



ACCESS TO DECENT WORK AND SOCIAL PROTECTION AMONG WOMEN GARMENT WORKERS IN SUBCONTRACT FACTORIES IN CAMBODIA



Implemented by



KEY POINTS

Subcontracting refers to the practice of assigning, or outsourcing, part of the obligations and tasks under a contract to another party known as a subcontractor. In the garment sector, for example, a supplier enterprise (Factory A) with a contract to produce goods for a garment retailer or buyer may assign or outsource part of the obligations or tasks under that contract to another supplier enterprise (Factory B).

Subcontracting has been a common practice within garment and footwear supply chains for decades (Anner, Bair, and Blaisi 2013) and is widely accepted as “part and parcel of the [garment] industry in Cambodia” (Salmivaara 2021). However, several studies (Lawreniuk, Brickell, and McCarthy 2022; Salmivaara 2021) suggest that work in subcontracting factories in Cambodia is subject to limited labour rights enforcement which serves as a barrier to the attainment of decent work and social protection in the segment of the industry. Further studies (ILO 2017) suggest the model of subcontracting may be accelerating as a way for formal enterprises to cope with “the pressures of buyers’ fluctuating orders and unreasonable volumes and timelines” (Salmivaara 2021)

Although many stakeholders are aware of the existence of the subcontracting segment of the garment industry, to date there is little reliable data and evidence available about either the size and characteristics of the informal sector or working conditions within it. The widespread existence of subcontracting facilities with limited labour rights enforcement therefore poses threat to the progress made towards achieving Decent Work and social protection targets for female workers in the garment sector in Cambodia.

Responding to these concerns, this policy brief outlines the rationale, methods, and findings of a research study to provide a detailed assessment of access to decent work and social protection for (female) garment workers in subcontracting facilities within the garment industry in Cambodia.

Subcontracting scale and production

A mapping exercise undertaken in each of the three study provinces identified the prevalence of subcontracting facilities in each province: Phnom Penh, Kampong Speu, and Svay Rieng. The characteristics of production, including the scale of enterprises and the type of product manufactured, varies significantly across the three provinces:

- Phnom Penh has the highest observed concentration of subcontracting factories of the three provinces within the study. Subcontracting factories in Phnom Penh are often large (**78%** have more than 100 workers) and most (**89%**) focus on garment production, particularly sewing apparel.
- By contrast, Svay Rieng has relatively fewer subcontracting facilities. Subcontracting factories in Svay Rieng are often small (**60%** have fewer than 50 workers) and most (**99%**) focus on garment production, particularly knitwear assembly.

- Finally, Kampong Speu has a more diverse base of subcontracting factories. Subcontracting factories in Kampong Speu produce different products including garments (**61%**), footwear (**10%**) and travel goods (**24%**) and include both large (30% have more than 100 workers) and small facilities (**38%** have fewer than 50 workers).
- A supply chain tracing exercise undertaken across the three study provinces evidence that goods produced in subcontracting facilities are produced for BFC- and TAFTAC-registered formal factories exporting to global markets including the UK, USA, Europe, Japan, and China

Access to decent work and social protection in subcontracting factories

Contracts and salary

Work in subcontracting enterprises across the three sample provinces is characterised by insecure and precarious forms of employment:



Only **11%** of surveyed workers had a written contract, typically on a **6-** or **3-**month fixed term basis, with the remaining **89%** employed on a casual basis

Wages and salary payments for workers are highly irregular:



Only **30%** of workers receives a monthly salary, the remaining **70%** of workers are paid by the day (**25%**), hour (**4%**), or on a piece rate basis (**40%**)

Minimum wages and bonus pay protections

The majority of workers (54%) in the subcontracting sector receive less than the statutory minimum wage in Cambodia, which was \$200/month at the time the study was conducted:



Average take home pay for workers in the subcontracting sector is just **\$172** per month



This is **35%** lower than the average take home pay of counterparts in the formal sector, which reached **\$263** per month by 2021

Knowledge and awareness of minimum wage protections is low among workers in subcontracting facilities:



Only **33%** of workers are aware that National Minimum Wage Council sets a minimum wage for the garment industry and only **42%** of workers know the current minimum wage

The majority of workers in subcontracting factories do not receive additional bonus pay and allowances that they are entitled to:



Only **37%** receive a transportation or accommodation allowance; only **46%** receive an attendance bonus; and only **9%** receive any seniority pay

Working hours and overtime

Working hours in the subcontracting sector are often long and in excess of labour standards:



The majority of workers (**51%**) in the subcontracting segment of the garment industry are working in excess of the **48**-hour working week that is standard under the Labour Law



5% of workers in the subcontracting segment of the garment industry are working more than **60** hours per week

Working overtime, defined as work in excess in of 8 hours a day is common, with **88%** reporting working some overtime and **44%** reporting working overtime every working day

