International Labour Organization

ILO brief

Statistical Brief

July 2023

Overview of workers in the construction subsectors

Key points

- Potential for increasing formalisation and expanding coverage of social security: HIGH[1]
- There is an estimated nearly half a million (479,783) workers in this subsector, 6.6 per cent of the total workforce
- 94 per cent of construction workers are located in the informal sector
- 98 per cent of workers currently work under informal arrangements : 71 per cent in the formal sector; 100 per cent in the informal sector
- Employees make up 84 per cent of total employment;
- The share of self-employment in total employment is 16 per cent (11 per cent employers, 6 per cent own-account workers)
- 81 per cent of employers are located in the informal sector ;
- 49 per cent of workers in the informal sector operate from a fixed location .
- Operating licenses are required by enterprises to work in this subsector.

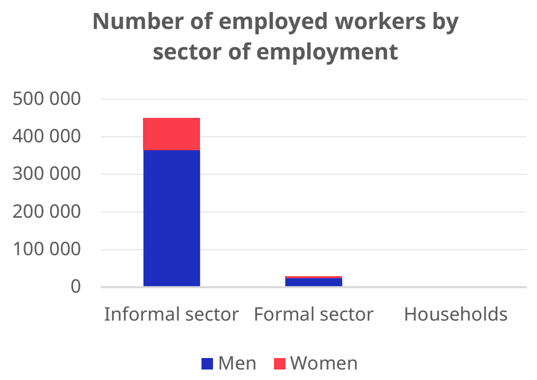
This brief provides an overview of workers in the construction subsector. It presents the estimated number of workers in that subsector as well as their distribution across various categories of interest, including sector of employment (formal, informal or households), employment status (employees, employers, own-account workers or contributing family workers), enterprise size, age group, and income quintile. It also provides the estimated social security coverage rate according to the 2019 LFS data as well as 2019 NSSF administrative data.

The information presented in this overview is derived from three principal data sources: the 2019 LFS, the 2019 SES, and NSSF administrative data. As these sources are not always consistent, we clearly indicate the data source for each graph or table presented below. For the survey data (LFS and SES) we also specify the number of observations (N) from which the estimates derive. The LFS 2019 economic activity codes included for this subsector is: 4100 Construction of building activities. This includes the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis. If only specialized parts of the construction process are carried out, the activity is classified in division 43. This class (4100) includes construction of all types of residential buildings as well as construction of all types of non-residential buildings. It also includes remodelling or renovating existing residential structures. Excluded are erection of complete prefabricated constructions from self-manufactured parts not of concrete, construction of industrial facilities, except buildings, architectural and engineering activities, and project management activities related to construction. A glossary is provided at the end of this document for explanation of key terms and definitions.

[1] The potential for formalisation is determined by comparing the subsector to the national averages among the dimensions of (i) size of the subsector, (ii) share of self-employment, and (iii) ease of physical access.

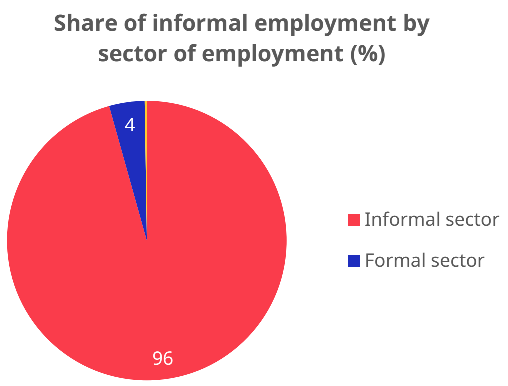
Statistical information

Estimated Number of workers (LFS)	**479,783**	**Proportion of women workers (LFS)**	**19%**
Proportion in informal sector or Households (LFS)	**94%**	**Proportion in bottom income quintile (LFS)**	**3%**



