

New Training Programme Manager for *Better Factories Cambodia*

Ms Catherine Vaillancourt-Laflamme has recently been appointed Training Programme Specialist at the International Labour Organization (ILO) *Better Factories Cambodia* project, and will be responsible for providing support to the training team, which offers various training programmes to Cambodia's garment industry.



Ms Catherine Vaillancourt-Laflamme, new head of BFC's training programme

Her predecessor, Mr Conor Boyle, has moved to *Better Work Vietnam*, a joint ILO and International Finance Corporation (IFC) *Better Work* global programme, where he has taken up the post of Global Training Manager.

Originally from Quebec, Canada, Catherine has extensive experience within the ILO and has been based at the ILO Geneva office for the past five years. Her most recent position before joining *Better Factories* was Knowledge Sharing Officer for youth employment and private sector development for the ILO employment sector. In the past, her work at ILO has focused mainly on social dialogue in the informal economy and developing self-assessment tools.

In addition to this experience, Catherine has a good understanding of garment-related issues, having worked for both local and international non-governmental organizations (NGOs) in Canada and Latin America, where she used her expertise in international organizational management to carry out resource mobilization and to develop and implement capacity-building projects. Her previous roles with such agencies put her into contact with trade unions, businesses and community-based organizations in order to

promote decent working conditions in the apparel industry, through the organization of public education campaigns as well as the promotion of ethical procurement.

Catherine believes that this new position will offer another unique opportunity to deepen her professional working experience in promoting decent work in developing countries such as Cambodia. 'This is a thrilling time, and I am very content to again have the possibility to work on such issues in Cambodia. I am delighted and looking forward to new challenges,' she said.

Better Work and Better Factories Cambodia enhance the social benefits of foreign direct investment: OECD report

A report by the Organisation for Economic Co-operation and Development (OECD) recently made detailed reference to the *Better Work Vietnam* programme and its predecessor *Better Factories Cambodia* as 'promising initiatives' for raising working standards in the workplaces of firms in the supply chain.

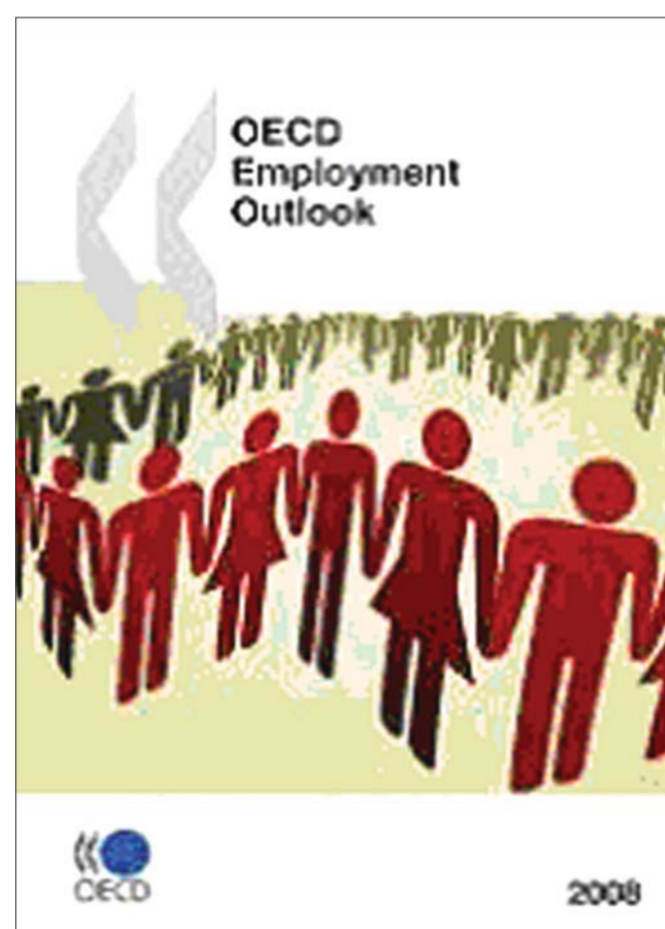
The report, entitled OECD Employment Outlook 2008, assesses the social impact of foreign direct investment (FDI) and how the current situation can be improved. FDI has played an increasing role in emerging economies such as Cambodia and, as such, has raised expectations about its potential contribution to their development.

