in May 2003 on Eliminating Trafficking in Children and Women and Assisting Victims of Trafficking.

The Bangkok Declaration and the MOU respond to the goal of the Thai Government to regularize labour migration according to domestic demand and to control smuggling and trafficking of persons as well as the irregular entry of migrant workers. The authorities are tasked with ensuring that workers who have completed their employment depart from Thailand.

A more recent ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers endorsed in January 2007 calls on both sending and receiving countries to promote "the full potential and dignity of migrant workers in a climate of freedom, equity, and stability in accordance with the laws, regulations, and policies of respective ASEAN Member Countries."[223]

[222] Bruno Maltoni, *Review of labour migration dynamics in Cambodia,* IOM, Phnom Penh, 2006.
[223] See http://www.aseansec.org/19264.htm.

Key challenges

Migrants working abroad report continuing difficulties, such as non-payment and underpayment of wages, substitution of contracts, harassment by government authorities, long work hours, confinement to the workplace, physical violence, sexual abuse and problems of communications due to differences in language and culture. Those who enter through irregular channels or lose their legal status in foreign countries are vulnerable to exploitation. Some are cheated, robbed and killed. Many become victims of trafficking for forced labour and sex work.

NSDP priorities

The National Strategic Development Plan 2006–2010 outlines measures to create employment opportunities in the countryside, including work for young people, to reduce the pressure to migrate in search of jobs in cities and abroad, to create sustainable employment in labour-intensive sectors such as the garment industry and to assist Cambodian workers looking for opportunities to earn a living in other countries.[224]

ILO approaches

The ILO works on migration issues in a number of ways, including through international labour standards and a Multilateral Framework on Labour Migration. The ILO provides policy advice, supports capacity building and implements migration projects. The objective of an international labour standards approach is to regulate the conditions in which the migration process takes place and to provide specific protection for vulnerable workers. The standard-setting activities of the ILO concentrate on establishing the right to equality of treatment between nationals and non-nationals and finding comprehensive solutions to the problems confronting migrant workers. The hope is that countries adopt key instruments and adjust national legislation. The principal ILO instruments are the Migration for Employment Convention (Revised), 1949 (No. 97), Migration for Employment Recommendation (Revised), 1949 (No. 86), Migrant Workers (Supplementary Provision) Convention, 1975 (No. 143), Migrant Workers Recommendation, 1975 (No. 151) and Protection of Migrant Workers (Underdeveloped Countries) Recommendation, 1955 (No. 100).[225] Another important instrument is the Private Employment Agencies Convention, 1977 (No. 181).

The ILO gives policy advice, including practical guidelines based on international labour standards. The ILO Multilateral Framework on Labour Migration[226] provides useful guidance to governments, employers' organizations, workers' organizations and other concerned parties on the development, strengthening and implementation of labour migration policies. It includes a comprehensive collection of principles and guidelines firmly grounded in international instruments and good practices. The Multilateral Framework on Labour Migration takes a positive perspective consistent with the current global emphasis on migration and development. It recognizes the crucial role of social dialogue and value of participation by the social partners in migration policy.[227]

The ILO also implements projects on policy and management of labour migration and combating human trafficking. Recent projects in Cambodia are the ILO-Korea Partnership

[224] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 4.81, p. 54.
[225] Elizabeth Morris, *Report on the ILO sub-regional training workshop on labour migration policy and management,* ILO, Bangkok, 2004, p. 38.
[226] The text is available at http://www.ilo.org/public/english/protection/migrant/download/tmmflm-en.pdf.
[227] ILO International Labour Migration Programme website at http://www.ilo.org/public/english/protection/migrant/new/index.htm.

Programme on Enhancing national capacity on migration management in Cambodia, Lao People's Democratic Republic, Mongolia and Thailand, the ILO International Programme on the Elimination of Child Labour Mekong Sub-Regional Project to Combat Trafficking in Children and Women and the ILO-Japan Project on Managing Cross-border Movements of Labour in South-East Asia.