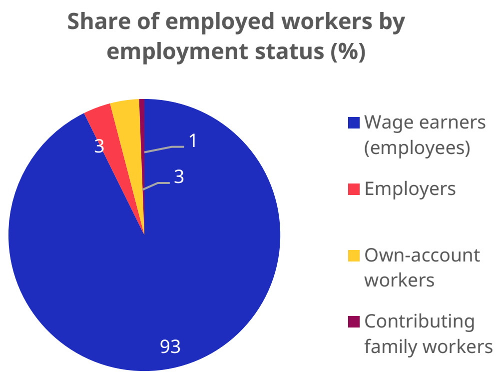
- Of the estimated total 479,783 construction workers, 450,139 (94 per cent) work in the informal sector
- Less than one-fifth (19 per cent) of construction workers are female
- There are only 937 construction workers in the household sector (all male)

Source: LFS *2019*. N=1,255



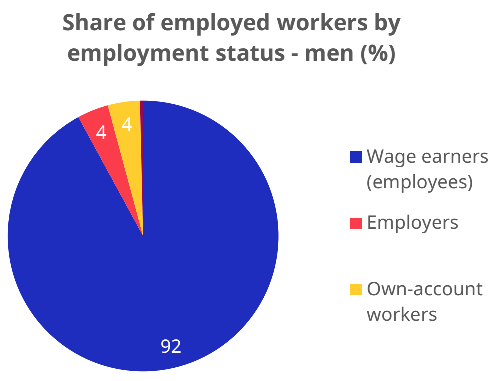
- In the construction subsector, 98 per cent of total employment is informal employment, of which 95 per cent takes place in the informal sector, 4 per cent in the formal sector, and <1 per cent in the household sector.

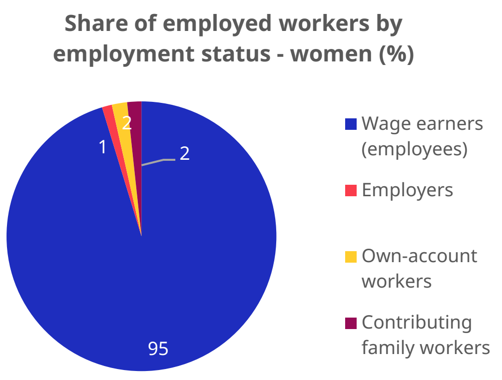
Source: LFS 2019. N=1,255



- Across all construction workers 93 per cent are wage earners,3 per cent are employers, 3 per cent are own account workers and 1 per cent are contributing family workers.
- Both men and women construction workers show similar distributions across employment status.
- Most of the construction workers are in vulnerable employment.

Source: LFS 2019. N=1,255





Number of workers by employment status, social security coverage and sector of employment

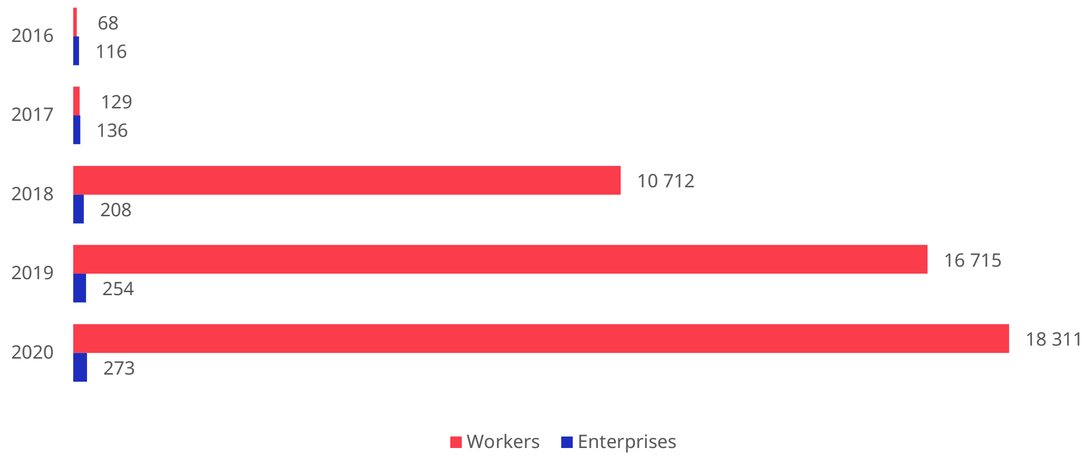
	Informal sector	Formal Sector	Household sector	Total
Wage earners (employees)	419 943	24 071	616	444 941
Employers	12 576	3 030	-	15 605
Own-account workers	14 652	1 608	321	16 581
Contributing family workers	2 968	-	-	2 968
Total by employment status	*450 139*	*28 708*	*937*	*479 783*
Insured workers	958	3 387	-	4 345
Uninsured workers	449 181	25 321	937	475 751
Percentage of workers uninsured	100	88	100	99