The report tentatively states that, although the overall effects of inward FDI may be positive, the benefits do not seem to be spread evenly throughout the host country population. In order to rectify this, FDI-friendly policies in host countries should be usefully complemented by initiatives that seek to enhance the social benefits of inward FDI, by promoting responsible business conduct among multinational enterprises (MNEs).

As the report notes, lowering core labour standards in an effort to provide a more competitive environment does not seem to be effective in attracting FDI. In fact, such an approach is likely to discourage investment by responsible MNEs, for which it is important that minimum labour standards are respected throughout their operations. However, to attract these responsible buyers, supplier firms may need technical assistance and credit facilities when overcoming obstacles to improve their labour practices. As recognized by the report, initiatives such as *Better Factories Cambodia*

and *Better Work* offer a way to fill this gap through their public monitoring of labour practices, provision of technical assistance and, in the case of *Better Work*, offer of credit facilities to programme participants.

For more information on this and other OECD work on the social impact of FDI in host countries, please visit www.oecd.org/els/employment.



Better Factories appears on TVK's Equity Weekly

On Sunday 23 November 2008, Mr Chea Sophal, National Programme Assistant for *Better Factories Cambodia*, appeared on the Equity Weekly programme of Television Kampuchea (TVK). This was a key opportunity to access a broad section of the public through national media and to disseminate on the issues affecting the garment industry and the work of *Better Factories* to improve working conditions and labour relations in Cambodia.



Mr Chea Sophal, BFC National Programme Assistant, on TVK's Equity Weekly

Mr Chea Sophal confirmed the importance of the garment industry to the economy and society of Cambodia, both directly and indirectly, at national level and at the level of workers' salaries, and also its ability to generate profits for factory owners (hence ensuring continued investment). He also spoke of the importance of maximizing productivity through minimizing strike action by trying to ensure that factory stakeholders make every attempt to reconcile their differences before resorting to conflict in the workplace. He explained to viewers how the International Labour Organization (ILO) is working with both employers and unions on collective bargaining agreements and most representative status for unions, in order to be able to implement better industrial relations and therefore increase productivity.

In the news

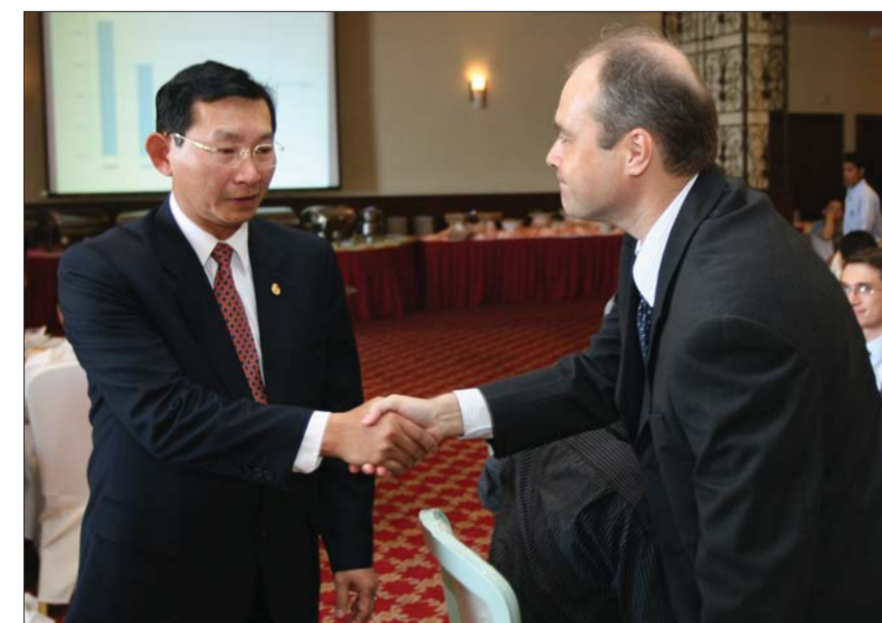
'Garments, cars dominate Cambodia-US trade' – Economics Today – issue 24

This article looks at Cambodian garment exports to the US, noting that they have continued to grow in 2008, despite the economic slowdown and sluggish consumption in the US. In spite of fears of increasing competition from Vietnam and China at the end of 2008, Cambodia continues to represent a niche market in the US, primarily because of the strength of its working conditions, as monitored by the International Labour Organization (ILO) *Better Factories Cambodia* project. Many actors believe that this strength will stand Cambodia in good stead in a situation of increased competition in the future.