Work intensity and workplace relationships

Working patterns and routines vary according to province and are dependent on the type of subcontracting facility:



Workers in Phnom Penh where factories are generally larger were most likely (**75%**) to report having production targets or quotas to meet and the most likely (**77%**) to report penalties or punishments incurred when they fail to meet production quotas



Workers in Svay Rieng where factories are generally smaller were least likely (**4%**) to report having production targets or quotas to meet

Working relationships with managers and supervisors also vary according to province and are similarly dependent on the type of subcontracting facility:



Workers in Svay Rieng where factories do not routinely enforce a production target were most likely (**90%**) to report that managers and supervisors treat workers with respect



Workers in Phnom Penh where factories routinely enforce a production target were least likely (**74%**) to report that managers and supervisors treat workers with respect

Social protection access



- Access to social protection among workers in the subcontracting segment of the garment industry is limited:
 - Only **11%** of workers are registered with the **NSSF** and possess an **NSSF** card
- Knowledge and awareness of social protection rights is high among workers in subcontracting facilities, but few understand their entitlements clearly:
 - **83%** of workers have heard of the NSSF and **82%** of workers believe their employer has a responsibility to register workers with the **NSSF**
 - However, only **11%** report that they “**understand clearly**” what their rights and entitlements under the **NSSF** are

Leave entitlements and maternity protections

The majority of workers in the subcontracting segment of the garment industry do not receive paid leave that they are entitled to:



Only **8%** of workers receive the statutory minimum of **18** days paid annual leave, whereas **91%** of workers receive no paid annual leave



76% of workers report that they are not entitled to any paid sick leave

Maternity leave and pay protections are not regularly upheld:



62% of workers report that their factory permits maternity leave but only **14%** of these report that women receive any pay during maternity leave



38% of workers report that their factory does not permit any maternity leave

Minimum age

Juvenile labour is common in the subcontracting segment of the garment industry, as few identification checks are performed during recruitment:



34% of workers noted that their current factory employs some workers under **18** years of age



8% of workers reported that their factory employs some workers under **15** years of age

Where juvenile workers are employed in factories, they perform the same tasks and have the same working hours as other workers

Occupational health and safety

Occupational health and safety protections are limited in the subcontracting segment of the garment industry. For example:



Only **4%** of workers report that management provide workers with necessary protective clothing and equipment



Only **25%** of workers report that proper guards are installed on all dangerous parts of machines and equipment



Only **27%** of workers overall report that their factory holds regular evacuation drills

As such, around half of workers (46%) report that they have experienced an accident or injury at work

However, as workers are not enrolled in the NSSF they do not benefit from workplace injury insurance:



Therefore, **94%** of workers who sought treatment for a workplace accident or injury had to pay the costs of treatment and care by themselves

Workplace representation

Workers in the subcontracting sector report widespread challenges to freely join and form trade unions:



Only **1%** of workers are a member of a trade union; only **1%** have any trade union within their workplace; and only **1%** report that management permits workers to freely join and form a workers' representative,

Other forms of workplace representation are also limited:



Only **1%** of workers report that management organise the election of workplace shop stewards

Worker demographics

- Workers in the subcontracting segment of the garment industry are typically women (**86%** female) with low levels of education (only **9%** attended any schooling beyond grade **8**)
 - As such, limited alternative employment options may be available to them
- There is a higher prevalence of younger workers (**10%** are under **18** years of age) and older workers (**26%** are over **38** years of age) in the subcontracting sector relative to the formal sector
 - As such, the subcontracting sector may provide work to those otherwise excluded from the formal sector
- The majority of workers were married (**64%**) with at least one child (**64%**), and were able to live at home (**63%**) in family-owned accommodation during the working week
 - The ability to remain close to home and family was described as a key factor motivating women to work in the subcontracting rather than formal sector of the garment industry, as it enables women to continue performing care roles, for children and elderly parents

INTRODUCTION

The right to Decent Work is recognised in the Universal Declaration of Human Rights, which has provisions dealing not only with “the right to work”, but with the various aspects of decent work, including just and favourable conditions of work, protection against unemployment, equal pay, social protection, and the right to form and join trade unions. Achieving the right to Decent Work is a key target of the United Nations Agenda 2030, with SDG8 calling for countries to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

As the country’s largest formal sector employer, the garment industry in Cambodia is often seen as a flagship for Decent Work in the Kingdom, as well as beyond. Labour rights, conditions, and protections for workers in the sector are generally perceived to have improved steadily over recent years. This is in part due to robust monitoring by the ILO-IFC’s Better Factories Cambodia (BFC) programme, which conducts independent inspections and assessments of garment factories to ensure compliance with labour standards. BFC has been a model for the ILO-IFC Better Work Programme that has since been extended to other garment producing countries, including Vietnam, Indonesia, Bangladesh, and Ethiopia.

