

Managing HR in Cambodia: Backgrounds, Characteristics, and Trends

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1. The State of Economy and Labour market

1.1 Economic development

Cambodia has seen considerable economic and social achievements, with robust and steady growth over the past 2 decades. The annual growth rate is sustained to about 7 percent and inflation is below 5 percent. In 2014, economic growth is estimated at 7.0 percent in which growth in industry is 9.6 percent, growth in agriculture is 2.6 percent and in services is 7.5 percent. GDP per capita is estimated to reach US\$1,225 in 2015.¹ The leading sectors for growth are garment industry, construction, tourism and agriculture.

Table 1.1. Main macro-economic indicators

	2013	2014	2015
	Implemented	Estimated	Estimated
GDP (current price) US\$ million	14,353	16,910	18,611
GDP Growth (real)	7.4	7.0	7.0
GDP per capita (US\$)	1043	1130	1225
Annual Inflation Rate (%)	3.0	3.5	3.5
Exchange Rate (Riel/US\$)	4025	4050	4050
Current Account Deficit (% of GDP)	-12.5	-11.1	-10.3
International Reserve (US\$ million)	3564	4593	5144
International Reserve (No. of months of import)	3.9	4.5	4.5

Source: Ministry of Economy and Finance (2014)

1.2 Labour demand and supply by sectors

Cambodia labor has been chosen as special attention by the Royal Government. Labor demand has been followed by economic activities which have been increased remarkably. It is projected that Cambodia's labour force will grow by 22 per cent between 2007 and 2015. An estimated 250,000 to 300,000 new young workers are entering the labour force each year, for whom decent employment opportunities need to be found.

¹ Ministry of Economy and Finance (2014).

Majority of Cambodia labor are unskilled. They are migrating from rural to urban to seek for jobs usually in labor intensive industry such as garment and footwear sector.

Due to higher wage and salary in Thailand, it is estimated that about 800,000 Cambodian workers are working in Thailand both legally and illegally or undocumented.

Due to persistent request and strike of worker and with the facilitation from the Royal Government, Cambodia has just adopted a minimum wage for workers in garment and apparel industry to USD140 per month which will start from January 2016.²

2. Labour Regulations

RGC's continuing long-term goals are creating jobs and ensuring improved working conditions, aimed at enhancing the living standards of the population, alleviating poverty, and accelerating economic growth. The creation of new job opportunities, however, is dependent on the level of investments by the private sector in the formal and informal sectors in both urban and rural areas. Ensuring that the skills of the new entrants match with the requirements of the new jobs is a challenge that will require more efforts focused on expanding technical and vocational education.

The Ministry of Labour and Vocational Training (MOLVT) has been providing employment placement services to assist job-seekers in finding employment in private sector businesses in the country and overseas.

The Labor law of Cambodia was adopted on 13 March 1997. This law governs relations between employers and workers resulting from employment contracts to be performed within the territory of the Kingdom of Cambodia, regardless of where the contract was made and what the nationality and residences of the contracted parties are.

This law applies to every enterprise or establishment of industry, mining, commerce, crafts, agriculture, services, land or water transportation, whether public, semi-public or private, non-religious or religious; whether they are of professional education or charitable characteristic as well as the liberal profession, associations or groups of any nature whatsoever.

This law shall also apply to every personnel who is not governed by the Common Statutes for Civil Servants or by the Diplomatic Statutes as well as officials in the public service who are temporarily appointed.

This law shall not apply to:

- a) Judges of the Judiciary.
- b) Persons appointed to a permanent post in the public service.
- c) Personnel of the Police, the Army, the Military Police, who are governed by a separate statute.
- d) Personnel serving in the air and maritime transportation, who are governed by a special legislation. These workers are entitled to apply the provisions on freedom of union under this law.

² Radio Free Asia at <http://www.rfa.org/english/news/cambodia/cambodia-raises-minimum-wage-for-garment-workers-but-unions-remain-unhappy-10082015161643.html>

- e) Domestics or household servants, unless otherwise expressly specified under this law. These domestics or household servants are entitled to apply the provisions on freedom of union under this law.

The Labor Law specifies the conditions in hiring and firing as well as the minimum benefits for workers, including leave entitlements, and certain reporting requirements. The provisions of the Labor Law have a nature of public order. Any contract, agreement, policy, or internal rule that does not comply with the Labor Law provisions are ineffective, whereas any provision of more favorable benefits and entitlements to employees would be binding as such.

2.1 Labour Policy

Capacity Building and Human Resources Development is one of the angle of Cambodia's Rectangular Strategy. This angle include 4 sectors: 1) strengthening the quality of education, 2) ensuring enhanced health services 3) implementation of Gender Policy and 4) implementation of Population Policy.