'Some CSR-related initiatives in Cambodia' – Economics Today – issue 27

This article reviews corporate social responsibility in Cambodia, noting that CSR is an increasingly important part of doing business in the country. By practising CSR and developing a sound CSR strategy, Cambodia may be able to find a way to survive in more competitive and integrated regional and global markets. The article includes brief case studies on various CSR initiatives, including the *Better Factories Cambodia* project, the Clean Business Initiative and the Growing Inclusive Market.

BFC Buyers' Forum discusses programme future and industry outlook for 2009



Mr Tuomo Poutiainen greets H.E. Cham Prasidh after delivering speech at Cambodia's Buyers' forum held on 9-10 October 2008

On 9 and 10 October 2008, 28 representatives of leading garment brands came to Cambodia for a two-day meeting of the International Buyers' Forum, organized by the International Labour Organization (ILO) and the International Finance Corporation (IFC), to discuss the ILO's *Better Factories Cambodia* programme and the future outlook and competitiveness of the industry.

During the Forum, which involves the 34 brands using the *Better Factories* monitoring and training services, discussions ranged from the technical aspects of monitoring work and development of a holistic approach to enterprise training and capacity building, to the status of industrial relations and ways in which Cambodia can enhance its competitiveness during the current crisis.

H.E. Cham Prasidh stated that the government, under the leadership of Prime Minister Hun Sen, and as outlined in the Rectangular Strategy for Growth, Employment, Equity and Efficiency, has consistently followed the policy of linking labour standards and trade, and that this has resulted in Cambodia being able to carve out a niche in global apparel markets.

The government intends to continue to protect this niche and to rely on initiatives such as *Better Factories*, which ensures that Cambodia's reputation as a country for responsible production in the garment sector remains intact. H.E. Cham Prasidh reiterated the importance of working together and addressing industrial relations

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Dignity in work for people with disabilities

Research indicates that people with disabilities perform on a par with, or better than, non-disabled workers, with regard to attendance, safety and overall job performance. Nevertheless, employers do not often consider them when it is time to hire new employees. However, managing diversity is a major factor in today's global economy, and many companies are learning that hiring people with disabilities can bring many benefits to the work place and positively impact a company's profitability.

People with disabilities can be productive if given a fair chance. They do not want favours, but an opportunity to prove their skills and talents. People with disabilities make good, dependable employees and are more likely to stay on the job. According to a survey on employment of people with disabilities in Cambodia (2007), 54% of employers who employ people with disabilities believe that they are 'motivated' and try twice as hard as others when



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Prime Minister asks stakeholders in garment industry to work together

The 14th Government-Private Sector Forum was held on 21 November 2008, the most recent semi-annual meeting between the business community and Prime Minister Hun Sen and his cabinet. The G-PSF is an ongoing structured dialogue between the government and business.

In response to issues raised by factory owners, Prime Minister Hun Sen emphasized to participants the importance of all garment industry stakeholders working cooperatively together in order to enhance productivity, and maintaining harmonious industrial relations at a time when the world is facing financial crisis.

He appealed to employers and workers' representatives to resolve disputes based on existing government regulations and the Labour Law, and asked unions to bring a halt to wildcat strikes at a time when Vietnam and China are gaining competitive advantage over Cambodia in terms of productivity. 'It is not the right time for strikes. Strikes would lead to a drop in orders, possible factory closures and rising unemployment,' he said.

Dr Nang Sothy, Chairman of the Forum's Industrial Relations Subcommittee, underlined the fact that the industry had witnessed 95 strikes by the end of October 2008, a 48% increase over the same period last year. This figure reflects a one-day general strike in March over wage increase demands, which affected at least 22 factories. Without this large-scale industrial action, the 2008 strike figures would be approximately the same as 2006 and 2007.

The Prime Minister reiterated the government's policy of promoting collective bargaining between employers and workers as a means of preventing disputes. A collective bargaining agreement (CBA) is a contract that should include terms and conditions of work and mutual obligations between the union and employer, enforceable by law, together with a dispute settlement procedure. In Cambodian garment factories and hotels where such high-quality CBAs exist, there have been no strikes.