The garment sector in Cambodia also benefits from the widespread presence of trade unions within factories. With an estimated 60% of garment workers being members of a trade union, union density within the sector is regarded as among the highest of all industries in any country in Asia (Nuon and Serrano 2010). Studies (e.g. Oka 2016) show that trade union presence has a positive impact for workers in the garment sector in Cambodia, improving factories’ compliance with labour standards across diverse areas including wages, hours, and leave.

The Better Factories programme is largely (though no longer exclusively) limited to large, registered, export-oriented factories. However, in recent years (Lawreniuk, Brickell, and McCarthy 2022; Salmivaara 2021) – or perhaps considerably earlier (ILO 2017) – a significant subcontracting segment of the industry has proliferated that sits beyond the scope of this assessment programme. Here, subcontracting refers to the practice of assigning, or outsourcing, part of the obligations and tasks under a contract to another party known as a subcontractor. For example, a factory enterprise may outsource part of an order to a second facility to manage demand or perform specialist tasks. Moreover, trade union presence is reported to be limited or non-existent in these subcontracting facilities (Lawreniuk, Brickell, and McCarthy 2022; Nuon and Serrano 2010).

Reliable data on the size of the subcontracting segment of the garment and footwear industry, or conditions within it, however, are currently “scarce” (Salmivaara 2021:56). Common estimates suggest that the subcontracting segment of the industry may account for between 15% and 30% of the total industry workforce (e.g. Lawreniuk and Nuon 2022; Salmivaara 2021; ILO 2017; Nuon and Serrano 2010). However, the exact number of subcontracting enterprises and workers is difficult to accurately measure because of the large number of facilities who do not register with official authorities, such as the Ministry of Commerce (responsible for business registration) or Ministry of Economics and Finance (responsible for taxation registration), or employer organisations like TAFTAC or the Cambodian Footwear Association (CFA).

The widespread existence of subcontracting facilities with limited labour rights enforcement therefore poses threat to the progress made towards achieving Decent Work and social protection targets for female workers in the garment sector in Cambodia. This requires urgent investigation to clarify the nature and scale of the problems within the subcontracting segment and identify solutions for remedy that can improve the lives of – predominantly women – workers in the sector.



1 BACKGROUND

1.1. Decent Work and Social Protection in the Cambodian Garment Industry

Generating export revenue and job creation through the garment and footwear manufacturing industry is central to Cambodia's socioeconomic development strategy. Cambodia entered the export-oriented global garment and textile industry in the 1990s. The growth of the industry was spurred through granting of preferential trade access from the US under the Generalised System of Preferences (GSP) in 1997 and the EU's Everything But Arms (EBA) scheme in 2001. Rapid expansion means the formal garment and footwear sector in Cambodia now includes more than 1000 factories, with an export value of over US\$13 billion in 2023 (RBH 2023), reaching the top ten of global exporters of garment and footwear products by 2021 (Chea 2022).

The growth of Cambodia's garment industry has been an important contributor to expanding employment, especially for women. The industry today employs some 850,000 workers (RBH 2023). Around 90 percent of workers are women, predominantly young women from rural areas who have few other labour market opportunities given prevailing gender norms, as well as the lack of economic diversification and limited skills. The incomes of these workers indirectly support hundreds of thousands of family members, as well as a wide range of informal sector workers in industrial zones, including food vendors, clothes sellers, and transport operators.

As the country's largest formal sector employer, the garment industry in Cambodia is often seen as a flagship for Decent Work in the Kingdom, as well as beyond. Relative to other sectors in Cambodia, workers in the garment industry enjoy certain privileges, including a minimum wage applicable only within the sector and social security benefits. Labour rights, conditions, and protections for workers in the sector are monitored by the ILO-IFC's Better Factories Cambodia (BFC) programme, which conducts independent inspections and assessments of garment factories to ensure compliance with labour standards. BFC has been a model for the ILO-IFC Better Work Programme that has since been extended to other garment producing countries, including Vietnam, Indonesia, Bangladesh, and Ethiopia. However, despite the presence of BFC and the extension of social protection programming to workers, access to decent work and social protection among (women) garment workers, including those working in subcontract factories, remain the primary concern.

The garment sector in Cambodia also benefits from the widespread presence of trade unions within factories. With an estimated 60% of garment workers being members of a trade union, union density within the sector is regarded as among the highest of all industries in any country in Asia (Nuon and Serrano 2010). Studies (e.g. Oka 2016) show that trade union presence has a positive impact for workers in the garment sector in Cambodia, improving factories' compliance with labour standards across diverse areas including wages, hours, and leave. Nonetheless, though large, the union landscape in Cambodia is highly fragmented, separated into layers of sometimes opposed or competing union confederations and federations (Nuon and Serrano 2010), which impedes its ability to mobilise and act collectively.