Source: LFS 2019. N=1,255

- Informal-sector construction workers are more likely than formal-sector construction workers to be wage-earners and contributing family workers, and less likely to be employers or own-account workers.
- Within the informal sector, 93 per cent of construction workers are wage earners (employees), 3 per cent are employers, 3 per cent are own-account workers, and 1 per cent are contributing family workers.
- Within the formal sector, 84 per cent of construction workers are wage earners (employees), 11 per cent are employers, and 6 per cent are own-account workers.
- The LFS estimates that almost all (99 per cent) construction workers are not covered by social security.* This is driven by informal sector workers, 100 per cent of whom are estimated to be uninsured, compared to 88 per cent of formal sector workers.

* This estimate may under-report the actual coverage of social security due to the fact that a significant portion (22 per cent of observations) of total wage earners (employees) within the LFS report that they do not know whether their employer contributes to social security on their behalf.

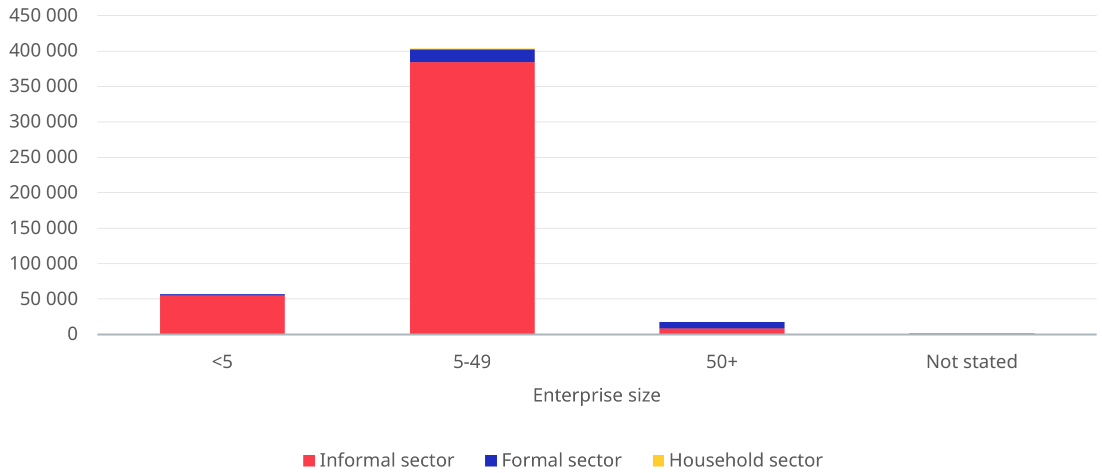
Number of workers and enterprises registered with NSSF by year



Source: NSSF.

- NSSF administrative data indicate that there were 16,715 construction workers registered in 2019 from 254 registered enterprises.
- This equates to a coverage rate of 3 per cent using the LFS estimate for total size of workforce in this subsector for that year.

