

Concerns and Proposals
from Civil Society Organizations Working on Labor Issues
on Impacts of the Global Economic Crisis on Garment Workers in Cambodia
for the Public Forum on Impact of Global Economic Downturn and Need for Policy Responses,
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Like other countries around the world, Cambodia has suffered from the global economic crisis, which has not only slowed down economic growth, but also has genuine negative social impacts and worsens poverty of the country. This phenomenon has been affecting the four pillars of Cambodia's economy, in particular the garment and construction sectors. The impacts seem to seriously affect the labor market which causes unemployment, underemployment and sharp competition among new and exiting labor forces. All of these issues have led to legal non-compliant working conditions for workers and to the reductions of household income which are consequently driving more people into the deeper poverty.

Concerns and Impacts

In January 2009, Cambodian garment export was approximately 60% lower than January 2008, according to IMF March 2009. As a result, about 70 factories¹ have closed their operation since the crisis started early 2008 while some garment factories have cut off their production. Consequently, among approximately 60,000 of the 400,000 garment workers have lost their jobs while 30,000 - 50,000 more workers are facing uncertain employment². There is an increase of recruitment for short-term contract (normally less than 3 months) since the crisis occurred. The decrease of production have resulted in less working hours and over-time enforcement, and caused the average wage of garment workers to decline³.

Losing job threatens working condition of garment workers

During this hard time, some employers have suspended or closed factories and did not pay any legal benefits to their workers. This has caused workers to face more difficulties. Moreover, some employers have even laid off union leaders, threatened or refused to negotiate with the representatives of garment workers or unions when this crisis arised.

Moreover, employers have attempted to push the government for making amendment on Articles 67 and 73 of the Labour Law to eliminate some of benefits and freedom of protesting of the garment workers. Often, the economic crisis has been raised as an excuse in order to prevent workers' joint demands and to make union law possible in order to manage those unions while, in fact, many problems stemmed from the fact that employers themselves did not abide by law.

"My factory has no garment union, so the factory manager sometimes forced workers to work in bad conditions," said Miss Tai Savuth, a garment worker in Khan Meanchey.

*Interviewed by Economics Today Magazine
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¹ & ⁴ Power Point Presentation by HE Cham Brasideh, Senior Minister, Minister of Commerce, at the 2009 Cambodia Outlook Conference (12th March 2009, Phnom Penh Hotel)

² A presentation by Dr Kang Chandaroth on Cambodia's garment industry when facing a financial crisis: decent and stable employment.

³ Discussion in the Workshop on Impact of Economic Downturn on Garment Workers, 21 June 2009 at the Caritas Cambodia office.

Unemployment undermine efforts in poverty reduction in Cambodia

Loss of employment has worsened the livelihoods of workers and their families, especially when they have been already vulnerable to increasing food price, goods and other services, which has continued from last year until now.

Among the workers who lost jobs, some have returned to their hometowns; some have taken risky jobs; and some others sought to find jobs in the garments, service sectors, and informal economy. Their jobs uncertainty have resulted in the gradual decrease of income, and some have lost almost all of their incomes.

Moreover, a large number of workers in the garment sector are the migrant workers from rural areas. They usually send back home their remittance to support their families (90% of these workers). According to a study conducted by CDRI⁴, as additional income to their families, these remittances are used to support their families spending for the whole year such as buying staple food and production inputs, fee for children's education, family healthcare and paying debt, etc.

Loss of jobs and gradual decline in worker's income means the loss of remittances for which their rural households used to depend largely on in order to finance necessary expenses.. Having already suffered from the current inflation, it means that they themselves and their families have to reduce expenses on daily food consumption and health care as their basic needs. The reduction may affect their food security which could possibly lead to hunger and be vulnerable to different kinds of diseases in the near future. In addition, they are likely to forgo some expenses, such as education and health care. *Mr. Lunk Long, a female worker at a garment factory in Khan Meanchey said that "My best way to save some money is reducing the expense on food, but I worry about my health because I have recently lost weight from 56 to 48 kgs"* . Worse than that, some workers have borrowed money from money lenders after spending all of their saving as they expected that they are able to find jobs in near future which could in return allow them to pay back the debt.

Moreover, remittances transferred from garment workers to their rural families are usually used to pay debts after spending on food, means of production, and social expenses (including wedding and other social events), and when those workers are not able to send those remittances home, their families may fall even deeper into debt. With no other sources of income to repay back their debt on time, they could possibly face seizure of property.

"Since the early 2009, i have not earned a penny and have never sent any remittances back home like before. I still have to spend on food although I don't have any income. My parents in rural area were too poor to support me to stay and look for jobs in the city; therefore, my only way is to borrow money from friends here. If I still cannot find a job, my debt will become higher and higher."

said Don Hach, a former garment worker in Toek Thla, Phnom Penh in an interview with Economics Today Magazine, 01 July 2009.

All these circumstances show us that when the income of those workers as well as their family decreases; obviously, some of them are pushed down to below the poverty line, and those who are already poor will fall down even deeper into extreme poverty.

SUGGESTIONS:

Recently, we observed that the Royal Government have tried hard through different measures for different sectors in response to impacts of the crisis including providing short term training courses for laid off garment workers tax exemption and other benefits to investors. We, as civil society organization working on the labor issues, appreciate the efforts of the Royal Government to cope

⁴ CDRI Newsletter No. 12, October-December 2008.

with this crisis; however, as mentioned above, the impacts have not only affected to garment workers, but also their remittance dependent families in rural areas (keep in mind that it is not limited to just income but also social and human capital impacts). Therefore, following our discussion workshop with affected garment workers, we would like to suggest the following proposals to Royal Government and relevant institutions:

Royal Government

- Provide social safety net including free or low-fee for health care services, food assistance, food-for-work, etc to laid-off garment workers, workers with temporary jobs and their families, who are affected by the impact. Food-for-work programme used for developing rural infrastructure (irrigation system and rural roads) is also one option for job creation in the period of the crisis;
- Increasing and improving targeting of social safety expenditure beneficiary is of urgent measure to protect the poor and vulnerable groups. Therefore, quickly identifying groups that suffered most from the crisis and reviewing the existing social safety net mechanisms and programs would allow more effective intervention;
- Eliminate suspension and threatening of union representatives. We would like to suggest to the government to force the garment factory's owners to respect labour law and other relevant regulations of the country;
- Strengthen and enforce the Investment Law, especially for the appropriated deposit requirement which is secure enough for compensating to garment workers when the factory is closed and workers are laid-off;
- Review the amendment of Articles 67 and 73, which seem to have negative impacts on the workers;
- Establish an independent and transparent labour court to settle labour conflicts in a fair and balanced manner;
- Provide social land concession to landless poor or land poor, in particular for people living in rural areas so that they might be able to do farming. In addition, it can absorb laid-off workers when they go back to their rural village.

NGOs and Development Partners

- Increase unconditional grants for generating employment;
- Support social safety net, such as free or low-fee for health care services, food assistance, food-for-work, cash-in-kinds etc for affected workers and their families.
- Cooperate with the government to enhance and accelerate social safety net system for immediate responses to the current and future impact.

Private Sector

- Suggest to factory owners to make appropriate reserve requirement for compensating pension fund and other benefits to the workers before closing factories;
- Brand owners shall be jointly responsible on factory closure in respond to their own corporate social responsibility through socially conscious labeling
- At the time of conflicts of interests, brand owners shall seek other possible ways of solving conflicts rather than threatening or warning factory owners on cancelling orders.
- Suggest to micro-finance institutes to make loan with lower interest rates and not to confiscate property from garment workers' families, especially during the impact of the crisis;