As Cambodia's largest formal sector employer, the garment industry and its workers have been among the prime targets and beneficiaries of Cambodia's social protection rollout to date. In 2007, the National Social Security Fund (NSSF) was created. The first NSSF branch to launch was the Employment Injury Insurance (EII) scheme in 2008. As a pilot project, expansion was initially limited to the garment sector, concentrating on three provinces with the highest density of workers: Phnom Penh, Kampong Speu, and Kandal. Between 2010 and 2013, it gradually expanded to include all 25 provinces of Cambodia.

Almost a decade later, in 2016, the government launched social health insurance schemes for private sector workers through a new NSSF branch, alongside sickness and maternity leave branches. A fourth branch, a pension scheme was launched in 2021. The scheme is funded by contributory fees, collected directly from employers and employees. The contribution rate for formal private sector workers is set at 2.6 per cent of the employee's salary, paid entirely by the employer, except the pension fund which is a joint contribution between workers and their employers. The monthly contribution calculation is capped at 1.2 million Cambodian Riel (KHR), or approximately US\$300. Nonetheless, recent studies (Lawreniuk and Nuon 2022) highlight persistent gaps in social protection coverage and access, notably for workers in the subcontracting segment of the garment industry.

1.2. Subcontracting in the Cambodian garment industry

One of the enduring barriers to the attainment of Decent Work in the Cambodian garment and footwear industry is the proliferation of the subcontracting segment of the sector. Subcontracting refers to the practice of assigning, or outsourcing, part of the obligations and tasks under a contract to another party known as a subcontractor. In the garment sector, for example, a supplier enterprise (Factory A) with a contract to produce goods for garment retailer or buyer may assign or outsource part of the obligations or tasks under that contract to another supplier enterprise (Factory B).

Subcontracting has been a common practice within garment and footwear supply chains for decades (Anner, Bair, and Blaisi 2013). In this example, there are a number of reasons why a supplier like Factory A may decide to enter into a subcontracting arrangement with Factory B. For instance, specialist subcontracting describes an arrangement where Factory B has specialist equipment and/or labour to perform parts of the production process that Factory A cannot perform in house, such as printing, embroidery, dyes, effects, washing, or ironing. Factory A therefore subcontracts Factory B to perform these specialist functions. By contrast, capacity subcontracting describes an arrangement where Factory A does not have the production capacity to fulfil whole or part of an order within the order timeframe. Factory A therefore subcontracts Factory B to perform a portion of the same or similar work it is carrying out to be able meet the deadline. The subcontracting arrangements may be authorised, where the retailer or buyer for whom the product is being produced is aware of and consents to the arrangement, or unauthorised, where the arrangement is made without the prior knowledge or approval of the retailer or buyer.

In Cambodia, the latter form of capacity subcontracting in the garment sector is widely acknowledged as "part and parcel of the industry", where it is seen as "a response to the pressures of buyers' fluctuating orders and unreasonable volumes and timelines" (Salmivaara 2021:56). Although recognised as a pressing

issue over the longer-term, there are recent suggestions that subcontracting arrangements in the garment sector are increasing (Lawreniuk, Brickell, and McCarthy 2022; Salmivaara 2021; Lawreniuk and Nuon 2022; ILO 2017). As such, the number of factories in the subcontracting segment of the industry and its overall workforce are thought to be growing.

Reliable data on the size of the subcontracting segment or conditions within it, however, are currently “scarce” (Salmivaara 2021:56). Common estimates derived from comparing official data from sources such as the MoLVT, NSSF, MoC and labour force survey suggest that the subcontracting segment of the industry may account for between 15% and 30% of the total industry workforce (e.g. Lawreniuk and Nuon 2022; Salmivaara 2021; ILO 2017), potentially driving the total size of the garment and footwear industry workforce in Cambodia to more than 1 million people. However, the exact number of subcontracting enterprises and workers is difficult to accurately measure because of the reputedly large number of unauthorised subcontracting enterprises. These unauthorised subcontractors typically do not register with relevant official bodies including the Ministry of Commerce (MoC), National Social Security Fund (NSSF), Textile, Apparel, Footwear and Travel Goods Association in Cambodia (TAFTAC), or Better Factories Cambodia (BFC). As such, there is no official data recorded on how many unauthorised subcontractors there are or where they are located.

Nonetheless, a recent research study (Lawreniuk 2023) mapped every factory in Cambodia’s Kandal and Takeo provinces. It identified 248 subcontracting facilities across the two provinces from a total of 392 factories. These subcontracting facilities employed an estimated 30000 workers from a total of 190,000 workers across the two provinces as a whole. It might be hypothesised therefore that a majority of enterprises in Cambodia are subcontracting facilities, at 64% of enterprises across Kandal and Takeo based on the details above. These enterprises employ an estimated 16% of the total workforce in Kandal and Takeo. However, there is geographic variation, where subcontracting enterprises employ 35% of workers in Takeo and 11% of the workers in Kandal. More information is therefore needed to understand the national distribution and composition of subcontracting facilities in Cambodia.