Tripartite consultation

During the tripartite brainstorming workshop on training and employment in Cambodia, representatives identified some key priorities for labour migration policy and management, as outlined in Table 10.4.

Table 10.4: Key priorities for internal and international labour migration policy and management identified by government, employers and workers, Phnom Penh, October 2005.

Government	Employers	Workers
• Encourage international labour migration as a means to obtain employment, earn an income and gain skills abroad • Protect the rights of migrants to adequate income and working conditions • Include migration policy as a part of employment policy • Promote "regular" channels of international migration as an alternative to irregular migration and human trafficking • Provide migrants with information they need about skills required for jobs that are available abroad and training for job skills, language, culture, customs and conditions abroad • Provide protection abroad through contact information about labour attachés or Cambodian embassies • Provide assistance for re-integration of returning migrants • Improve channels for sending remittances • Encourage alternatives to rural-urban migration through rural development by supporting agriculture and infrastructure and encouraging investment in	• Promote ILO Conventions, including the Private Employment Agencies Convention, 1997 (No. 181) to ensure that migrants are not cheated • Establish the Cambodian Federation of Employers and Business Associations (CAMFEBA) as an umbrella organization to oversee sending Cambodian workers abroad • Promote Cambodia as a "good sending country" • Support government-to-government agreements, such as the MOUs with Thailand • Enlist the support of employers in improving labour standards • Encourage employers to oversee the process of skills training to make certain that migrants are prepared to work abroad and are aware of their rights and responsibilities	• Reduce the amount of internal migration by encouraging enterprise development in the provinces with the support of the government and CAMFEBA • Encourage factories to be set up in local areas and allow workers to join trade unions • Establish export processing zones covered by the Labour Law • Support the provision of skills to migrant workers, making sure that women and men have equal access to jobs • Ensure that wages promised are the wages paid to migrant workers • Make sure that the recruitment process is not discriminatory • Oversee the process of recruitment for employment abroad, including Malaysia, Thailand and Singapore • Listen to complaints of migrants, such as being asked inappropriate questions about age, marital status, hepatitis or AIDS

Table 10.4: *(continued)*

Government	Employers	Workers
remote regions and border areas		• Make sure that migrants abroad are able to remain in communication with family in Cambodia • Ensure that migrants working abroad are able to join unions in the destination country • Involve labour unions in negotiating international agreements, such as MOUs • Ensure transparency with regard to recruitment agencies

Source: ILO-MOLVT Tripartite Brainstorming on Training and Employment in Cambodia, Phnom Penh, 19 October 2005.

Policy options

To maximize the benefits and reduce the risks involved in migration, it is important to improve labour migration policies and management. Some of the options that might be implemented in support of the National Strategic Development Plan 2006–2010 are the following:

Migration policy and bilateral agreements

- Prepare a plan of action for migration policy and management, based on consultations with key stakeholders and including government ministries, employers' organizations and trade unions, to encourage legal migration and reduce labour exploitation.
- Review the legislative framework for migration management, with reference to the ILO Migration for Employment Convention (Revised), 1949 (No. 97) and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143).
- Establish a mechanism to involve employers' organizations and trade unions in migration management, building on the work that has already begun through the tripartite consultations at the ILO Ayutthaya workshop (August 2004) and the Phuket Declaration (August 2005).
- Address the special issues of women migrants by: (i) including women in planning policies, programmes and projects, (ii) extending protection to all occupations and sectors with equal opportunities for men and women, and (iii) providing legal literacy, gender awareness and equal treatment of women migrant workers.
- Prepare an assessment of recruitment agencies, with reference to the ILO Migration for Employment Convention (Revised), 1949 (No. 97), Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143) and Private Employment Agencies Convention, 1997 (No. 181).
- Set up improved channels for remittances from Cambodian workers abroad.
- Take steps to implement the ILO Multilateral Framework on Labour Migration.
- Work with other members of the Association of Southeast Asian Nations to implement the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers.

