

► Informality in the Cambodian cashew nut industry¹

Findings and recommendations

November 2024

The ILO–EU project Advancing Social Protection in Cambodia aims to support extension of social security for Cambodian workers. The intervention targets workers and enterprises in the formal and informal economy, particularly female workers, and micro and small enterprises in key industrial sectors.

This fact sheet presents a quick summation of a recent diagnostic study of the Cambodian cashew nut industry conducted with the aim of providing policy proposals to further the Cambodian Government's efforts to formalize the industry and to expand social security coverage among the industry's workforce.

10 key findings



1. Size and growth

Cashews are grown across Cambodia, and over the past decade the production of cashews in Cambodia has doubled, with the total harvested area estimated at around 500,000 hectares in 2022.

2. Lack of domestic processing

While cashews are grown in great volumes, raw nuts are generally sold to foreign processors (mostly in Viet Nam) due to a lack of processing capacity in Cambodia, thereby reducing the opportunity for adding value domestically.



10 key recommendations



1. Roll out effective and targeted awareness campaigns

This should involve: a top-down approach led by the Ministry of Labour and Vocational Training; training for agricultural cooperatives and local NGOs; and social media campaigns.

2. Streamline registration with the NSSF

NSSF registration could be incorporated into One Window Service Offices in order to improve access by self-employed cashew farmers and collectors. NSSF registration should also be offered online to further expand its reach.



¹ This fact sheet is based on the report *Diagnostic of Informality in the Cambodian Cashew Nut Industry*, prepared by Dr Thun Vathana, Rachel Brown, Dr Chhun Tory, Thun Vathany and Dr Kong Kyneth for the ILO. A brief providing extra details has also been prepared, and is available at: <https://doi.org/10.54394/FPTH2745>.

10 key findings



3. Informal employment and buying/selling

Farm labourers are hired via short-term verbal agreements, and farmers generally sell to collectors through informal arrangements. Enterprise registration and registration with the National Social Security Fund (NSSF) are rare, though there is some formal employment in cashew processors.

4. Seasonality

Like all agricultural industries, cashew farming is inherently seasonal, which means that the incomes of farmers and collectors are also seasonal in nature, making it a challenge to meet monthly social security contribution obligations during certain portions of the year.



5. Organizations in the cashew nut industry

The main organizations that farmers and collectors can be part of are agricultural cooperatives (ACs). However, ACs tend to lack organizational and financial resources, limiting their effectiveness. There are no organizations dedicated to representing cashew processing workers.

6. Income insecurity

In addition to the challenges around seasonality, farmers' and collectors' incomes can be severely impacted by crop loss and fluctuations in the market price of cashews. Such instability can serve as a deterrent to hiring workers on an extended contract basis and to devoting income to anything perceived as inessential (such as social security contributions).



10 key recommendations



3. Subsidize payment plans for NSSF contributions

The seasonal nature of cashew farming means that farmers and collectors have unstable incomes. NSSF contributions for these individuals might be made once or twice a year during the harvest season rather than monthly, and/or they could be subsidized by the Government for self-employed farmers.

4. Provide access to technical support and low-cost capital

Enterprise and NSSF registration could be encouraged through the offering of perks such as access to training and access to low-cost capital, which is sorely needed by farmers, collectors and processors.



5. Provide improved access to resilient cashew varieties and more affordable fertilizer

Access to more resilient cashew varieties can help protect against erratic climate patterns, and more affordable fertilizers can boost productivity while lowering costs. This should help farmers to better afford NSSF contributions.

6. Develop agricultural insurance and price stabilization schemes

Cashew farmers and collectors are vulnerable to crop loss and swings in cashew prices, with potentially devastating effects on their incomes. Crop insurance and price stabilization schemes could mitigate these threats.



10 key findings

7. Lack of awareness

There appears to be some awareness of government health insurance among cashew farmers, but little to no knowledge of other NSSF benefits, such as pensions and disability. In addition, farmers tend to have a negative perception of public healthcare.



8. Limited incentives for enterprise registration

Farmers and collectors see little reason to register with the Government as a formal enterprise. These are microenterprises run by a single individual or household who can register for NSSF benefits without needing to register their enterprise, leaving them little incentive to do so.

9. Limited capacity of agricultural cooperatives

Across most of the cashew sector, ACs are small and fractured. In many cases there is no notable difference between selling to an AC or selling to an independent trader. ACs have limited organizational capital and financial capacity, which constrains their ability to provide additional social benefits to farmers. ACs also tend to keep little in the way of formal records.



10. Limited incentive for small processors to register their workers

While the processors interviewed for the study were all formally registered with the relevant government ministries, some of the workers employed by these processing enterprises were not registered with the NSSF.

10 key recommendations

7. Strengthen the capacity of agricultural cooperatives

ACs could be a means of promoting formalization among cashew farmers and traders, but they need assistance to overcome pervasive capital and management deficiencies.



8. Develop cashew processing worker organizations

Organizing cashew processing workers can serve as a powerful means of ensuring that workers' rights – including access to social security coverage – are respected and their bargaining power increased. Worker organizations can also be a means for promoting formalization in the industry.

9. Address labour law and OSH violations

Labour and OSH law violations appear to be common in cashew processing. Greater adherence to these laws could be achieved by a combination of regulations, inspection and enforcement – including in relation to enterprise registration and enrolling workers with the NSSF.



10. Streamline the compliance process for cashew processing facilities.

The compliance process could be streamlined by standardizing procedures, establishing an automated system to contact processors directly when updated information is needed, and developing methods for better IT management and digital data storage.