2 THE HIDDEN ISSUES

2.1. Supply chain tracing and product destinations

In the study, we further employed a supply chain tracing method to verify these observations and reports from workers about the source of orders and subsequent destination of products being made in the subcontracting facilities. To do so, we tracked the delivery of products manufactured in subcontracting facilities to their destination, typically larger garment production facilities. This enabled us to identify the origin factories that are outsourcing orders to these subcontracting units and receiving goods in exchange. We performed this supply chain tracing on 12 different subcontracting facilities sampled within the study, incorporating seven facilities within Phnom Penh, three facilities in Kampong Speu, and two facilities in Svay Rieng.

The results of this supply chain tracing are shown in Table 6, below. Among the twelve subcontracting facilities sampled in the supply chain tracing, all twelve delivered products to a larger manufacturing facility. By cross referencing the factory name observed on external signboards at goods-receiving sites with the publicly available register of factories participating in the Better Factories Cambodia programme, we were able to evidence that in nine cases this larger, goods-receiving manufacturing site was a factory participating in the Better Factories Cambodia programme. This strongly corroborates the suggestion that products being manufactured in the subcontracting facilities under study are being produced for the export market rather than the domestic market. By searching for destination factories in the TAFTAC member database (available publicly on the TAFTAC website), we were able to further trace the export locations of the factories identified as receiving goods from subcontracting facilities, based on self-disclosure of the factory management. This confirms that good produced in subcontracted facilities likely reach export markets via these factories in locations including Europe, the USA, China, and Japan, as shown in Table 6.



Table 6. Supply chain tracing

Subcontracting facility					Destination facility	
Sample factory code	Sample province location	Product type	Destination factory code	Destination factory location	Is the factory BFC registered?	Export locations
KP03	Kampong Speu	Garments	Factory A	Kampong Speu	Yes	Europe, USA
KP08	Kampong Speu	Garments	Factory B	Phnom Penh	Yes	Europe, USA
KP18	Kampong Speu	Garments	Factory C	Phnom Penh	Yes	Europe, USA
PP07	Phnom Penh	Garments	Factory D	Phnom Penh	No	N/A
PP26	Phnom Penh	Garments	Factory E	Phnom Penh	Yes	USA
PP27	Phnom Penh	Garments	Factory F	Phnom Penh	Yes	Europe, Japan, USA
PP39	Phnom Penh	Garments	Factory G	Kandal	Yes	Canada, Spain, UK, USA
PP40	Phnom Penh	Garments	Factory H	Phnom Penh	Yes	Mexico, Spain
PP51	Phnom Penh	Garments	Factory I	Phnom Penh	No	N/A
PV08	Svay Rieng	Garments	Factory C	Phnom Penh	Yes	Europe, USA
SV08	Svay Rieng	Garments	Factory J	Kandal	Yes	Canada, China, Europe, Japan, USA

Source: Supply chain tracing, 2024.

2.2. Access to decent work and social protection in subcontracting enterprises

2.2.1. Contracts and wages

Table 11. Basic wage rates of workers in the subcontracting segment of the garment industry

Wage rates	Monthly salary [n=185]	Daily wage [n=149]	Hourly rate [n=27]	Piece rate [n=242]
How is your basic wage determined?				
Mean	\$208	\$11	\$1	\$1
Median	\$200	\$11	\$2	\$1
Maximum	\$400	\$17	\$1.50	\$4.00
Minimum	\$150	\$6	\$0.50	\$0.10

Source: Worker survey data, 2023.

Workers' actual take home pay is a product of their wage rate, hours undertaken, available bonuses, and deductions, among other considerations. The next sections of the report review these latter factors in greater detail. Table 12 presents the average monthly take home wage of workers in the sample for the last month worked prior to the survey being carried out. It shows considerable variation in the most recent monthly take home wages of workers in the sample, ranging from \$600 to \$3.

As previously, the type of salary or wage rate of workers has a significant impact on their final salary. Generally, workers receiving a monthly salary receive the highest rates of pay, with a mean average take home pay of \$221. Workers receiving a daily wage receive slightly less on average, at \$202 per month. Workers whose wage is calculated according to a piece rate receive the lowest salaries overall, with an average take home pay of \$120 for the last month worked.