The Prime Minister also repeated his call for a revised law on trade unions and a new law on a labour court. To draft the former, he asked the Ministry of Labour and Vocational Training to work together with the private sector, workers' representatives and the International Labour Organization (ILO), whereas the law on the labour court is the responsibility of the Ministry of Justice and the Council for Legal and Judicial Reform. The Prime Minister also called for the strengthening of the Arbitration Council, Cambodia's premier dispute resolution body, responsible for resolving collective labour disputes. In order to improve its effectiveness, unions and employers need to agree that the Council's decisions are final and binding on both parties.

In response to a request from the Garment Manufacturers Association in Cambodia (GMAC), the government agreed to cut export fees on garment products by 10%, lowering manufacturers' costs and making them more competitive during the global economic downturn.

BFC Buyers' Forum discusses programme future and . . .

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problems in the garment industry as, when competition is harsh and orders are hard to come by, all hands are needed to help the industry prevail and remain competitive.

Leading garment buyers continue to see *Better Factories* as a crucial part of the future of the garment industry in Cambodia

The first day of the meeting was focused on changes in the monitoring and training work of the programme, which is increasingly moving towards linking information from enterprise assessments (monitoring) and training, and providing customized advisory and training services to the industry.

On the second day of the meeting, all three industry stakeholders – manufacturers, unions and government – met together to discuss a joint vision for the future of the industry.

Mr Tuomo Poutiainen, Chief Technical Advisor of *Better Factories Cambodia*, felt that the meeting was a great success and confirmed both the relevance and the importance of the *Better Factories* programme, and stakeholders' belief in and support for its future and new direction. He added that, after many years of working together, there is now a consensus that industry actors need to work more closely together and that the programme needs to move beyond monitoring to enhance its training and remediation efforts. This view was widely shared by all stakeholders.



A session between representatives from leading international buyers, BFC and unions

Ms Naurin Muzaffar, Senior Manager, Global Partnership, for Gap Inc., praised *Better Factories* for its ongoing improvements and for the Forum. 'Over the years, the meetings keep getting better and better. The engagement with the unions in this Forum was the best yet. The discussion was well structured and productive. *Better Factories* has also evolved greatly from just monitoring, to adding advisory services, capacity building and all the mechanisms required for these,' she said.

H&M's Compliance Manager, Mr Erik Carlborg, said that compliance with labour standards was a very important part of H&M's business strategy, and that H&M firmly believes that *Better Factories* is a positive contributor to the good compliance level in the Cambodian garment industry.

Mr Van Sou Ieng, representative of the Garment Manufacturers Association in Cambodia (GMAC), spoke about what the industry is doing to improve competitiveness. 'Building national competitiveness is a key challenge for us,' he said, adding that reducing transaction costs was very important for improving competitiveness, and that the government had been very responsive in this regard.

Union representatives attending the Forum asked for buyers' support in key areas, which included promoting collective bargaining rights and freedom of association. They were concerned about how workers cope with high inflation and asked buyers to place long-term orders with factories so that workers can have better job security. Following the two-day meeting, buyers were pleased with the multi-stakeholder discussion and expressed their satisfaction with the open dialogue among all participants. The International Buyers' Forum convenes twice a year, once in Hong Kong and once in Phnom Penh; the next will be in March 2009.

As for the future of the *Better Factories* programme, Mr Poutiainen is of the opinion that the garment sector in Cambodia continues to be special and attractive to global buyers, and that ethical purchasing remains an important factor in the success of the industry. 'At times when the industry is struggling to remain competitive, Cambodia's strong reputation as a good sourcing country can make a difference. It takes years to build a "brand" name but it is so easy to lose. This is why industry actors should really pull together and invest in ensuring industrial peace and better productivity,' he said.

Dignity in work for people with disabilities

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recruited. 39% think they are 'loyal' and 'improve the image to the customers' by giving the company a friendlier face. 36% think that disabled workers' presence 'improves staff relations and morale' because they are perceived as a factor of unity and improve the team spirit in the company.

Cambodia's economy is characterized by a vast predominance of micro and small-scale enterprises and private sector employment is limited. People are often hired through unofficial networks of friends and relatives and, as long as the preconceptions of people with disabilities prevail, there are limited wage employment opportunities for them. People with disabilities also face other work barriers, such as discrimination at all levels of society, limited access to education and training opportunities, inaccessible buildings and transportation systems and lack of assistive devices.

The National Centre of Disabled Persons (NCDP) works to break the stereotypes and helps disabled job seekers to find employment that matches their skills.