Anti-trafficking measures

- Continue to work with Thailand on implementing the Memoranda of Understanding on Cooperation on the Employment of Workers and Eliminating Trafficking in Children and Women and Assisting Victims of Trafficking.
- Work with the Coordinated Mekong Ministerial Initiative Against Trafficking (COMMIT) process led by the governments of the six Greater Mekong Subregion countries and other initiatives to implement national actions, including strong counter-trafficking measures, through policy, prevention, protection and prosecution of perpetrators.
- Take steps to protect migrants who end up in illegal situations from being victimized or criminalized and set up a special Desk for Women and Children Migrants and Trafficked Victims in police and immigration offices at borders.[228]

Improved information

- Compile and analyze information and statistics, disaggregated by sex and age, for employment abroad and foreign workers, including information about the numbers, sectors and skills of Cambodian workers in other countries.
- Set up offices along the Cambodia–Thailand border to provide information about labour laws, immigration procedures, working conditions, human rights and contact information for agencies that can provide assistance on both sides of the border.

Capacity building

- Translate and publish training materials, such as the ILO manual on international labour migration policy and management,[229] to raise awareness about migration issues among government officials at various levels.
- Improve materials and training for migrant workers with basic instruction for language and culture, as well as information about rights and responsibilities, in addition to vocational training.

10.5 Maximizing the benefits from oil and gas for decent work

Brief overview

Recent offshore exploration indicates large reserves of oil and gas inside the territorial waters of Cambodia, with up to 2 billion barrels of recoverable oil and 10 trillion cubic feet of natural gas. If this proves true, the annual revenues could bring an estimated US$2 billion within the next five to ten years, which would be several times the amount of current official development assistance. While there is still uncertainty regarding the scale and timing, this potential source of government revenue from royalties, taxes or profits through production sharing agreements brings with it tremendous opportunities for accelerating the pace of economic development and poverty reduction. Properly managed, the revenues could help Cambodia to escape from its least-developed country status.[230]

[228] An ILO guide has been produced for migrant workers called *Travel Smart – Work Smart* as part of a campaign to promote safer migration and prevent human trafficking and labour exploitation within the Greater Mekong Subregion.
See http://www.ilo.ch/public/english/region/asro/bangkok/child/trafficking/downloads/english-ts-ws.pdf.

[229] Full text available at http://www.ilo.org/public/english/region/asro/bangkok/library/download/pub04-29.pdf.

[230] Vallely *et al.* cited in The World Bank, *Cambodia: Halving poverty by 2015? Poverty assessment 2006*, Report No. 35213-KH, Document of the World Bank, East Asia and the Pacific Region, 7 February 2006, pp. 140–141.

However, international experience provides sufficient warning that petrochemical revenues resulting from large-scale reserves that are commercially viable must be managed well or they can result in what is called the "resource curse." Such an impact can result in slower growth and development. This occurs for a number of reasons listed as challenges.

Fortunately, the experience of developing countries that have avoided some of the problems associated with revenue from oil and gas such as Botswana, Chile, Indonesia and Malaysia provide valuable insights, as illustrated in Box 10.5.[231] The petroleum industry is capital intensive with little direct job creation. The World Bank points out that indirect job creation can result from sound fiscal policy, leading to higher economic growth. It is clear that no "one size fits all" and appropriate research must be undertaken to determine the best policies for Cambodia.

Box 10.5: Lessons learned about the "resource curse" from international experience

- Government commitment should be demonstrated to the development of the oil and gas sector through an appropriate policy statement at the highest level including a long-term vision, development strategy and policy framework.
- Commercial operations should be separate from other functions and placed in the private sector to encourage greater competition.
- Principles for transparency and disclosure should be followed with commitment to the Extractive Industry Transparency Initiative (EITI).
- Support should be given to capacity development for upstream management and downstream operations.
- Mechanisms should be developed for the participation of civil society and other stakeholders to oversee development of the sector.