Table 12. Average salaries of workers in the subcontracting segment of the garment industry

Wage rates	Monthly salary [n=184]	Daily wage [n=150]	Hourly rate [n=27]	Piece rate [n=242]
In total, how much did you receive in pay for the last month that you worked?				
Mean	\$221	\$202	\$157	\$120
Median	\$230	\$214	\$172	\$110
Maximum	\$600	\$350	\$280	\$350
Minimum	\$20	\$20	\$25	\$3

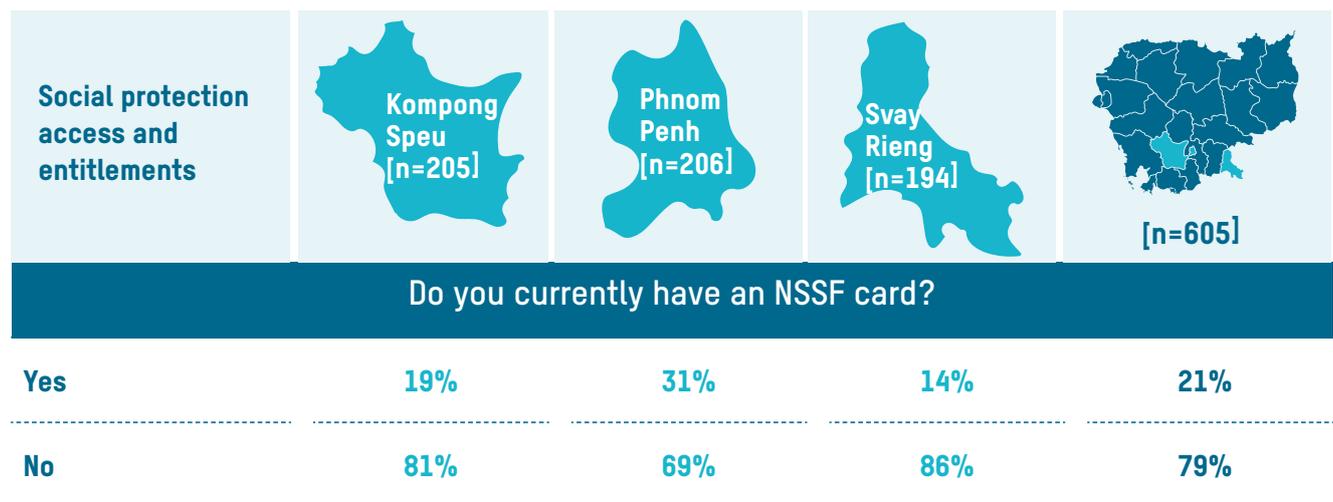
Source: Worker survey data, 2023.

In all cases, the average monthly take home wage in the subcontracting sector is significantly lower than the average monthly wage in the formal sector. Take home pay in the formal sector reached an average of \$263 per month by 2021 and has likely increased since this date following longer term trends (RBH Network 2022). By contrast, the average take home pay of all 605 workers in our sample of subcontracting workers was just \$172. Figure 3 illustrates the differential between average wages in the formal and subcontracting sectors.

2.3. Social protection

Employers in Cambodia are obliged to register workers with the National Social Security Fund, which launched in 2008 to provide an employment injury insurance scheme to cover costs of treatment and recovery for workplace accidents and work-related disease. The NSSF has since expanded to include branches that provide social health insurance, sickness and maternity benefits, and pensions for workers – pension fund was introduced in July 2023. The scheme is funded by fixed contributions from employers and employees. However, as Table 22 shows, the majority of workers (79%) in the subcontracting sector are not registered with the NSSF and do not possess an NSSF card to enable them to benefit from these initiatives. There is some variation by province, where 31% of workers in Phnom Penh have an NSSF card compared to just 14% of workers in Svay Rieng.

Table 22. Social protection access



Source: Worker survey data, 2023.

2.4. Workplace representation

The Labour Law specifies that workers have a right to form and join trade unions of their choice. Moreover, employers are not allowed to obstruct or make it difficult for workers to join and form trade unions (BFC 2020). However, workers in the subcontracting segment of the garment industry report challenges to join and form trade unions. As Table 30 shows, only 1% of sampled workers across the three study provinces report that they are a member of a trade union in their workplace and only 1% report that there any trade union currently operates in their workplace. Low density of trade union associations and membership is similar across the three study provinces. Moreover, workers report that this low density is the product of management interference. For example, as Table 30 further demonstrates, 99% of workers report that management does not allow workers in their factory to freely join and form trade unions in the workplace.

Table 30. Freedom of association and workplace representation

Workplace representation	Kompong Speu [n=205]	Phnom Penh [n=206]	Svay Rieng [n=194]	[n=605]
Are you currently a member of any trade union in this factory?				
Yes	1%	1%	2%	1%
No	99%	99%	98%	99%
Is there currently a trade union in this factory?				
Yes	1%	1%	0%	1%
No	99%	99%	100%	99%
Does management allow workers in this factory to freely join and form trade unions of their choice?				
Yes	0%	2%	1%	1%
No	100%	98%	99%	99%
Are workers free to refuse to join any union, without risk of punishment or reprisal?				
Yes	0%	3%	1%	1%
No	100%	97%	99%	99%
Have you ever been a member of any trade union in this workplace or any previous workplace?				
Yes	19%	17%	15%	17%
No	81%	83%	85%	83%
Does management in this factory organise the election of shop stewards?				
Yes	0%	1%	0%	1%
No	100%	99%	100%	99%

Source: Worker survey data, 2023.



