

► Informality in the Cambodian construction sector¹

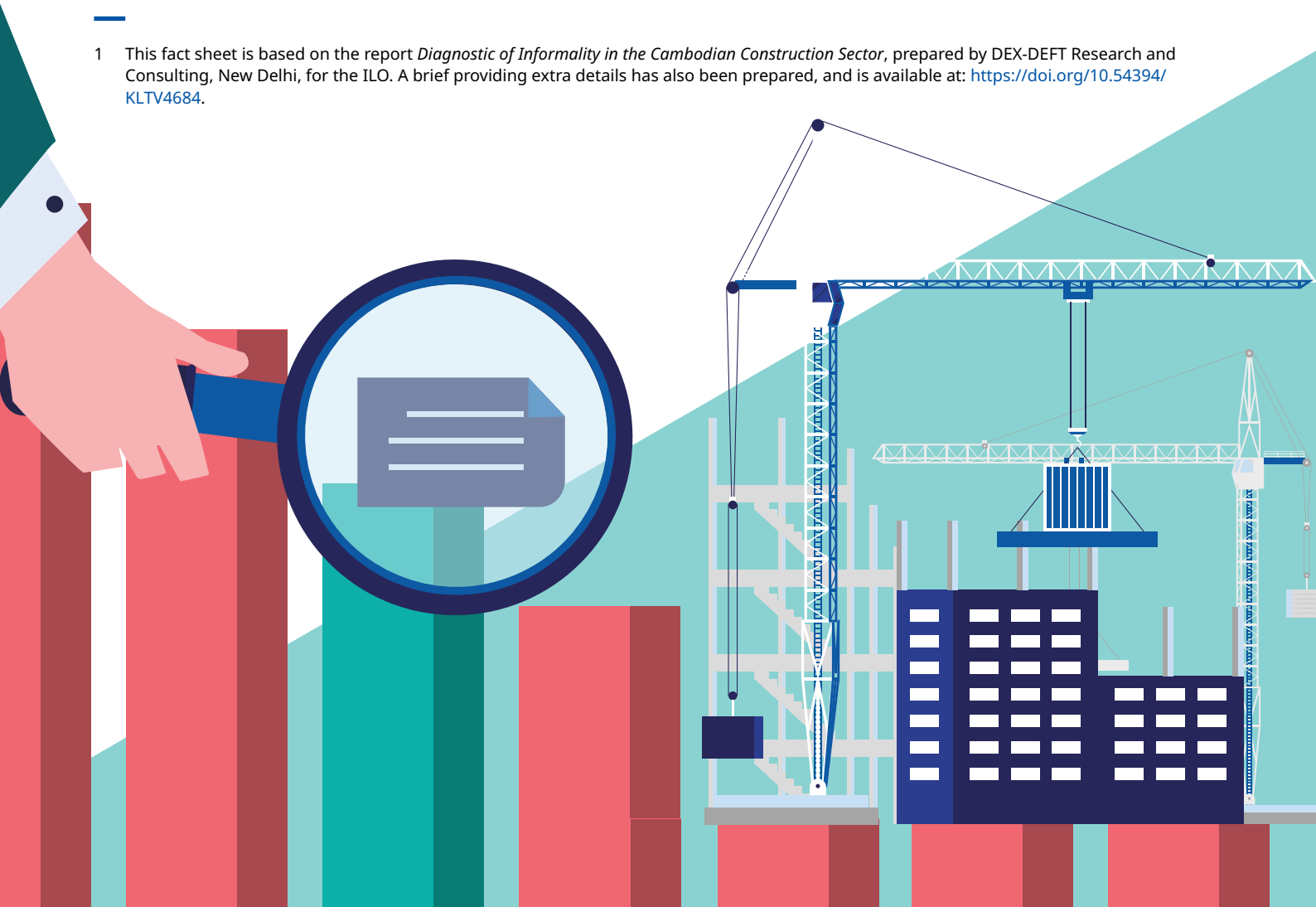
Findings and recommendations

September 2024

The ILO project Promoting the Transition to Formalization through Integrated Approaches in Cambodia aims to support the formalization of jobs and enterprises in Cambodia. The intervention targets workers and enterprises in the informal economy, particularly female workers, and micro and small enterprises in some selected sectors.

