

# AN OVERVIEW OF CAMBODIAN WOMEN WORKING IN GARMENT INDUSTRY

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## **Abstract**

*Cambodia a small and post –conflict nation has emerged from civil war in 1998. With the establishment of democratic government after ostensible end to conflict in 1993, foreign investors from Hong Kong, Singapore, Malaysia and Taiwan started to invest in garment sector in Cambodia. Trade agreement between US and Cambodia in 1999 paved a smooth path to expansion and development of garment industry. Garment industry has helped the country to reduce poverty and empower women by providing them with access to employment opportunities. Currently, it is only garment sector where 90 percent workers are young rural women who are the breadwinner of their families.*

*This paper attempts to present an overview of once rapidly growing and now downing because of recent global financial crisis, garment industry of Cambodia, which employs half of total Cambodian work force and has also been the source of livelihood of most of the rural poorly educated women. Through this paper it has also been tried to highlight the internal environment conditions of garment industry and the facilities available to workers and also the problems they are facing.*

## **Introduction**

Cambodia, between the two larger and developed neighbours: Thailand and Vietnam, is a small Southeast Asian country of approximately 13.4 million people. Its majority of population lives in rural and employed in agriculture sector which generates 32% of GDP and employs more than half of the country's labour force. Poverty still afflicts nearly one third of the population, while income inequality, particularly between rural and urban areas, is on the rise.

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Adult literacy rate is 71 percent, with female literacy at 41 percent and per capita income is US\$321 a year.<sup>1</sup> Cambodia has bitterly faced civil war and came to overcome the war in 1993 with the holding of the country's first democratic elections.

The garment industry, being one of the most successful industries in Cambodia comes on third number after the tourism and agriculture. Garment industry has grown very fast in short span of hardly two decades period. By 2005 the industry employed more than 250,000 workers, most poorly educated young women. It now employs more than 350,000, and represents nearly 15 percent of the economy and 80 percent of export earnings, amounting to more than \$2 billion per year.<sup>2</sup> According to the Economic Institute of Cambodia (2006), the rapid growth of garment industry continued because of three main reasons: (1) the US and EU imposed safeguards to restrain PRC exports, which benefited Cambodian garment manufacturers; (2) Cambodian factories maintained good labour compliance; and (3) trade facilitation reforms reduced the time and cost of export and import shipments.<sup>3</sup>

The recent global financial crisis has also damaged the Cambodian garment industry and thousands of workers have been suspended from their work, jobs and several factories are closed, women workers are severely affected of this sudden breakdown of garment industry.

### **Origin of Cambodian Garment Industry**

Export oriented garment production in Cambodia is a relatively new phenomenon, however, silk and cotton were produced and made into garments in Cambodia on a small scale during French colonial rule (1863-1953). Textile production in Cambodia began with the establishment of state-owned textile company SONATEX in 1969. The modern origin of garment industries can be seen in early 1990s when foreign exporters from Hong Kong, Taiwan, Malaysia and

Singapore started operating the first export oriented garment factories in Cambodia.<sup>4</sup> Garment industries in Cambodia rapidly increased after 1997, when United States granted Most Favoured Nation (MFN) status to Cambodia and in 1998, the US Government began negotiations with Cambodia to establish quotas for garment exports. The officials from the Office of the US Trade Representatives visited Cambodia in January 1999, thus US and Cambodia entered into a ground breaking three-years trade agreement of Textile and Apparel, which was extended for another three-year period on December 31, 2001. This agreement gave the go ahead for a further rapid expansion and development of the industry. By this agreement the US government appreciated conducive working conditions in garment industry and reserved a sufficient portion of its imports for Cambodian garments. The US awarded 9 percent of its imports quota to Cambodia in 2001, 12 percent in 2003 and 14 percent in 2004.<sup>5</sup> Many of the factory owners are from elsewhere in Asia, including Hong Kong, Singapore, Malaysia, Taiwan, South Korea and China. They have been attracted to invest in Cambodia by low pay and the access for their products to the US and European markets, under the Most Favoured Nation (MFN) trade agreements. The textile and garment industries rapidly increased in late 1990s. In 1998 there were only 129 factories, which increased to 229 in 2004 and 258 in 2005. Its production increased from US\$ 400 million in 1998 to US\$ 1.9 billion in 2004.<sup>6</sup> According to Ministry of Commerce figures, there were 262 registered garment factories in Cambodia as of May 2009.<sup>7</sup> The garment industry has contributed a lot to its domestic employment generation, particularly for rural poorly educated women, and helped to reduce poverty and increased social and economic empowerment of women in the country. Most of the garment workers in capital city Phnom Penh are young women from rural Cambodia. They not only make a living for themselves, but also support their families back home.