To achieve this, NCDP provides on-the-job training packages and job placement services for people with disabilities and promotes incentives for employers when they employ disabled workers. For example, the government Sub-decree on Investment (1999) offers tax reductions based on several factors, including percentage of workers with disabilities. NCDP is also linked with the Business Advisory Council (BAC), a voluntary group of business leaders who work together to promote employment for people with disabilities.

In the garment industry, some factories provide on-the-job training and hire people with disabilities. The garment industry in Cambodia has developed quickly since 1994 and is constantly in need of employees. With the right training and education, many people with disabilities can make an important contribution to the further development of the industry and, with an open mind and innovation, the industry could benefit largely from this untapped labour force resource.

Not only are the abilities of people with disabilities being recognized, but also their human rights have

been reaffirmed by the international community with the adoption of the UN Convention on the Rights of Persons with Disabilities, which entered into force on 3 May 2008. This underlines that people with disabilities are no longer viewed as requiring protection and care, but they are seen as individuals who have rights, including the right to access training and employment (Article 27).

International Day of Persons with Disabilities on 3 December marked this important milestone, through the theme Convention on the Rights of Persons with Disabilities: Dignity and Justice for All of Us. The years to come will be key with regard to taking action to make this commitment a reality, not just in Cambodia but also worldwide. Changes in laws and policies are vital in creating opportunities for people with disabilities. Cambodia has signed the UN Convention but has still to ratify it. It is also in the process of passing the first Law on the Rights of Persons with Disabilities. The draft law was approved by the Council of Ministers in February this year and it is now at the National Assembly for final adoption.

Did you know that...?

- There are an estimated 650 million disabled people worldwide. Approximately 470 million of them are working age.
- Globally, the unemployment rate of disabled persons can be double that of the general population and often as high as 80%.
- Approximately 80% of people with disabilities live in developing countries. Of these, some 426 million live below the poverty line.
- At least 4% of the Cambodian population is disabled (Cambodian Socio-economic Survey 2004). Cambodia has one of the highest rates of disability in the developing world (UN ESCAP 2002) and unofficial estimations by non-governmental organizations (NGOs) and disability organizations are higher than official numbers.
- The cost of exclusion based on disability is between US\$1.37 trillion and \$1.94 trillion of global gross domestic product (GDP) (according to the World Bank). These economic costs to society are shared by all, including businesses.

For more information see:

The ILO's Code of Practice on Managing Disability in the Workplace, which provides guidance to employers on including disabled persons in the workforce.

Employability: A Resource Guide on Disability for Employers in Asia and the Pacific, which contains information to assist businesses and organizations that want to benefit from recruiting, hiring and retaining people with disabilities as employees.

These publications and other information are available on the ILO webpages (www.ilo.org/abilityasia and www.ilo.org/employment/disability).

Better Factories corporate CD-ROM



Better Factories Cambodia has recently produced a new corporate CD-ROM, which presents a thorough overview of all services and activities within the International Labour Organization (ILO) *Better Factories* project. The package contains a video introduction to the *Better Factories* project, as well as a full version and a summary version of the project's activities and other related information. This interactive CD-ROM provides viewers with a wealth of information, on *Better Factories Cambodia*, on background and partners, on the context of the Cambodian garment industry and on the project's programmes. In addition, it contains links to various internal and external reports, original publications, articles and case studies, as well as a comprehensive listing of capacity-building resource tools developed by the programme.

The CD-ROM is available at the ILO *Better Factories Cambodia* office, No. 9, St 322, Boeung Keng Kang 1, Chamkarmorn, Phnom Penh.

Better Work Vietnam: Building on the experiences of Better Factories Cambodia

Better Work Vietnam was launched on 7 October 2008 in Hanoi at a conference attended by 150 participants, who included representatives from government, donors, international buyers, manufacturers associations, labour associations, the International Finance Corporation (IFC) and the International Labour Organization (ILO). The launch event inspired a great deal of excitement and enthusiasm among programme stakeholders. Ms Nguyen Thi Kim Ngan, Minister of Labour, Invalids and Social Affairs, affirmed her support for the programme: 'I'm very happy to see *Better Work* come to Vietnam,' also noting that '*Better Work* is beneficial not only to enterprises but also to poor workers.'