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

¹ This fact sheet is based on the report *Diagnostic of Informality in the Cambodian Construction Sector*, prepared by DEX-DEFT Research and Consulting, New Delhi, for the ILO. A brief providing extra details has also been prepared, and is available at: <https://doi.org/10.54394/KLTV4684>.



10 key findings



1. Size and growth

During the COVID-19 pandemic (2020–22), growth in the construction sector declined and then plateaued. Since 2023, the sector has started to slowly recover, and is projected to grow over the medium term.

2. High levels of informality

Employment in the construction sector is frequently through by micro- and small subcontractors that operate in the informal sector. Individual construction workers are mostly engaged without written contracts and without access to social security benefits.



3. Year-round employment

Workers in the construction sector appear to be increasingly employed year-round – as opposed to occasionally seeking construction work to earn extra income. With more workers engaged in stable, year-round employment, it may be easier to register them with the NSSF.

4. Low incomes

Construction workers earn considerably less than the national average monthly wage. Workers are often not able to save any money each month, with this commonly due to the need to pay back debts. These debts are often related to expenditures for medical care, which would have been free if they were NSSF members.



5. Minimum wages

Workers in the Cambodian construction sector are still not protected by a minimum wage floor, such as the one that exists for the garment sector. The average monthly wage of women construction workers surveyed for this study was US\$153.30 – far below the US\$204 minimum in the garment sector.

10 key recommendations



1. Roll out effective and targeted awareness campaigns

The initial target of these campaigns could be to register 50,000 building construction workers with the NSSF over a two year period.

2. Leverage digital technologies to achieve policy objectives

Technological tools can be used to generate detailed construction cost estimates. These estimates can be used to determine the NSSF contributions to be paid by employers.



3. Simplify registration to formalize smaller enterprises



A simplified legal status regime for micro and smaller enterprises – perhaps an unsubsidized or fixed-fee monotax regime that would cover tax obligations, licences, NSSF contributions and other fees – could spur formalization in the construction sector.

4. Consider introducing a levy-grant system for the sector

An effective levy-grant system can be used to create incentives for the formalization of enterprises, support skill development initiatives aimed at the construction workforce, and provide relief and social assistance to vulnerable segments of the workforce.



5. Set a minimum wage floor for the Cambodian construction sector



Policy dialogue with social partners should be initiated by the Government to assess the feasibility of a minimum wage floor for the construction sector.

10 key findings



6. Gender-based wage gap

The findings from the study suggest that the gender pay gap in the construction sector is substantially larger than the average gender pay gap seen in Cambodia. There is also possibility that the gender pay gap in the construction sector has widened since 2017, which runs counter to the decline seen across the economy as a whole.

7. Safety across the construction value chain



Accidents are quite common on Cambodian construction sites, and safety across the construction value chain has either not improved or has declined over the last six years.



8. OSH trainings

Construction workers frequently do not receive any OSH trainings related to the specific projects they are working on, despite this being required by law, and substantial numbers of construction workers never receive any OSH training over the course of their entire career.

9. Persistently low registration with the NSSF



While awareness of the NSSF and its schemes has remained high – and may have even increased – over the years, it has not translated into increased registration of construction workers with the NSSF. This study and previous surveys show that only between 2–4 per cent of construction workers are registered.



10. Joint site inspections

Inspections concerning labour, social security and construction works are currently fragmented across multiple government authorities, and Labour Inspectors do not have full authority to enforce regulations on construction sites.

10 key recommendations



6. Enhance labour productivity.

Greater public investment in upskilling of construction workers through technical and vocational education and training is needed, and should be supported through cooperation between the MoLMUPC and MoLVT.

7. Improve safety and health at construction sites, and promulgate a law on OSH.



The MoLVT's drafting of a Law on OSH should be fast tracked and tripartite consultations commenced soon.



8. Modify NSSF processes to accommodate smaller enterprises.

Smaller construction sector enterprises often have irregular cash flows, so they should be permitted to make NSSF contribution payments on either a monthly, bimonthly or quarterly basis.

9. Ensure NSSF coverage for workers on public funded construction sites.



The Government should consider mandating that all contractors operating on government-funded construction sites must ensure that the workers engaged by them – and by all their subcontractors – have NSSF registration and that their employers are making timely contributions.



10. Joint inspections between the MoLMUPC and MoLVT.

A planned inter-ministerial prakas on this matter between the MoLMUPC and MoLVT is under consideration, and should be finalized and promulgated as soon as practicable.