**Table-1: The Number of Factories and Employment in the Garment Industry, 1995-2008**

<b>Year</b>	<b>1995</b>	<b>1997</b>	<b>1999</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>*2005</b>	<b>**2006</b>	<b>***2007</b>	<b>****2008</b>
<b>Factories Number</b>	20	67	152	190	188	197	206	n.a	306	288	285
<b>Employment (000)</b>	18.7	51.6	96.6	122.6	210.4	234.0	245.6	270.0	317.1	347.8	327.1

**Note:** ILO's figures include all factories active on 31st October, which have been monitored by Better Factory of Cambodia.

**Source:** USAID (2005, p.4); \*EIC (2007, p.16); \*\*ILO (2006, p. 2); \*\*\*ILO (2007, p.2); \*\*\*\* ILO (2008, p.2).

**Table-2: Garment Production in Cambodia 1998-2005 (US\$ Millions)**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Number of factories	129	152	190	186	188	197	229	258
Local value added*	113	166	296	347	387	474	591	659
Raw material imports**	238	348	621	728	813	995	1,240	1,384
Garment Exports	378	553	985	1,156	1,291	1,580	1,969	2,197

**Sources:** USAID (2005), GMAC, Sok Hach et al. (2001)

*\*Local value added was calculated as 30 percent of total garment exports based on an estimate of 28.6 percent of local value added to total garment exports by Stuart-Smith et al. (2004) and estimate of 1/3 of total garment exports by Sok Hach et al. (2001); \*\* Value of imported raw material is estimated at 63 percent of total garment exports in Sok Hach et al. (2001)*

After the recent global financial crisis Cambodia's garment factories, which make up the most important industry are losing orders.

According to the Cambodian ministry of commerce, garment exports generated only 70 million US dollars in January 2009, compared with 250 million dollars in January 2008.<sup>8</sup> At least 90 garment factories have shut down in the past year in Phnom Penh and about 50 other factories have suspended their workers. In 2009, Cambodia is expected to deliver the single largest decline in GDP growth of any Association of Southeast Asian Nations (ASEAN) country—perhaps 1%, compared with 10.2% in 2007.<sup>9</sup> Unofficial sources reported about 70,000 garment workers have lost their jobs in recent global financial crisis. Those who have lost their jobs are struggling: some have gone home, while others are trying to make a living in the entertainment sector or are even turning to crime.

### **Garment Sector and Women Employment**

Cambodian Society is changing very fast on many levels as the establishment of liberal democracy and technological advances, have paved the way for an influx of foreign aid and investment, market reforms, private business and emerging of civil society organizations. On the one hand, socio-economic change is introducing new values and opportunities, and on the other, Cambodian society is fighting to regain traditional values and ideals. But the perceptions of gender identity, especially the female gender identity, are closely linked to notions of “culture” and “tradition”. Cambodia is a hierarchically structured society, with strong notions of power and status, wherein the strong identification with men as breadwinners and women as household managers and carers is one such example. Likewise are the moral codes that determine “proper” behavior and conduct of women, known as the *Chba’p*, which are still taught in schools today.<sup>10</sup> In this social order, women are considered to be of lower status relative to men. Although women are nominally guaranteed equal rights with men in the Cambodian Constitution, the ability to claim these rights is subject to prevailing social ideals and attitudes about power and gender relations. Instead of societal

restrictions, the only garment sector is a key economic pillar and the largest formal employer in the country, employs far more women than men. Cambodian women have played a significant role in economic development through their active participation in labour force particularly by joining garment sector. The garment sector's growth has played an important role in enhancing women's participation in the labour market. Industry has been a boon for women's employment in Cambodia, even though this employment has been overwhelmingly low skilled and low income in nature.<sup>11</sup>

Cambodia is the only country in Southeast Asia, with the highest women labour force round about 82 per cent. But yet their socio-economic contributions remain undervalued and unappreciated because of traditional image of women and hierarchal ordered society with traditional and cultural norms that discriminate against women. More than 90 percent of garment workers are young women between the age 18-25 years<sup>12</sup>, they come from larger rural families which suffer frequently because of droughts and floods. This economic opportunity to women has broken down the prevailing social norms which obligate women to stay at home and do not go away from their parents and the whole society has started recognizing the important contribution of women toward the country's economic development.

