



CAMBODIA Labour Situation & HR Strategies

**22 November 2022
Tokyo, Japan**

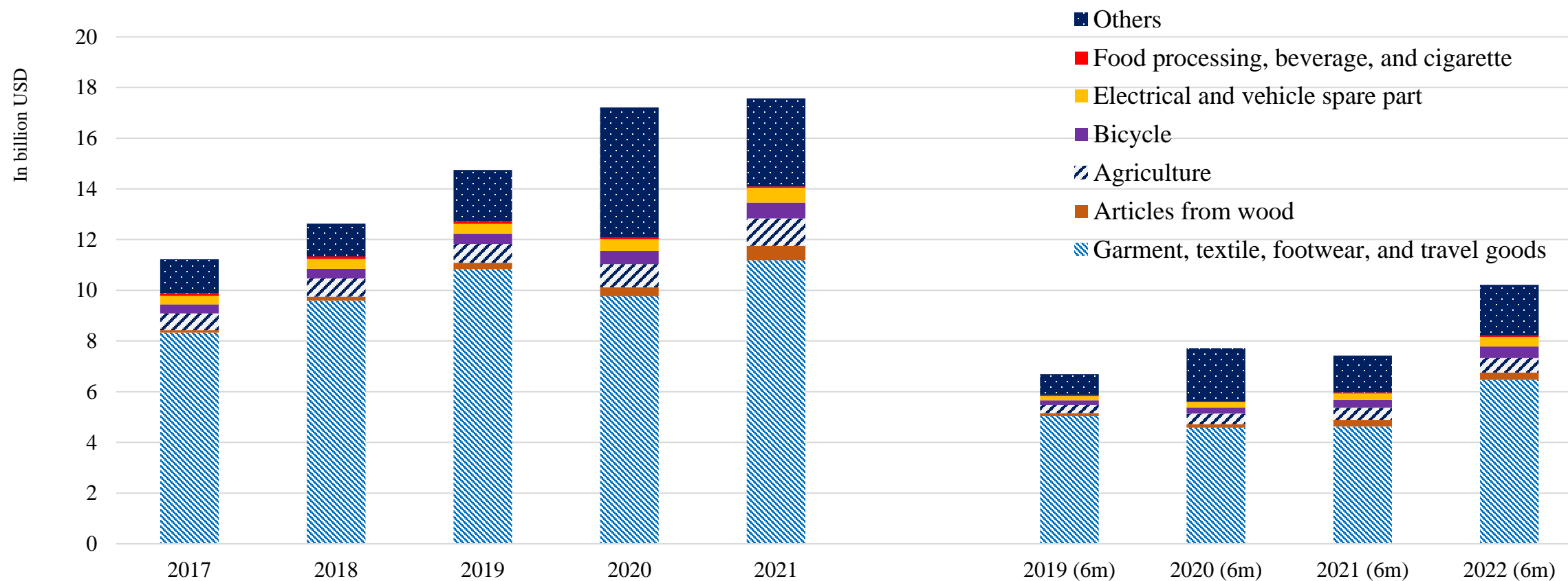
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Overall Economic Overview

The government expects the economic recovery to begin in 2021 with **4%** GDP growth followed by **5.7%** in 2022 and **6.3%** in 2023!



Total Exports of Cambodia by Products from 2017 to 2022 (6 months)