Source: The World Bank, *The World Bank Newsletter*, Cambodia, Volume 4, Number 6, June 2006.

Large-scale corruption often accompanies the substantial increases in government revenues associated with petroleum production. This risk can be reduced through transparency and disclosure of information to the public. Some countries, including Nigeria, are implementing the Extractive Industries Transparency Initiative, under which payments and revenues are audited and the figures verified. The results are published so that citizens can hold the government accountable for receipts and expenditure. Safeguards for revenues and wealth can be established such as those outlined in Box 10.6. Another example of an international effort to support countries in dealing with the governance issues related to the resource curse is the International Monetary Fund Guide on Resource Revenue Transparency.[232]

Key challenges

A recent analysis of the Cambodian economy carried out for UNDP identifies offshore oil and gas deposits as both the greatest threat and principal opportunity. Some of the challenges that must be addressed in order to avoid the pitfalls and maximize the benefits are dealing with economic linkages, fuel security, price fluctuations, "Dutch disease," job profiles and political issues.

Economic linkages. Dependence on oil and gas can produce enclave economies, with few backward links to domestic inputs, such as raw materials, or forward links through

[231] The World Bank, *The World Bank Newsletter,* Cambodia, Volume 4, Number 6, June 2006.
[232] See http://www.imf.org/external/pubs/ft/grrt/eng/060705.htm.

Box 10.6: Extractive Industry Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative was announced in September 2002 at the World Summit on Sustainable Development in Johannesburg. Its aim is to increase transparency over payments by companies to governments and government-linked entities, as well as transparency over revenues by those host country governments.

Revenues from oil, gas and mining companies, in the form of taxes, royalties, signature bonuses and other payments, should be an important engine for economic growth and social development in developing and transition countries. However, the lack of accountability and transparency in these revenues can exacerbate poor governance and lead to corruption, conflict and poverty.

Extractive industries are important in more than 50 developing countries, home to some 3.5 billion people. Although a greater degree of transparency of payments is desirable in many sectors, there is a close correlation between the countries rich in natural resources and the countries with high levels of poverty. There is nothing intrinsically wrong with these sectors, but the high risk, high cost and uncertain nature of exploration, coupled with a long gestation before profits are realized and the finite nature of resources, makes financial management of this sector difficult. Some countries rich in oil, gas and minerals have underperformed relative to other countries without natural wealth. Other industries have been able to relocate to countries with a more conducive enabling environment.

Increasing transparency and knowledge of revenues will empower citizens and institutions to hold governments to account. Mismanagement or diversion of funds away from sustainable development purposes will become more difficult. It should also benefit developing and transition economies by improving the business environment, helping them to attract foreign direct investment. Responsible companies stand to benefit from a more level playing field, a more predictable business environment and better prospects for energy security.

For the initiative to be successful, it needs to be devised by a range of stakeholders. Countries either host to extractive industries or with extractive industry companies registered in their country will need to be involved. State-owned companies and small, private companies, as well as the multinationals, will need to be involved to ensure a level playing field with those companies backing the initiative. Business and industry associations play an important role in communicating standards and expectations to their members.

NGOs have a critical role to play in continuing to research the issues and to raise awareness of the importance of this initiative for sustainable development and poverty reduction. The role of civil society will be critically important in terms of using the data disclosed to hold governments accountable for their expenditure.

Source: From Extractive Industries Transparency Initiative: Core Script at http://www.dfid.gov.uk/pubs/files/eiticorescript.pdf.

processing industries and value added. A challenge will be to promote economic links to the Cambodian economy and to develop appropriate skills for new jobs that are created either directly or indirectly through economic growth.