Better Work Vietnam is the largest of the country programmes to be developed by the joint ILO-IFC *Better Work* global programme. The voluntary, industry-based initiative seeks to strengthen relationships among international buyers, local enterprises, governments and employers' and workers' organizations, in order to improve working conditions and competitiveness. *Better Work Vietnam* will also aim to enhance enterprise performance and market access, create a more cost-effective process for labour standards compliance and

assist the government in improving labour standards and economic development through its assessment and advisory services. The programme will engage 700 apparel factories in the Ho Chi Minh City area, with a direct impact on up to 700,000 workers' lives.

Ms Trang Nguyen, IFC's Head of Advisory Services for the Mekong Region and General Manager of the Mekong Private Sector Development Facility (MPDF), highlighted IFC's business development experience in her speech during the launch. 'IFC's experience in private sector development will help ensure that both social and commercial benefits are achieved and that assessments and follow-on training are clearly seen as beneficial to the industry,' she said.

Ms Sachiko Yamamoto, ILO's Director for Asia and the Pacific, who spoke on behalf of the ILO, stated that: 'For the ILO, the *Better Work Vietnam* programme represents a progressive step towards achieving decent work. *Better Work* – by promoting higher enterprise competitiveness through compliance with national labour laws – will have a direct impact on the quality and quantity of employment.'

The unique partnership between the IFC and the ILO that led to the development of the Global *Better Work* programme commenced in Cambodia, where the IFC and the ILO have been working together on the sustainability of the *Better Factories Cambodia* programme. In the future, it is foreseen that there will be increasing collaboration and alignment between the two initiatives.



Key representatives from the ILO, IFC and the Vietnamese Ministry of Labour signing the mock logo during the launch ceremony

BFC convenes a civil society meeting to discuss programmes and priorities for social protection for garment factory workers in Cambodia

Better Factories Cambodia and CARE Cambodia coordinated a meeting in October 2008 of a wide range of non-governmental organizations (NGOs) working with garment factory workers, to discuss the significant contribution that garment factory workers make to the economy and to highlight the fact that, despite the enormous responsibilities that women carry, they are not benefiting equally from Cambodia's growth and are not represented equally in society.

Coming in for discussion was the work of many NGOs that are trying to address these inequalities in different ways. A number of NGOs are working on improving health and information about health: a great deal of this work falls under the important area of increasing demand for services such as antenatal care and family planning. Some NGOs, such as Population Services International (PSI) and the Reproductive Health Association of Cambodia (RHAC), attempt to ensure that demand for products and services can be met. For example, PSI has a range of family planning products and RHAC has a number of health clinics located around garment factories. NGOs expressed interest in integrating their services better with factory clinics, such as by improving referrals and access to mobile clinics.

Groupe de Recherche et d'Echanges Technologiques (GRET) also attended the meeting and answered many questions about the health insurance programme that it is about to initiate in a number of factories. There was general agreement that such a scheme could be of great benefit to women if it reduced unnecessary spending on health and improved the quality of care that women received. The scheme that will be piloted in the near future is a collaboration between GRET and the Garment Manufacturers Association in Cambodia (GMAC) and supported by Agence Française de Développement (AFD).

Microcredit and finance institutions also attended the meeting and discussed some of their upcoming initiatives. The Wings system of transferring and storing money by mobile phone was of particular interest: use of Wings could reduce the difficulties and safety problems that garment workers face with regard to managing remittances and savings. The potential of Wings to make microfinance products, such as those offered by Vision Fund, more accessible to garment workers was of interest, given the common practice of private borrowing at very high interest rates in times of distress. Wing is a business initiative of Australian and New Zealand Banking Group (ANZ).

Also contributing to discussions on access to credit, and better housing and sanitation, were Habitat for Humanity and UN Habitat. The meeting was reminded that 'prevention is better than cure,' and that sometimes it is the simple and cheap solutions that have the biggest impact on health – and these have a big impact on productivity. For example, clean water to drink (using ceramic water filters) and promoting the use of soap to wash hands after visiting the bathroom are very affordable interventions, and ones that have great potential to reduce the quantity and severity of illness arising from poor sanitation.

There were other issues that the group wanted also to discuss, such as improving women's representation in the workplace through education and training, supporting women's ambitions after their life in factories and the challenge of childcare and the health of children of factory workers. The group agreed that it would continue to meet in the future, and also that, in order to discuss the issues in more detail, each sector would meet separately, sharing information gathered among all participants and relevant stakeholders.