Beyond trade unions, the Labour Law grants workers the right to other forms of workplace representation. In particular, within enterprises with 8 or more employees – which includes every workplace sampled within the study – employers are expected to organise the election of shop stewards. Shop stewards serve two-year terms and should communicate employee concerns to the employer and labour inspectors. However, as Table 30 further demonstrates, in the subcontracting segment of the industry, only 1% of workers report that management in their factory organise the election of shop stewards. The broad lack of workplace representation by either trade unions or shop stewards raises concern about how workers can raise grievances in the workplace or seek redress for any problems experienced.

3 HOW CAN WORKERS IN SUBCONTRACT FACTORIES BETTER ACCESS DECENT WORK AND SOCIAL PROTECTION?

Achieving the right to decent work is a key target of the United Nations Agenda 2030, with SDG8 calling for countries to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. As the country’s largest formal sector employer, the garment industry in Cambodia is often seen as a flagship for decent work in the Kingdom. Labour rights, conditions, and protections for workers in the garment sector are generally perceived to have improved steadily over recent years. This is in part due to robust monitoring by the ILO-IFC’s Better Factories Cambodia (BFC) programme, which conducts independent inspections and assessments of garment factories to ensure compliance with labour standards, as well as the introduction of government initiatives like the National Social Security Fund, which provides social insurance schemes for workers in the sector and beyond.

However, over the past decade, repeated concerns have been raised about the conditions of work in subcontracting facilities, which largely sit beyond the scope of these programmes and initiatives. Reliable data on the size of the subcontracting segment of the garment and footwear industry, or conditions within it, however, are currently “scarce” (Salmivaara 2021:56), precisely because these facilities often do not register with any official authorities. Nonetheless, reports of the widespread existence of subcontracting facilities with limited labour rights enforcement (Salmivaara 2021; Lawreniuk; Brickell and McCarthy 2022) poses threat to the progress made towards achieving Decent Work and social protection targets for female workers in the garment sector in Cambodia.

This report outlines the findings of a research study aimed addressing these gaps by providing a detailed assessment of access to decent work and social protection for female garment workers in subcontracting facilities within the garment industry in Cambodia, focused on three provinces: Phnom Penh, Kampong Speu, and Svay Rieng.

Through a preliminary mapping of subcontracting facilities and supply chains across the three study provinces, the report demonstrates that the prevalence and penetration of subcontracting facilities is widespread in Cambodia. Moreover, production in subcontracting enterprises is linked into the supply chains of export tier factories, rather than producing for the domestic market. The operations and labour regimes of subcontracting facilities across the three provinces are, nonetheless, diverse. However, work in subcontracting facilities across all three provinces is characterised by substantive decent work and social protection deficits, including issues around the minimum wage entitlement; contracts and working hours; social protection benefits workplace representation; and occupational safety and health.

Despite the considerable decent work and social protection deficits that characterise work in the subcontracting segment of the garment industry, the sector nonetheless provides an important source of employment and income for many female workers and plays an important role in the livelihood strategies of many families across the three sample provinces. Indeed, many women working in the garment industry in Cambodia do so because they perceive few alternative employment options, often due to the lack of available work for women with limited levels of skills and literacy in Cambodia. Moreover, many workers in

the subcontracting segment of the garment industry, in particular, are excluded from better forms of work in the export tier of the industry sector through gendered norms, including care roles, or age, including both the young and old.

Moving forwards therefore, it is clear that steps must be taken to improve the standard of work and social protection available to predominantly female workers in the subcontracting industry. However, interventions must, first and most importantly, not act to the detriment of those workers. Instead, they must be cautiously designed to preserve women's access to critical sources of employment and income.



4 RECOMMENDATIONS

1. Deepen understanding of subcontracting in Cambodia.

The findings of this report present an initial effort to evidence the labour conditions and measure access to Decent Work and social protection for female workers within subcontracting factories in Cambodia. It is intended that the findings can help stimulate conversations and provoke policy action around these issues. Further information is required, however, that exists beyond the scope and methods of this report to shape appropriate policy action. For example, further engagement with export tier factories could help provide better understanding how and why they engage in subcontracting relationships and how to reduce this reliance; further engagement with subcontracting suppliers could help provide better understanding of how and why they fail to uphold labour standards and how to strengthen implementation; further engagement with labour monitors including the labour inspectorate could help understand how and why enforcement of labour rights is currently limited and how to strengthen this. This further information is required to tailor policy interventions that tackle the root causes of the issues.