Fuel security. Another issue is fuel security that can be obtained through small domestic refineries, foreign refining contracts or fuel storage facilities. Cambodia will need to avoid making uninformed choices on technical options, such as building oil refineries that are not economically sound, thus producing a “white elephant” and resulting in wasted resources.[233]

[233] David O. Dapice, *A SWOT analysis of the Cambodian economy,* A UNDP funded discussion paper prepared in cooperation with the Supreme National Economic Council and Harvard’s Kennedy School, Cambodian Economic Forum (CEF), Phnom Penh, 17 January 2006, pp. 9–10.

Price fluctuations. The volatility of natural resource prices is often compounded by loans extended when prices rise, fuelling economic growth, and withdrawn when prices fall, exacerbating economic downturns. Stiglitz[234] refers to an old adage that "banks only like to lend to those who do not need money." Thus the upswings and downturns of prices are accompanied by borrowing and repayments that add to instability. Borrowing with additional resources from higher prices is followed by revenue losses and debt repayments, when revenues fall.

Dutch disease. Another issue is the so-called "Dutch disease" that originated in the Netherlands after the discovery of North Sea gas, when additions to wealth did not lead to the creation of jobs. Instead, workers found themselves without employment. Higher public revenues can lead to greater government spending, which raises aggregate demand. The resulting increases in prices, wages and costs can make exports less competitive and imports more attractive. An exchange rate effect can lead to losses of employment in agriculture and industry. More generally, natural resources can "crowd out" other sectors. Thus abundant natural wealth can create "rich countries with poor people."[235]

Box 10.7: We can now cure Dutch disease

- Promote democratic, consensual and transparent processes, such as what Botswana is doing, to ensure that wealth is well spent.
- Introduce stabilization funds to counter the fluctuations that are exacerbated when loans are extended during the good years.
- Minimize currency appreciation by keeping foreign exchange earned out of the country.
- Make sure that the wealth is invested in both fixed capital and human capital.

Source: Joseph Stiglitz, "We can now cure Dutch disease: For some nations natural resources are a curse – but it needn't be so," *Guardian,* 18 August 2004.

Job profiles. The oil industry opens employment opportunities for limited numbers of managers and professionals. The occupational distribution of the oil industry is generally concentrated at the top end in the managerial and professional categories. In the United Kingdom, professionals and technicians account for more than half of all employment in oil extraction. The oil-related sector is dominated by associate professionals and skilled trades. One half of all jobs in oil refining in the United Kingdom is a managerial position. A concern is the large amount of temporary work and subcontracting arrangements that do not provide job security.[236] Another issue is the conditions of work at sea.

Political economy. Governments that do not collect revenues from citizens may become less accountable, especially in countries with weak formal institutions and post-conflict societies with low levels of transparency and accountability. The lure of riches can tempt officials "in seizing a larger share of the pie rather than creating a larger pie."[237] In other cases, rent-seeking behaviour by officials is "aided and abetted" by outsiders. If not managed correctly, there could be a double burden of both waste and corruption with "white elephants" alongside unofficial payments. "Overall, though, the *threat* of oil is that

[234] Joseph Stiglitz, "We can now cure Dutch disease: For some nations natural resources are a curse – but it needn't be so," *Guardian,* 18 August 2004 at http://www.guardian.co.uk/comment/story/0,3604,1285235,00.html.
[235] Ibid.
[236] Chris Forde, Rob MacKenzie, Mark Stuart and Rob Perrett, *Good industrial relations in the oil industry in the United Kingdom,* Working Paper No. 230, Sectoral Activities Department, ILO, Geneva, 2005.
[237] Joseph Stiglitz, "We can now cure Dutch disease: For some nations natural resources are a curse – but it needn't be so," *Guardian,* 18 August 2004.at http://www.guardian.co.uk/comment/story/0,3604,1285235,00.html.

governance would become worse and spending would further concentrate wealth, fund capital flight and increase social tensions."[238]

NSDP priorities

According to the National Strategic Development Plan 2006–2010, there is great potential in exploiting offshore oil and gas resources. The challenge will be to plan sooner rather than later for the resources and revenues in order to maximize the benefits and avoid the pitfalls experienced by other countries with oil windfalls. This will include the use of oil and gas for fertilizer and energy.[239] The Government is studying ways to make best use of the offshore resources.