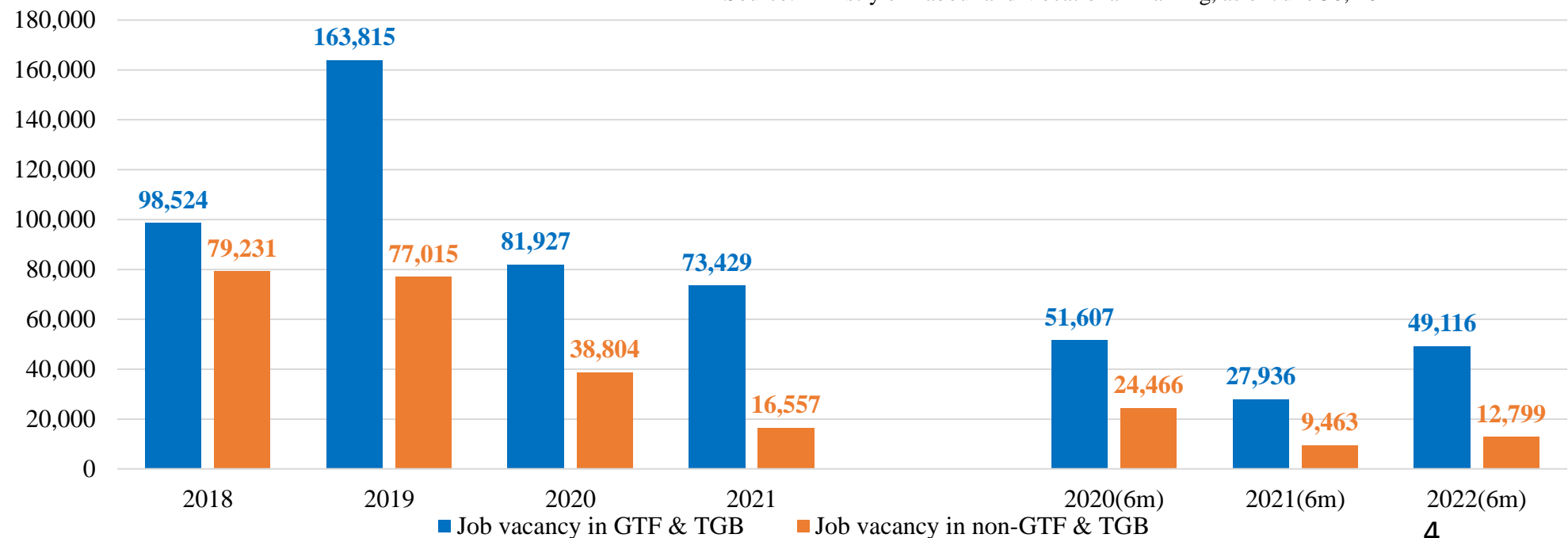


Factory, Worker/Year	2019		2020		2021		2021 (6m)		2022 (6m)	
	Enterprises	Workers	Enterprises	Workers	Enterprises	Workers	Enterprises	Workers	Enterprises	Workers
Newly Opened	194	49,857	112	23,208	191	71,472	60	21,554	107	28,086
Closed	144	69,809	129	71,202	164	73,387	114	57,093	45	10,435
Gap (Opened - Closed)	50	(19,952)	(17)	(47,994)	27	(1,915)	(54)	(35,539)	62	17,651

Number of factories newly opened/closed and its workers in GTF and TGB sectors (2019 – June 2022)

Source: Ministry of Labour and Vocational Training, as of June 30, 2022

Potential Job Creation in GTF & TGB and Other Sectors



Industrial Relation Trends...

Labour Law & policies adjustment for productivity & competitiveness

July 2007

Reduced night shift from 200% to 130% of wages implementation

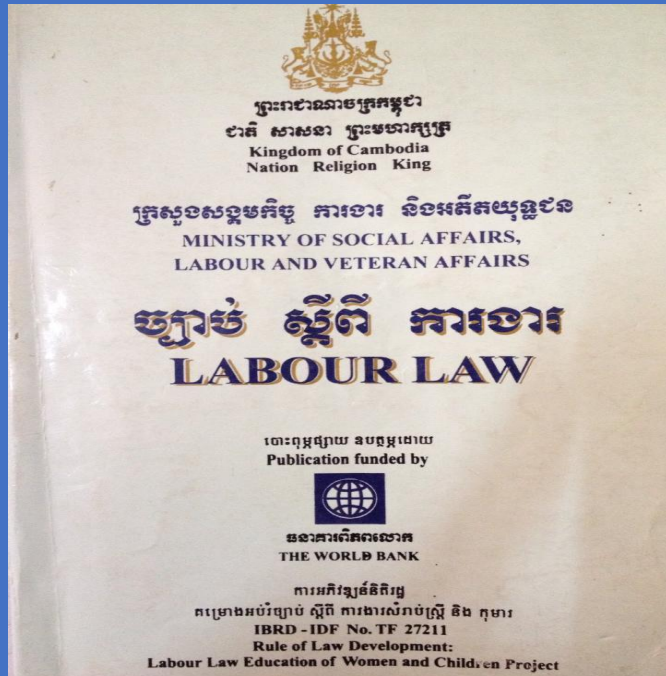
June 2018

Adjusted the implementation of Payment of Indemnity for Dismissal to regular Payment of Seniority Indemnity

October 2021

- Removed carry forward PH on Sunday (*)
- Extended Labour Arbitration Council to Individual Disputes

(*) August 2020: Public holidays reduced from **28 days** to **22 days** per year.