Due to the recent financial crisis Cambodian women garment – workers have lost their jobs and reported that many women who lost their jobs have been forced into prostitution. One out of five Cambodian women aged between 18 and 24 depends on the garment industry for work. The recession forced the closure of 77 garment factories in Cambodia in the first nine months of 2009 while another 53 factories suspended operations.<sup>13</sup>

## **Wages and Income**

The Cambodian Labor Law, passed in 1997, gave authority to the Ministry of Labor to set minimum wage levels for all working sectors. Minimum wage is the wage level that employers may not undercut, which is guaranteed by law.<sup>12</sup> The textile, garment and footwear industry is the only sector with a minimum wage, currently set at \$50 per month. At the time of passing of the labour law the minimum wage level was set \$40 for the garment sector, that increased to \$50 in the period of 13 years and definitely the increasing wage level does not meet the living needs of the worker. The minimum wage level is very much essential because majority of the garment workers comes from very poor households and due to the strong culture of reciprocity; workers are obligated to contribute cash income to help support other family members.

In many factories, wages have been cut from \$40 a month to \$30 a month and overtime from 80c to 50c an hour. In some factories employees face problem of under-payment of wages and average working is 10 hour per day, while official working hours in garment industry are 8 hours per day and 6 days per week. Most of the workers do over time about 3-4 hours daily. It is commonly seen the involvement of government's inspectors in bribery, they are often paid by employers. The official minimum wage level is in reality a maximum wage level and many employers are even paying less. Absence from work due to illness and other reasons is punishable by a high deduction or reduction in salary. At the same it is long and hard work but the economic rewards are minimal. Investors once based in Thailand are seeking to establish factories in Cambodia to take advantages of pay at 25c for an hour instead of \$1 in Thailand.

Most of the garment workers frequently leave one factory to join another, thus their seniority bonus, which is a legally mandated entitlement is not paid. Even if a worker has 10 years of work experience, when he leaves to work at another factory, his seniority

bonus is reset to zero. In other words it can be said that most of the factory workers are not paid seniority bonus. Thousands of Cambodian garment workers have mounted a series of strikes over low pay, loss of jobs and poor working conditions in third quarter of the current year. On July 25, about 4,500 garment workers gathered outside the National Assembly to protest the miserable wage increase approved by the Labour Advisory Committee. The panel voted to increase the monthly minimum wages by the equivalent of \$US5 and endorsed a government call to merge the existing \$6 cost-of-living supplement into the basic wage, thereby raising the minimum wage from \$50 per month to \$61. The Community Legal Education Centre (CLEC), following research commissioned last year, recommended that the minimum wage be raised to \$71.99 a month, if it is less than this, workers cannot meet with their basic need.<sup>15</sup> Earnings in the sector vary, but most workers receive somewhere between US\$70 and US\$100 per month, including bonuses. Majority of garment workers are unable to save money because of low wages and family burden. A garment worker in 2004 received an average wage of US\$60 per month.<sup>16</sup> Of this amount, half went for meeting basic living and transportation to and from work place and remaining half for the support of their families in the rural areas.

### **Working Environment and Challenges**

The reports show that when it comes to the issues covered by the Fundamental Conventions of the ILO, Cambodia is doing well. There is no forced labor, and only some child labor and sex-discrimination was found. Freedom of association, for which the reports indicate harassment and dismissal of union leaders/members, as well as efforts to hamper the establishment of unions and occasional violence, remains a serious issue. 73% of workers surveyed are satisfied with the working conditions, however, 55% of workers surveyed perceive that their health conditions worsen after working



in the industry for several years. It clearly indicates that an overall working environment is favourable but there are problems in the areas of payment of wages, duration and non-voluntary nature of overtime. Workers are often forced to work overtime. The major problem female workers are facing in garment industry is the maternity leave. They are given 3 months maternity leave without pay and only those workers whose service is more than 12 months can receive half of their pay and bonus due to regular staff. Female factory workers are exposed to various forms of risky employment, exploitation, unsafe migration, and trafficking as a result of income loss and retrenchment. Various studies reveal long-standing, often cyclical, labor flows between the garment sector and various forms of sex work.<sup>17</sup> The great risk these young female workers face is their social reputation and chances of marriage when they leave home to work in this sector because of social norms which restrict women's frequent social mobility and employment.