ILO approaches

Over the years, the ILO has created a set of international legal instruments that provides a basis for promoting social dialogue in the oil and gas sector. These have resulted from international tripartite consensus on basic issues concerning industrial relations issues related to collective bargaining and consultative mechanisms. However, social dialogue is more than just another term for industrial relations involving collective bargaining. It is a process of exchanging information and viewpoints encompassing the formulation and implementation of labour, social and economic policies. For example, the European Works Council discussed operations of Norsk Hydro,[240] such as those related to production, sales, employment, safety, environment, training policy, new production technologies and working methods.[241] Social partners can be involved with the government in the kind of democratic, consensual and transparent processes that have proved effective in ensuring that the revenues and wealth from oil and gas contribute to broad-based growth and pro-poor development of Cambodia. Another approach is to promote codes of conduct for the oil and gas companies operating in the country.

Policy options

Development vision

- Establish a national advisory board to prepare a broad public vision, national development plan and comprehensive policy framework for offshore oil and gas resources.
- Set up a trust fund for public investment in both physical capital and human capital – infrastructure and utilities, education and training, research and development.
- Make sure a tripartite committee is established under the national advisory board with participation by government, employers' organizations and workers' organizations to ensure that employment promotion is at centre stage of the development vision, including the direct and indirect creation of jobs resulting from oil and natural gas resources.
- Ensure that companies promote the participation of Cambodians in the petroleum sector by requiring that oil companies outline a programme for exploration and

[238] David O. Dapice, *A SWOT analysis of the Cambodian economy,* A UNDP funded discussion paper prepared in cooperation with the Supreme National Economic Council and Harvard's Kennedy School, Cambodian Economic Forum (CEF), Phnom Penh, 17 January 2006, p. 11.
[239] *National Strategic Development Plan 2006–2010*, Phnom Penh, December 2005, 4.67, p. 53.
[240] Norsk Hydro is a Norwegian company that has had significant operations in the oil and gas industry.
[241] ILO: *The promotion of good industrial relations in oil and gas production and oil refining,* Report for the discussion at the Tripartite Meeting on the Promotion of good Industrial Relations in Oil and Gas Production and Oil Refining, Sectoral Activities Programme, TNOR/2002, Geneva, 2002, p.46.

production that includes recruitment and training provisions specifying the proportion of jobs within different occupational classifications and skills categories to be filled by nationals according to an agreed time frame.

- Provide training opportunities for these occupations and skills.
- Consider placing the commercial operation in the private sector to encourage greater competition.

Box 10.8: Vocational training in Pétroleos Mexicanos (PEMEX)

PEMEX has a dual structure for vocational training at the central level and at the workplace level. A Central Training Committee arranges training programmes and information dissemination. The committee ensures that training meets the specific needs of each employee on the job. Bipartite training committees at the workplace level design, supervise and evaluate the training programmes.

There are about 35 areas of training provided, including tool machines, carpentry, plumbing, topography, internal combustion mechanics, management and human relations. Training is provided both during and outside of regular working hours.

Source: Carlos Reynoso Castillo, *Industrial relations in the oil industry in Mexico,* Working Paper No. 239, Sectoral Activities Programme, ILO, Geneva, 2005.

Technical supervision

- Set up a technical committee to oversee the decisions about production and processing of oil and gas and task it with making sound decisions based on economic analysis drawing on expertise not directly involved in the projects under review.
- Ensure public reporting of technical issues related to extraction and refining.
- Establish a stablization fund with revenues earned when prices are high in order to help reduce the economic volatility associated with natural resource prices.
- Consider a savings role as well as stabilization function for the oil fund.
- Set up a board to oversee the use of foreign exchange – perhaps investing revenues abroad – to guard against currency appreciation that will affect exports and imports.