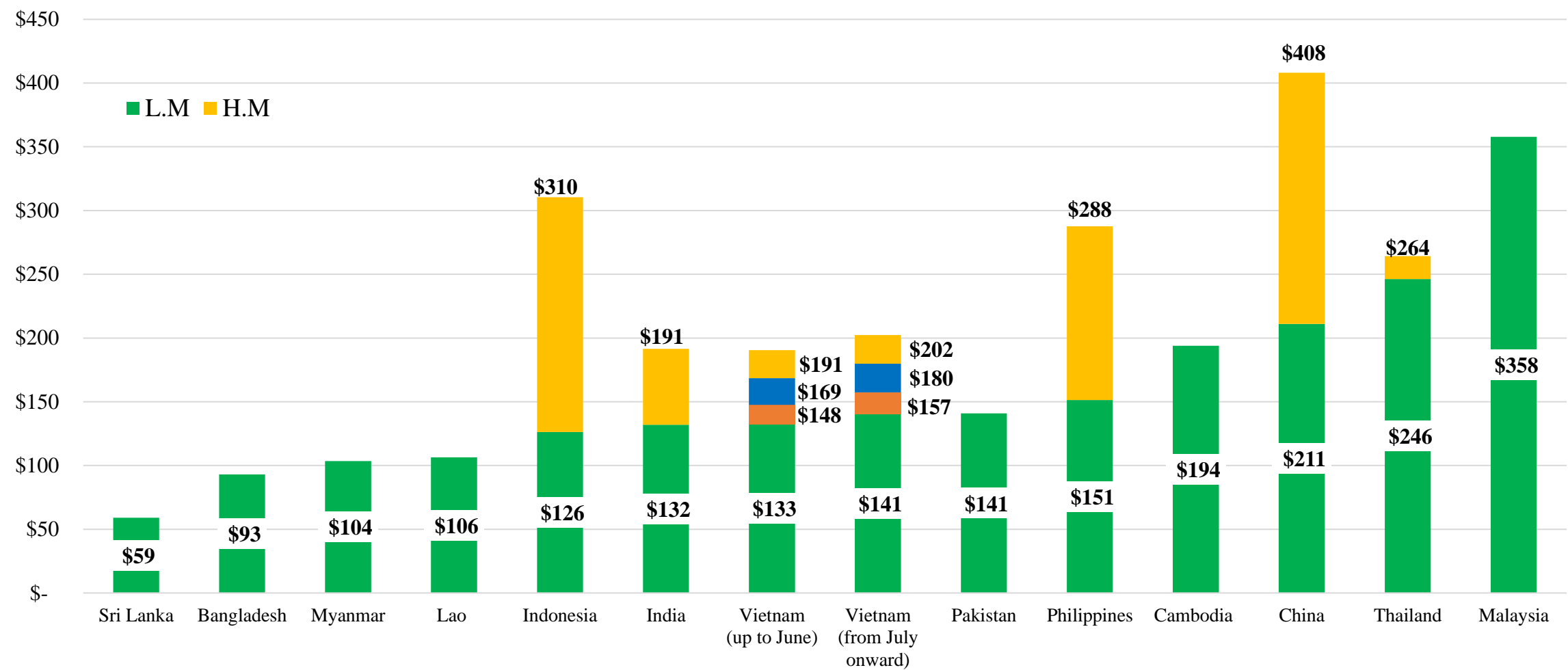


13 March 1997

Wages Policies Practices

- **Key component of employment contract:** wage is one of the conditions to prove industrial relation: employer offers wages in exchange with services provided by the worker.
- **Minimum Wage (MW):** applies in **apparel, footwear and traveling goods sectors**, however, can be introduced to other similar manufacturing industries.
- **2023 MW** is determined at **200 USD** + mandatory allowances (Transport/house; Attendance; Seniority Bonus)
- **National Council of MW (NCMW)** discusses and determines MW **every year** while minority of unions keep pushing the wages move up dramatically.
- Furthermore, the competition among factories in terms of labor force push the wage goes up high.

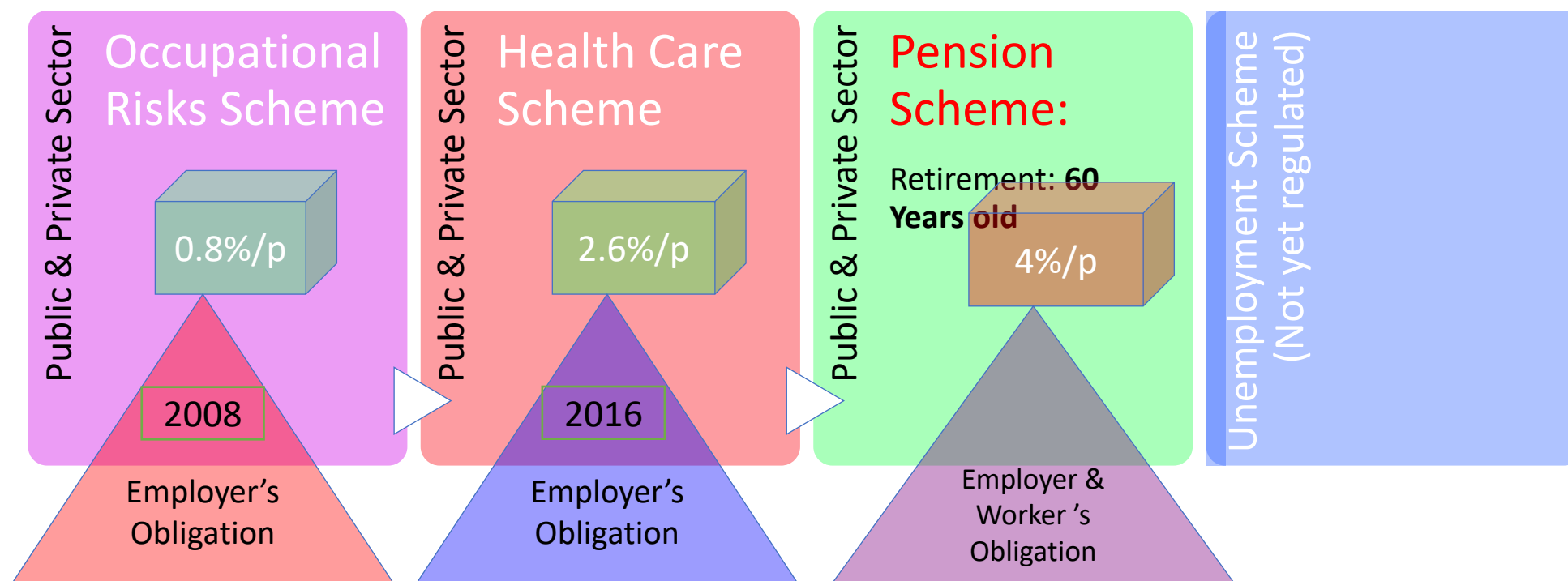
Minimum Wage in Selected Countries in 2022