2. Convene stakeholders to explore appropriate policy mechanisms to promote access to decent work and social protection.

The findings illustrate that decent work and social protection deficits are pervasive in the subcontracting segment of the industry. However, it is beyond the scope of the current research to explore the policy landscape of subcontracting in Cambodia and identify opportunities and constraints for improving enforcement of labour standards. Further work to explore appropriate policy mechanisms is therefore needed. Appropriate policy mechanisms are likely complex and will require coordination from multiple stakeholders including, but not limited to, government; brands and retailers; donors and development partners; NGOs and CSOs; employers and employer associations; as well as workers and their unions. As such, coordinating and convening these stakeholders to outline the issues and explore their perspectives on appropriate policy mechanisms, as well as opportunities and constraints for implementing these, is an important first step.

3. Raise awareness of subcontracting practices and mobilise advocacy efforts.

At present, the subcontracting segment of the garment industry often remains absent from policy discourse and initiatives focusing on the garment industry in Cambodia, enabling it to remain hidden in plain sight. Civil society organisations and trade unions can build alliances to raise awareness of labour conditions in subcontracting facilities, developing advocacy efforts by working together to promote clear demands, strategies, and campaigns for reform. Where the findings show that some workers lack clear knowledge and understanding of their workplace rights in subcontracting facilities, civils society and trade union alliances can strengthen worker education to address gaps in knowledge and awareness and, in doing so, build demands for improvement and extension of decent work and social protection in the subcontracting segment of the industry.

4. Reduce the incentives for export factories to engage in subcontracting relationships.

The findings suggest that the subcontracting segment of the garment industry in Cambodia is engaged predominantly in capacity or horizontal subcontracting for export tier factories higher up the supply chain. This type of subcontracting describes an arrangement where Factory A does not have the production capacity to fulfil whole or part of an order within the order timeframe, and therefore subcontracts Factory B to perform a portion of the same or similar work it is carrying out to be able meet the deadline. This corroborates earlier suggestions that the subcontracting segment of the industry is driven by the purchasing practices of brands and buyers: “a response to the pressures of buyers’ fluctuating orders and unreasonable volumes and timelines” (Salmivaara 2021:56). As such, to reduce the incentives for export factories to engage in capacity subcontracting, brands and buyers should review their purchasing practices – including order volumes, deadlines, and unit pricing – to understand if and how factory suppliers can work within these constraints. Brands should offer fairer and more sustainable purchasing terms that enable export factories to fulfil and produce orders both in house and in conditions which allow workers to benefit from standards of Decent Work.

5. Strengthen and promote access to decent work and social protection for women workers in the formal segment of the garment industry.

The findings further suggest that the workforce in subcontracting factories is comprised predominantly of women who find themselves excluded from work in the formal sector, sometimes through age restrictions but most commonly due to caring obligations. Many women are motivated to work in the subcontracting segment of the industry because the working patterns here are more flexible and working relationships more permissive than in the formal sector. As such, to encourage more women with caring responsibilities to remain working within the formal sector, brands and government must work with factory suppliers to enforce their current obligations towards women workers and promote extended support. For example, factory suppliers have existing obligations that are currently rarely fulfilled that would enable more women with caring responsibilities to continue working in the formal sector, including to provide childcare facilities for workers; to ensure overtime is voluntary; and enable women to take periods of annual leave. Generally in Cambodia, monitoring of these commitments in export tier factories is good but enforcement where labour standards are found lacking is limited. The government must therefore review how to enforce labour standards in export-tier factories, including considering utilising the right to withdraw business and export licenses where the possibility of remediation is exhausted. Government, brands, and suppliers can further review what additional support women need to stay in employment in the formal sector, and promote and pilot new initiatives that respond to these needs.

6. Strengthen and promote access to decent work and social protection for women workers in the subcontracting segment of the garment industry.

The findings show that work in subcontracting facilities across all three provinces is characterised by substantive decent work and social protection deficits. However, work in subcontracting facilities nonetheless provides an important source of employment and income for many women workers who may have limited other options beyond the subcontracting segment. Rather than seeking to prohibit

the operations of these subcontracting units, which would place many women out of work, government and brands, must therefore urgently work together to provide redress and remediation. The government should review how to enforce registration of subcontracting units with relevant authorities, how to extend monitoring of labour standards to cover subcontracting units, and how to enforce labour standards where these are found lacking. Donors and development partners can assist by providing technical, management and financial assistance to expand monitoring and enforcement capacity.

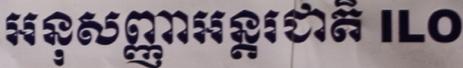
7. Encourage international brands to engage in supply chain due diligence and human rights remediation.

The findings suggest that the subcontracting segment of the garment industry in Cambodia is producing for an export market, manufacturing products for international brands and retailers for sale for territories including Europe, the US, UK, Japan and China. International governments in these jurisdictions can compel brands and retailers to perform supply chain due diligence and arrange for remediation of breaches of human rights obligations where these occur. Several jurisdictions have introduced or are considering introducing legislation to require companies to perform mandatory due diligence and remediation. These jurisdictions, or relevant authorities within them, should consider if practices in subcontracting segments of supply chains constitute a breach of these obligations and what sanctions might be appropriate if so.



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