Box 10.9: Different roles for oil funds

Oil funds can play stabilization and saving roles. Stabilization funds aim at insulating the budget and the economy from oil revenue volatility, by smoothing revenues flowing into the budget. Savings funds seek to save part of oil revenue, to constitute financial wealth for future generations and sustain some revenue stream after the depletion of oil reserves. A number of oil funds play both roles.

Their relationship to the budget varies. Some funds are fully integrated within the budget framework. In countries such as Norway, Timor-Leste, São Tomé and Principe, Mauritania, Russian Federation, the oil fund is a government account. Other funds are not fully integrated in the budget (Libya, Kuwait, Qatar), with financing operations outside the budget process. In Qatar, the stabilization fund is an independent government entity. In Chad, the Government earmarks part of the oil revenue to specific uses, which has led to the fragmentation of the budget.

Source: IMF, *Cambodia: Selected issues and statistical appendix,* IMF Country Report No. 07/291, August 2007, p. 11.

Governance issues

- Establish a consultative body with participation by the social partners and civil society to oversee the implementation of principles for transparency and disclosure with a commitment to the Extractive Industry Transparency Initiative (EITI).
- Ensure that workers are accorded rights enshrined in the ILO Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and the Right to Organize and Collective Bargaining Convention, 1949 (No. 98).
- Task the tripartite committee under the national advisory board with establishing codes of conduct for oil and gas companies.
- Make arrangements to ensure that steps to strengthen financial management include measures related to petroleum revenues.
- Encourage social dialogue as a process to exchange information and viewpoints that can facilitate harmonious industrial relations and adjustment to structural change.

While Cambodia has made remarkable progress in recovering from years of isolation and conflict, it still faces an enormous challenge of providing employment opportunities to young people entering the labour market and "better jobs" to the vast majority of the working population in rural areas and the informal economy. A key priority is to raise earnings and improve productivity to move poor households above the poverty line and keep others from experiencing lower levels of income and consumption.

Five aspects of this process have been singled out for closer examination in this report: (i) skills for livelihoods and competitiveness, (ii) enterprise development for job creation and increased productivity, (iii) improving links between domestic markets and the global economy, (iv) migration for employment in Cambodia and abroad and (v) maximizing the benefits from oil and gas production. For each of these areas, policy options have been identified. Most have been discussed with representatives of the Government, employers' organizations and trade unions. These areas for promoting decent work call attention to the fact that creating more and better jobs involves not just the Ministry of Labour and Vocational Training but a wide rage of government agencies and other stakeholders. Addressing the concerns of the working poor and creating jobs for the global economy will require collaboration and cooperation.

What remains to be done is to continue the process by outlining priorities, objectives and strategies for employment together with a timetable and specific tasks assigned to responsible agencies. Considerable progress was made at the National Seminar on Employment Promotion in May 2007, but much work remains in terms of implementing the plans put forward by a wider range of national stakeholders and international organizations. The ILO looks forward to working with the Government, employers and workers as well as partner agencies in the United Nations Country Team to complete this important task.