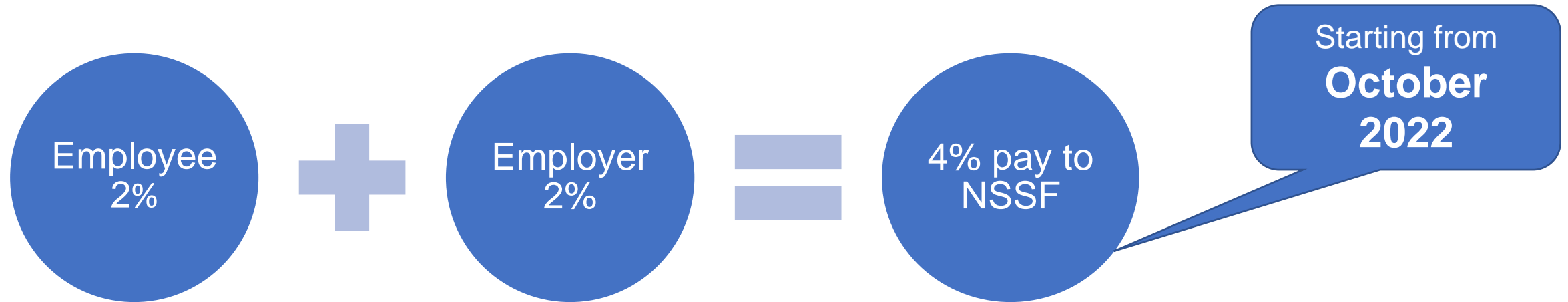
Source: Ministry of Labour and Vocational Training’s compilation based on national statistics, exchange rate 2022Q1 from IMF

Law on Social Security & Intro. of Pension Scheme

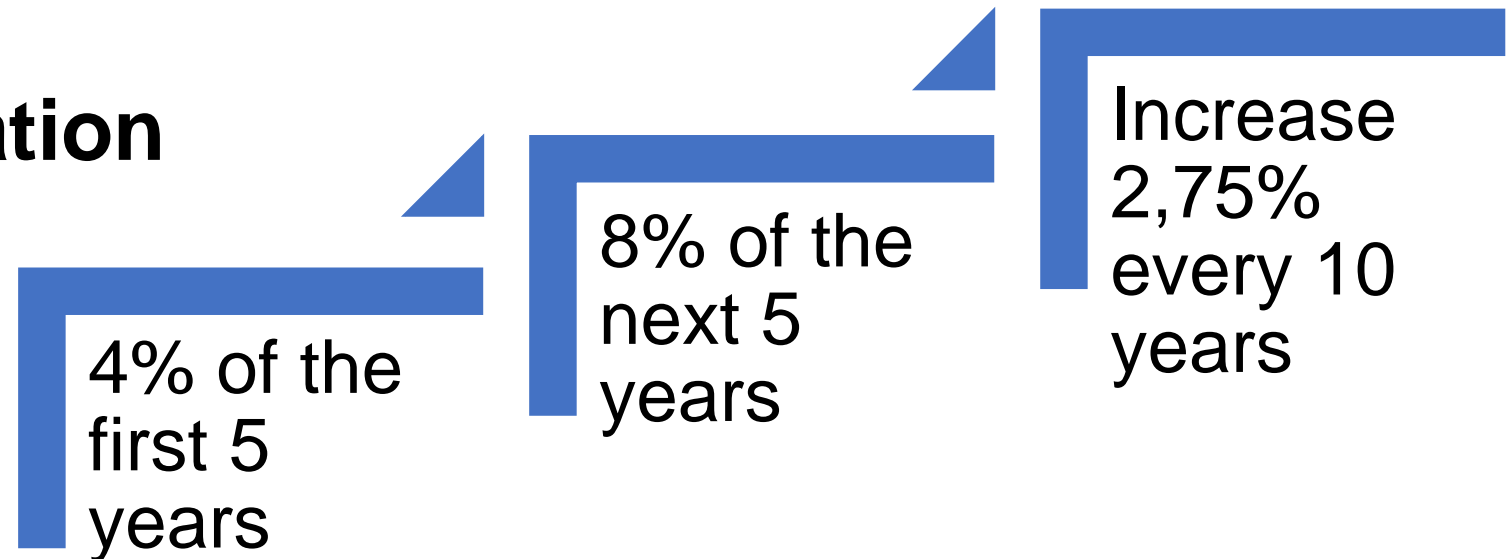
SCOPE: Public Sector Employees, Persons defined under Labor Law, Navy, airlines, household workers and self-employed