## **Conclusion**

Despite the relatively short history of the Cambodia's garment industry, it is a model of success in trade liberation and to understand the connection between trade and poverty reduction. The sector has widened employment opportunities for rural women and thus played a vital role in breaking down the prevailing social norms which restrict women's social mobility and employment. Due to this industry the education and health conditions of rural communities are improved and rural young women are now well educated and playing vital role in country's economic development. As the garment industry is the backbone of Cambodia's economy and largely provides employment to poor rural women hence the government should pay its attention towards development of this industry because the recent global financial crisis has badly affected the industry and thousands of employees have been suspended.

Current minimum wage level of \$50 per month is not sufficient to cover the minimum basic needs of a worker and dependants, Workers need at least 71.99 per month, of which \$56.99 is to cover the worker's basic needs and \$15 is to cover the basic needs of their dependants. There is a need to review the minimum wage annually, not only to keep wages in line with changes in the economic situation (such as inflation), but also changes in their health situation and family structure of workers.

The implications for these workers, especially with regard to safety issues like workplace abuse (including exploitation and trafficking) and health issues like HIV and AIDS exposure, are thus potentially very severe, and should not be neglected in the wider debates about the downturn and its affect on women and women's employment in Cambodia.

The welfare of garment workers, during this recent financial crisis should be major concern of policymakers and the development community in Cambodia.

## **Reference**

<sup>1</sup> UNDP Human Development Report 2004, p.186.

<sup>2</sup> [http://pdf.usaid.gov/pdf\\_docs/PDACM720.pdf](http://pdf.usaid.gov/pdf_docs/PDACM720.pdf). Accessed on 2010/09/12.

<sup>3</sup> <http://www.adb.org/documents/events/2009/Poverty-Social-Development/P3-impact-cam-women-workers-Dasgupta-paper.pdf>

<sup>4</sup> Cambodia's Garment industry-Origins and Future Prospects, Economic and Statistics Analysis Unit, Overseas Development Institute, Westminster, 2005.

<sup>5</sup> Sandra Polaski, "Cambodian Blazes a New Path to Economic Growth and Job Creation", *Carnegie Paper No. 51*, October 2004.

<sup>6</sup> NEAK Samsem and YEM, Sokha, "Trade and Poverty Link: The Case of Cambodian Garment Industry", *Cuts International*, August 7, 2006, p-3.

<sup>7</sup> <http://www.adb.org/documents/events/2009/Poverty-Social-Development/P3-impact-cam-women-workers-Dasgupta-paper.pdf>

<sup>8</sup> <http://www2.dw-world.de/southasia/SoutheastAsia/1.235847.1.html>

<sup>9</sup> Sukti Dasgupta, op.cit.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> [http://www.unifem.org/gender\\_issues/women\\_poverty\\_economics/facts\\_figures.php](http://www.unifem.org/gender_issues/women_poverty_economics/facts_figures.php). Accessed on 2010/10/9

<sup>13</sup> <http://www.wsws.org/articles/2010/aug2010/camb-a10.shtml>. Accessed on 2010/10/6

<sup>14</sup> [http://www.clec.org.kh/files/Minimum\\_wage\\_study\\_in\\_Garment\\_Sector\\_Cambodia.pdf](http://www.clec.org.kh/files/Minimum_wage_study_in_Garment_Sector_Cambodia.pdf). Accessed on 2010/10/13

<sup>15</sup> <http://www.wsws.org/articles/2010/aug2010/camb-a10.shtml>

<sup>16</sup> NEAK Samsem and YEM, Sokha, op.cit., p-12.

<sup>17</sup> Sukti Dasgupta, op.cit.