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Policy priority	Objectives	Strategy	Responsibility
Overall objectives			
Poverty reduction	Target TVET programmes at poverty reduction to provide skills for income generation and local needs	Support PTCs in selected communes to develop plans for participatory community development	• Director General of TVET • Director of Management of TVET • Director of PTCs
Decentralization	Link TVET training needs to local markets in rural communes and urban *sangkats*	Support PTCs in linking training needs to local economic development and developing an inventory of training conducted through line ministries	• NTB • Director General of TVET • Director of NTTI • Director of Management of TVET • Provincial MOLVT Office • Directors of PTCs
Development policy			
Commune and enterprise-based training	Support short-term non-institutional courses determined by communes for on-site delivery through experienced NGOs using existing facilities	Allocate funds to support commune and enterprise-based training	• NTB • National Training Fund • Director of Management of TVET • Provincial MOLVT Office
Out-of-school youth	Reduce number of unemployed and out-of-school youth in poorest communes	Introduce commune-based training of unemployed youth, ensuring a gender balance through family-based and informal apprenticeships to provide skills that raise farm productivity and promote local self-employment	• Director of Management of TVET • Director of PTCs
Self-employment	Provide commune-based skills training for self-employment including micro enterprise training	Share self-employment ideas with communes and conduct an assessment of local market opportunities for raising farm productivity, creating self-employment and promoting family-based employment	• Director of Management of TVET • Directors of PTCs
Micro credit	Link training for self-employment to micro credit	Support PTCs in assisting the development of a Provincial Association of Micro Credit Providers to improve the practices of financial service providers	• Director of Management of TVET • Directors of PTCs

Policy priority	Objectives	Strategy	Responsibility
Small enterprise	Develop a programme to assist small enterprises in rural areas by expanding training through informal apprenticeship programmes and promoting the use of appropriate technology, vouchers and micro credit	Train community-development specialists in each PTC to assist small enterprises develop informal apprenticeship programmes and develop training plans under the voucher system	• Director of Management of TVET • Director of NTTI
Enabling policy			
Financing TVET through public-private partnerships	Involve the government, enterprises, communities and trainees in design, decisions and delivery of TVET	Take steps to encourage participation and contributions from Commune Councils, Enterprise Sector Councils, Enterprise Advisory Council of the NTB and trainees; encourage PTCs to start units for production and services; explore possibilities for introducing a levy-grant system or corporate tax transfer with the Ministry of Finance	• Director General of TVET
Enterprise involvement in TVET through public-private partnerships	Expand provision of TVET through private-sector training providers	Establish a system whereby training is purchased from qualified private sector training providers through the NTF and voucher system; list qualified training providers operated by the private sector and NGOs that will be asked to register with the provincial branch of the National Association of Training Providers (NATP); set national competency standards	• Director of Management of TVET • National Training Board
Expanding the provision of TVET through public-private partnerships	Expand TVET through private sector training providers to meet the demand for a skilled workforce by offering incentives to training providers and enterprises	Organize system for purchasing training from qualified private sector providers with the National Training Fund and the voucher system of communes and enterprises by registering training providers with the provincial branch of the National Association of Training Providers, following national competency standards	• Director of Management of TVET • Director of National Competency Standards Department

Policy priority	Objectives	Strategy	Responsibility
Assuring the quality of TVET provision	Ensure that training providers meet agreed standards	Establish a National Association of Training Providers built on provincial branches with secretariat in the National Technical Training Institute (NTTI) and ensuring that only NATP members use training vouchers and receive National Training Fund (NTF) support	• Director of Management of TVET • Director of National Competency Standards Department • Director of NTTI
Assuring TVET leadership, management and coordination	Improve quality of TVET leadership in both public sector and private sector	Implement a continuing staff development plan for all Department of TVET staff; expand the role of NTTI to include a Technical Institute Unit and a model PTC for practical training and curriculum validation; develop curriculum and teacher aids; support decentralization	• Director of Management of TVET • Director of NTTI
Labour market information	Support the development of a labour market information system under the NTB, with focus on balancing the supply and demand for skills	Involve Provincial Training Centres and Provincial Training Boards in gathering basic labour market information with support from other ministries in each province, with Enterprise Councils contributing information on the demand side	• National Training Board • Director of Labour Market Information Department
Competency standards	Establish national skills standards and put into place a national competency assessment system	Draw on existing competency standards and consider international standards from Asian countries, working with Enterprise Councils working closely with the ILO and ASEAN in the development of a regional national qualifications framework	• Director of National Competency Standards Department