Contribution Rate



Future Implementation



Impact of COVID-19 & New Normal

Cambodia's Covid-19 Situation 2020-2022

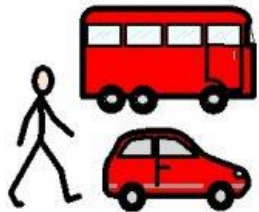
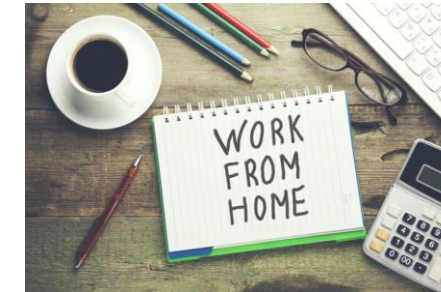
- Cambodia had its share of the nightmare of the Covid-19 transmission beginning 2020.
- On 23 November 2020, the Ministry of Labour confirmed that over 110 garment factories have closed, leaving 55,174 workers unemployed due to impacts of COVID-19
- As of 03 November 2022
 - Total Number of Infected Cases: 137,995 + 10 active cases
 - Total Number of Deaths: 3,056
 - Total Number of Recoveries: 134,931

ER-EE Collaboration against Covid-19

2020 STATEMENT

COVID-19
OUTBREAK

2020 Impact
Assessment
Survey on
Covid-19



Travel and Transport



Government's Relaxation Policies on Covid-19

Lifting of travel bans; Cambodia one of the top for COVID-19 vaccination roll-out.

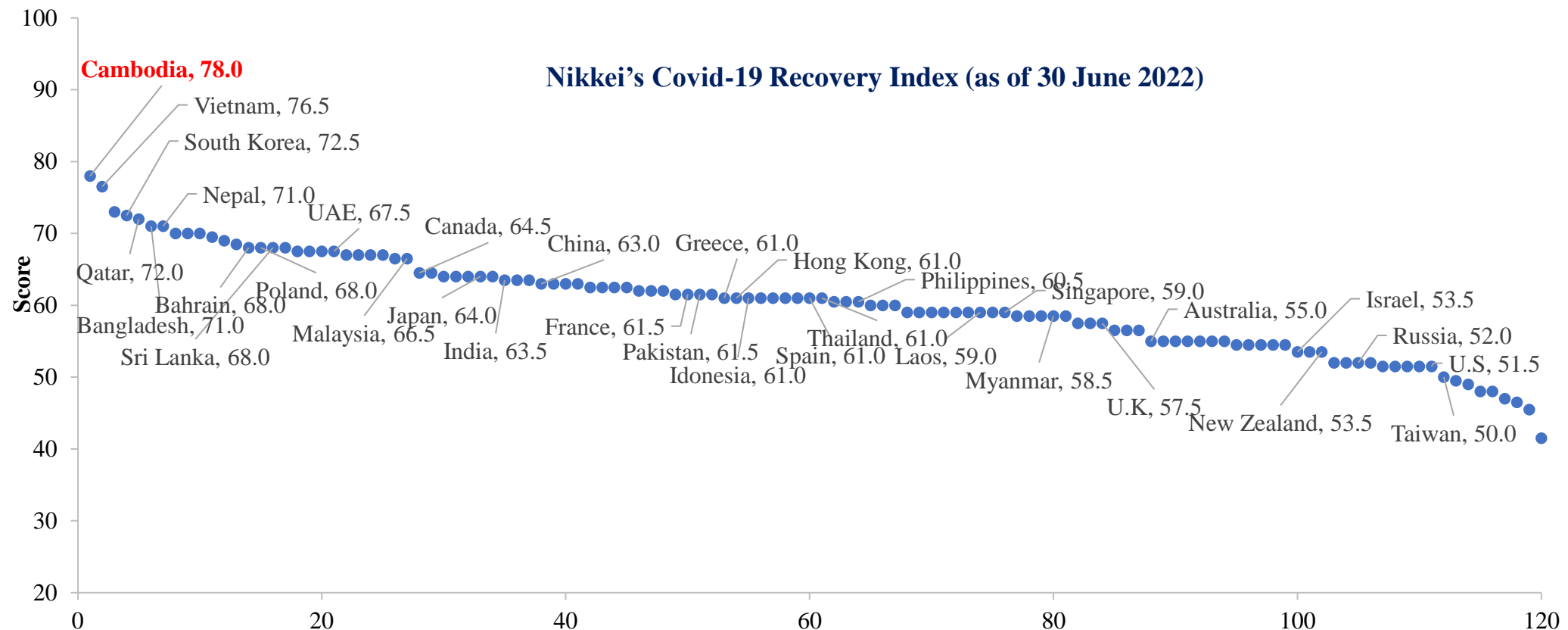
No more quarantine for unvaccinated travelers with negative antigen tests

Resumed issuance of visa upon arrival

Optional wearing of masks only in open spaces

Continuous advocacy for vaccination and hygienic practices

Cambodia was ranked number 1 with 78.0 points as the fastest country with the ability to recover from Covid-19