The labour migration policy document centres on cross-border migration for employment among Cambodian workers. Having described the general economic background, including employment trends, demographic transition, and cross-border movements of Cambodian migrant workers, the paper goes on to identify policy challenges confronting the Royal Government of Cambodia, and offers strategic considerations, policy options, and an action plan to be initiated by the concerned agencies. The policy document should also serve as a road map for the Government in its dialogue with donor communities, helping it to more effectively seek support for measures that promote migration's positive development outcomes, while limiting its possible negative impacts.

3. Characteristics of Labour

Concerning the economic participation of the population, the 2008 census reveals that four-fifth of the population aged 15-64 years considered themselves to be in work force-82 percent in case of males as opposed to 79 percent females. The CSES on the other hand in the 2010 round has reported higher participation of both men and women in the labour force. A clear 10 percentage points increase over the census results has been witnessed due to which the unemployment rates have come down to decimal percentage from five percent in 1998 census to less than two percent in 2008. The country has done remarkably well in engaging youth in the work-force and this alone has contributed to reducing unemployment rates.³

3.1. Employment practices

Non-Discrimination in Employment Practices

The Cambodian Constitution guarantees equal protection for all citizens under the law, though there is no mention of foreigners. As such, when an organization is making a decision regarding any of the following:

- Hiring
- Work assignments
- Vocational training
- Promotions
- Remuneration

³ Integration Of Demographic Perspectives In Development, Cambodia, Page 4

- Social benefits
- Termination or discipline of an employee

The organization may not consider the employee's:

- Race
- Color
- Sex
- Creed
- Religion
- Political association or union membership
- Social origin
- Birth

Decisions based on specific qualifications and skills are not considered discriminatory. Employees engaged in the same work, and possessing the same skill and ability, should be paid the same wage, irrespective of any immutable traits. At the same time as barring discrimination based on birth, the law states that preference must be given to Cambodian citizens in hiring of employees. Aside from a Prakas issued in 1997 governing foreign manual laborers, there appears to have been no further rules or decisions implementing these non-discrimination requirements.⁴

Young Employees & Minimum Age Rules

The minimum age for general employment is 15 years old. Children aged 12 to 15 can perform light work provided that it does not interfere with regular education and is not hazardous to their physical or mental development. In the case of orphanages, or other organizations where primary education is provided, vocational training must not exceed three hours per day. Additionally, organizations must maintain a record of the following for each child:

- Date of Birth
- Labor Conditions
- Daily Schedule, including hours of study, rest, labor assignments, and nutritional information.

This record must be presented to the Labor Inspector at the end of each year for approval.

Normal Working Hours

Employees can work for a maximum of 8 hours per days, 48 hours per week. Employees must be given one full day off, meaning 24 consecutive hours, per week. Unless the organization's operations require otherwise, this should be taken on Sunday.

Overtime

Organizations can ask their employees to work overtime for exceptional and urgent jobs. Performance of overtime work is voluntary, so employees cannot be penalized for refusing to work overtime. In addition, the employer is supposed to ask the permission of the Labor Inspector before giving employees overtime work. Overtime must be compensated at 150% of the employee's wages, if the overtime is completed before 10 pm. If the overtime is scheduled after 10 pm, on Sunday, or a public holiday, then the organization must pay 200% of the employee's wages. In any event, overtime is generally limited to 2 hours per shift. Employees who work overtime must receive either

⁴ BNG Legal at <https://bnglegal.com/sys-content/uploads/2013/04/Labor-Law-Guide-for-NGOs.pdf>

1,000 riels or a free meal when they work overtime. This meal can be provided in the middle of the shift or before overtime starts

Cambodia allow Trade Union in the workplaces including companies and factories.

3.2 Strength and Limitation of labour

Strength

- Cambodia has a young population
- Cheap labor wage compared to some countries in the region such as Thailand
- More jobs markets and training
- ASEAN Economic Community

Limitation

- Poor Skill and Poor technical training capacity
- Regional Disparity (some areas such as coastal region are in lack of labor)
- Brain drain
- Poor Labor market information
- Human Trafficking and Labor Exploitation

4. Recommendations for HRM Practices

- Capacity Building (skill and vocational training)
- Employers and Employees Relation (Trade Union, strikes, hygiene, disciplines and productivities)
- MRA implementation (Regional Integration vs National Interest)
- Overlapping Responsibilities (cross-cutting sectors)
- Registration and documentation of labor (as it will be benefit for both sending and receiving countries).
- Protection and empowerment of migrant workers includes protection against abuses, malpractice, and exploitation. To ensure well-informed migration, the Government needs to institutionalize pre-departure training and to disseminate information regarding the migration process, thereby enabling migrants to make informed decisions.