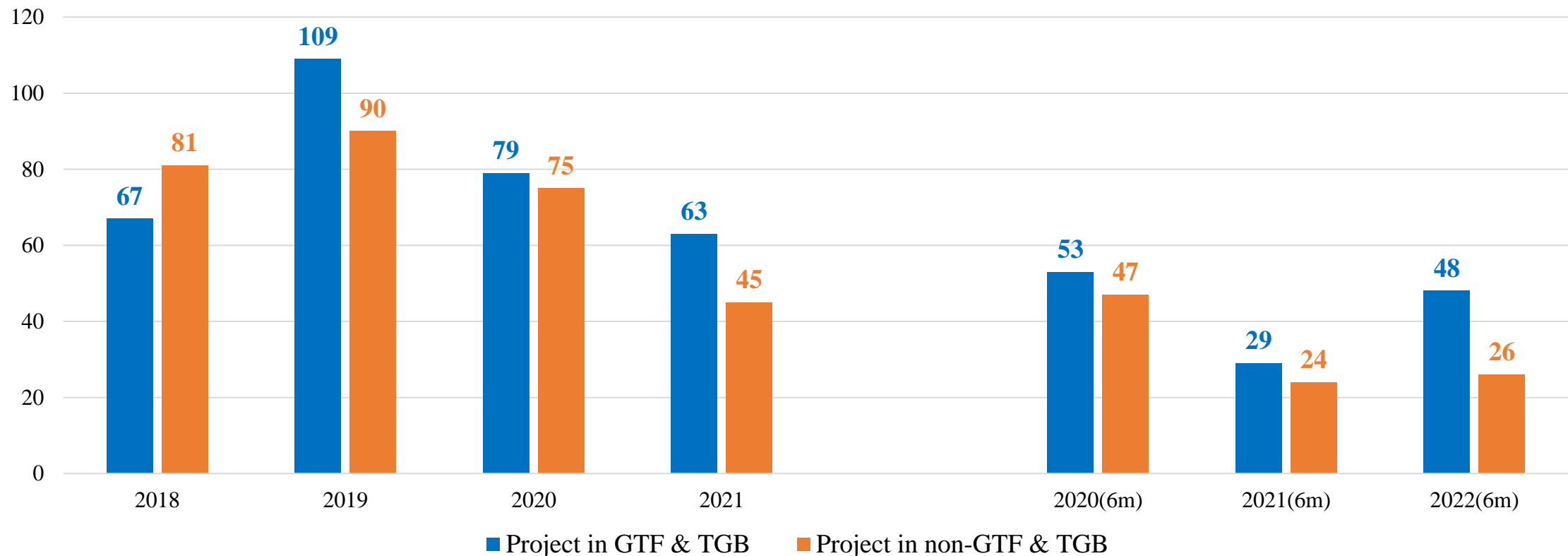
Note: Nikkei Covid-19 Recovery Index ranks more than 120 countries/regions on infection management, vaccine rollouts and social mobility; a higher ranking indicates a country/region is closer to recovery with its low numbers of confirmed Covid-19 cases, better vaccination rates and/or less stringent social distancing measures; data sources include Our World in Data, Google Covid-19 Community Mobility Reports, Oxford Covid-19 Government Response Tracker, Cirium, and Orbital Insight.

Source: Nikkei Covid-19 Recovery Index, accessed on July 11, 2022

Social & Biz Changes & Future

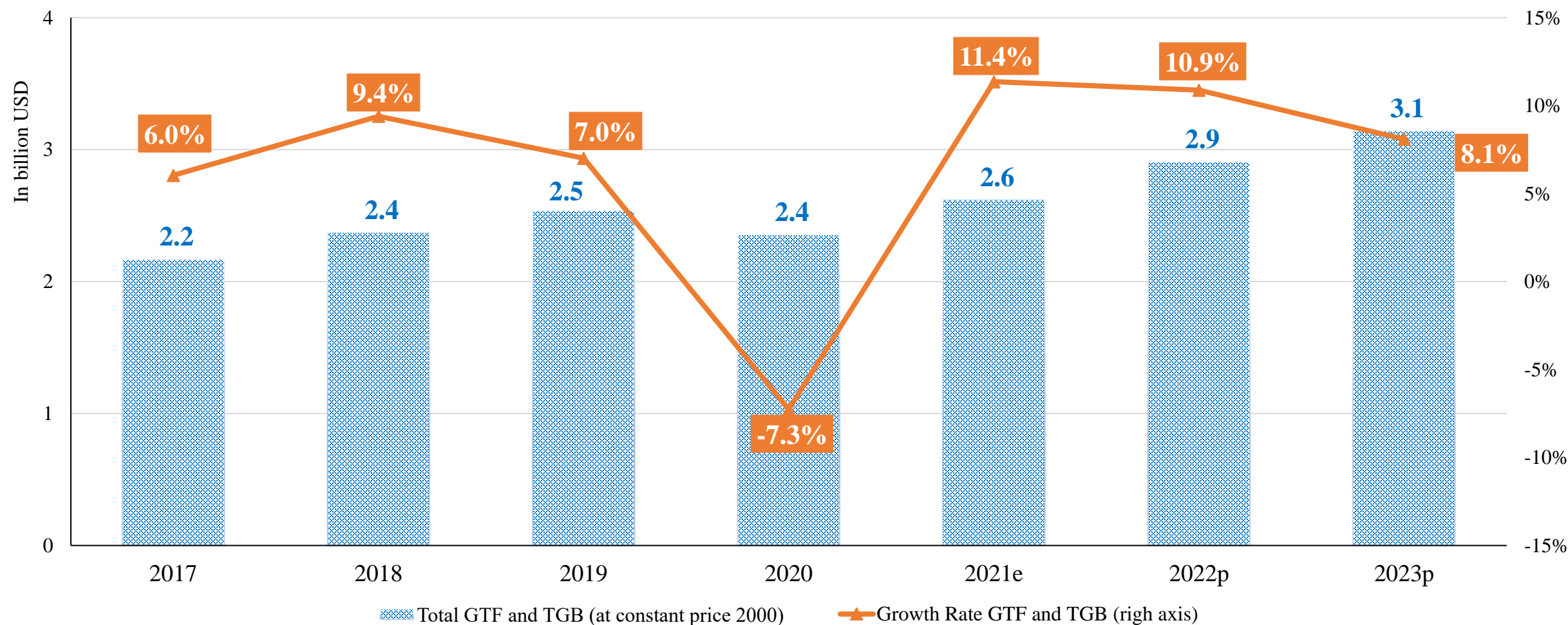
Qualified Investment Project (QIP) in **GTF & TGB** and other sectors increased in the first 6 months of 2022 compared to the first 6 months of 2021.

Number of QIP Projects in GTF & TGB and Other Sectors



Source: The Council for the Development of Cambodia

Value Added (at constant price 2000) and Growth Rate of Garment, Textile, Footwear, Travel Goods and Bags Sectors 2017-2023p





Description/Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Value added (Billion Riel)	5,997.3	6,637.4	7,074.8	7,771.5	8,250.6	8,777.0	9,661.1	10,255.24	9,634.76	10,671.75
Total number of workers (persons)	419,140	497,182	564,822	666,883	743,615	763,820	822,007	855,413	802,765	807,771

Note: Labour productivity = value added (fixed value in 2000 in billion riels) / total average number of workers per year

Source: National Institute of Statistics (value added); Ministry of Commerce (number of workers from 2011 to 2014); And the Ministry of Labour and Vocational Training (Number of workers from 2015 to 2021)

Utilization of ICT / AI accelerated in the COVID-19 era. Changes in ICT / AI utilization status and development of human resources who can use ICT / AI

- AI/ICT has played major role in Covid-19 situation.
- AI/ICE has played significant role which illustrate in following:
 - Online Meeting
 - Remote Working
 - Communication Platform for employer and employee
 - Tracking/Supporting platform for Management level



HR Strategies Pro & Post COVID-19



Current Labour Situation

- The labour market maintained the small percentage of decrease which equivalent to -0.75% due to Covid19.
- Even so, many enterprises are gradually looking for candidates to fill in the needs despite the reducing of employee that under performance in the form of mass layoff.
- The RGC is continuously working with development partners on technical and soft skills enhancement, curriculum standardization and enhancement of the TTIs
- Local and International Development partners have relentlessly provided support on the areas of Social Dialogue, Migrants Rights, Women's Protection, Skills Enhancement, Persons with Disability, OSH, Industrial Relations and many more

Total Number of Working Hours Per Year of Some Developing Countries in 2022

No	Countries	Weekly working hours	Weekly working hours for 52 weeks	Annual Leaves as Stated in Labour Code and Public Holidays			Effective annual working hours (hours)	Number of working hours gaps compared to Cambodia***
				Annual leave (days)	Public Holidays (days)	Total (hours)		
1	Vietnam**	48	2,496	12	11	184	2,312	88
2	Hong Kong	48	2,496	7	17	192	2,304	80
3	Malaysia	48	2,496	8	17	200	2,296	72
4	Thailand	48	2,496	6	19	200	2,296	72
5	Lao PDR	48	2,496	15	11	208	2,288	64
6	India	48	2,496	12	17	232	2,264	40
7	Cambodia*	48	2,496	18	16	272	2,224	0
8	Pakistan*	48	2,496	19	15	288	2,224	0
9	Bangladesh	48	2,496	20	21	330	2,166	-58
10	Singapore	44	2,288	7	11	144	2,144	-80
11	Nepal	48	2,496	14	29	344	2,152	-72
12	Myanmar	44	2,288	10	20	240	2,048	-176
13	Sri Lanka*	45	2,340	14	24	304	2,036	-188
14	Philippines**	40	2,080	5	12	136	1,944	-280
15	China**	40	2,080	5	18	184	1,896	-328
16	Indonesia**	40	2,080	12	13	200	1,880	-344

Note: * Public holiday that falls on Sunday, there is no substituted holidays, ** Not included public holiday that falls on Saturday, and Sunday

***Positive numbers are the number of working hours over Cambodia's, and negative numbers are the working hour below working hours in Cambodia.

Source: Ministry of Labour and Vocational Training's compilation



Labour Management During Covid-19

Flexibilities of working condition



Remote working: Quarantines, lockdowns, and self-imposed isolation have pushed companies to apply work from home, accelerating a workplace experiment that had struggled to gain traction before COVID-19 hit.

Reduced Working Hour: some companies decided to shifting working hours to maintain the production chain / operational sustainability as well as the labour force.

Termination and Suspension

Voluntary leave without pays: Voluntary and temporary unpaid leave are not specifically set out in the Labour Law.

Suspension of employment: If agreement on leave without pay or reduction in working hours is not reached, suspension of employment is applied.

Mutually agreed termination: both mutually end an employment relationship with agreed final packages.

Mass Layoff: For employers whose situation requires the collective termination of more than one employee, the employer can apply may layoff procedure following the labour provisions.



Redeployment



- For multi corporations, redeployment from one branch to another, often in different jurisdictions, is done to minimize labour costs and retain key employees.
- Under Cambodia Labour Law, the transfer of employees between two legal entities, employment seniority shall be maintained and liable on second entity or employment at the 1st entity must be terminated prior to transfer to the 2nd entity.

COVID-19 Pandemics and Employee Motivation

Maintain Monthly Wages: The enterprises make the effort to maintain basic monthly wages for their workers to motivate and enhance contribution of workers to ensure the sustainability of their factory-enterprise.

Seniority Payment: Even though during the hard hit by COVID-19, many sectors committed to release seniority payments to employees in accordance with applicable law.

Rapid Test: Do rapid test before coming to office on regular basis

Implement high standard of hygiene based on government mandate: Provide supply of masks, hand sanitizers, re arrange workstation ect.

Training: HR departments start to offer trainings for mental health and wellbeing of employees

Overview of HR Practices Before and Changes During the Pandemic

HR Practice	Before the pandemic/Focus on	Changes during the pandemic/ Focus on
Recruitment, selection and succession planning	<ul style="list-style-type: none"> ○ Recruiting to achieve cultural fit ○ Talents as a challenge in general, due to emigration and the increasing attractiveness of the banking sector 	<ul style="list-style-type: none"> ○ Shift to online recruitment ○ Recruiting of more specialized employees with digitalization skills ○ Video / Zoom interviews ○ Online testing, as well as Online testing, as well as Mentorship
Performance management and rewards	<ul style="list-style-type: none"> ○ Variable part of wages as key component ○ Precise key performance indicators, assessed either quarterly or Yearly 	<ul style="list-style-type: none"> ○ Adapted or postponed measure of employee performance ○ Guaranteeing pre-pandemic wages but bonus cuts
HR development	<ul style="list-style-type: none"> ○ Continuous education and trainings ○ Team building and mentoring 	<ul style="list-style-type: none"> ○ Shift to online trainings or postponement ○ New trainings for mental health and wellbeing

Working Culture & Practices

Japan Vs Cambodia HRM		
HR Practices	Japan	Cambodia
Nature of Employment	<ul style="list-style-type: none"> • Long term 	<ul style="list-style-type: none"> • Employment at Will
Salary/Wage	<ul style="list-style-type: none"> • Pay for age or experience (Seniority Based Pay) 	<ul style="list-style-type: none"> • Pay for Performance (Value Based)
Training	<ul style="list-style-type: none"> • Company responsibility • Generalist focus 	<ul style="list-style-type: none"> • Personal responsibility • Specialist focus
Union Relations	<ul style="list-style-type: none"> • Cooperative • Passive 	<ul style="list-style-type: none"> • Confrontational • Aggressive



Greeting

- The traditional greeting is a bow combined with a bringing of the hands together at chest level.
- Handshakes are the norm but Women may still use the traditional greeting.
- The simple rule is to respond with the greeting you are given.



Conversation

- Calling each other simply start with “**Bong**” means “ Elder brother or sister to show the respect to counterpart of conversation.
- Usually call only **Given Name**.
- Simple Rule: **Bong + Given Name**



Business Hour & Meeting

- Normally 8:00AM-5:00PM
- **Arriving late** shows a **lack of respect** for the person you are meeting.
- When meeting a group, you will be introduced to the **highest ranking person**, similarly, you should have the most senior of your group to greet them.

Saving face

- Khmer employees not wanting to "**lose face**". They may simply smile and nod even though they don't understand what you tell them. If you need to clarify things, do so in private and talk in a calm and respectful tone.
- Smiling can be meanings; A person **does not understand** what has been said, they are **nervous** or even **irritated**.
- If there is **disagreement** of idea or decision, Cambodian simply **keep silent** in several situations, especially with senior people.

Respect for elders

Respect for elders may reflect that employees can sometimes not value opinions of those who are younger and less experienced."

Never pat on the back or shoulder

It is an unwelcomed behavior, both men and women, even though between manager and subordinate.

CAMFEBA Portfolio

- **Membership Coverage:**

- Membership: **2500+ members** (both direct & Indirect)
- Major industries: **Hospitality, Financial services, NGOs, Manufacturing, Consulting firm, Construction Technology & Communication.**

- **Employment Coverage: 1.1+ millions labour force** in cross sectors (Garment and footwear sector covers 600k+ workers)

- **Our Effort:** We offer legal support, and consultation to **3,000+ registered companies** with **20,000+ labour inquiries** from across various sectors. We provide capacity development interventions to our members

Thank You !

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