Number of workers by enterprise size and sector of employment

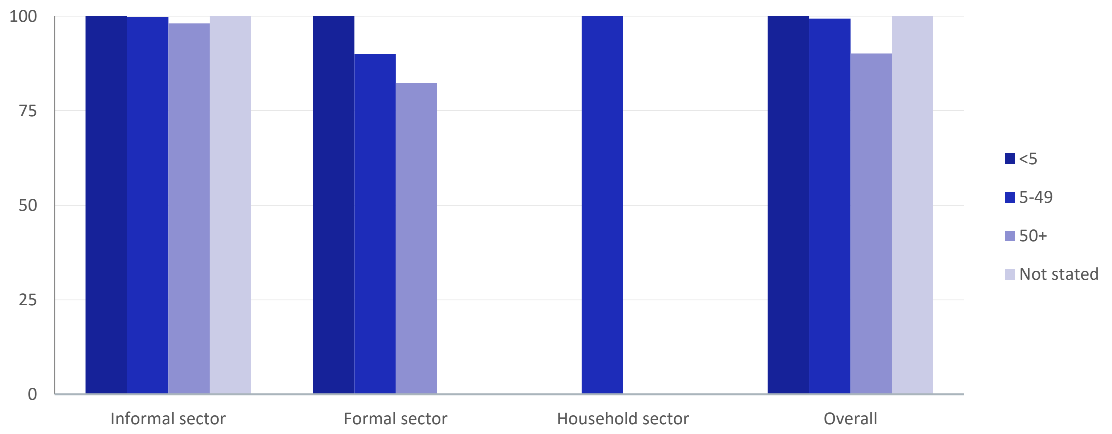


Source: LFS 2019. N=1,255

- The vast majority (96 per cent) of construction workers work in micro- (<5 employees) or small (5-49 employees) enterprises (12 per cent and 84 per cent respectively). Just 4 per cent work in medium or large (50+ employees) enterprises.*
- This is driven by the informal sector. In the formal sector, 31 per cent of construction are medium or large size.

* Enterprise size is not stated for <1 per cent of observations.

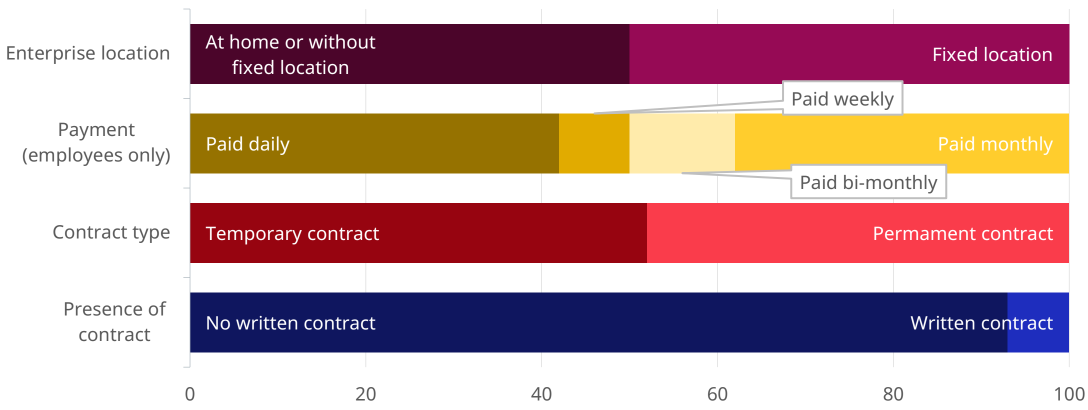
Share of uninsured workers by enterprise size and sector of employment (%)



Source: LFS 2019. N=1,255

- Construction workers in medium or large enterprises (50+ employees) are more likely to be insured. This is driven by the formal sector.

Share of workers by contract type, payment modality and location of work (%)



Source: LFS 2019. N=1,255

- 93 per cent of construction workers have no written contract.
- Of those with written contracts, 52 per cent have temporary contracts and 48 per cent have permanent contracts.
- Just over two-fifths (41 per cent) of employees in the construction subsector are paid daily, while just under two-fifths (37 per cent) are paid monthly.
- Half (50 per cent) of construction workers work in an enterprise with a fixed location. Similarly, half (50 per cent) work from home or without a fixed location.

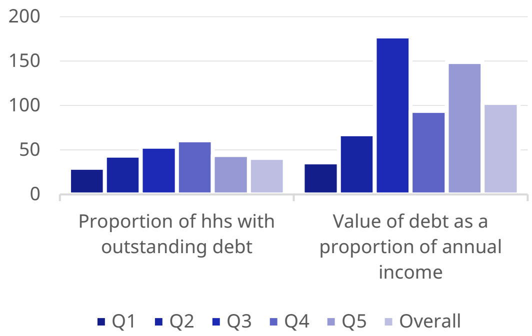
Share of workers by income quintile and employment status (%)

Employment Status	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Wage earners (employees)	3	23	37	20	17
Employers	-	-	-	-	100
Own-account workers	71	-	17	-	12
Contributing family workers	-	-	-	-	-
All workers	**3**	**23**	**37**	**20**	**17**

Source: SES 2019. N=1,143 (1,135 wage earners; 1 employer; 7 own-account workers)

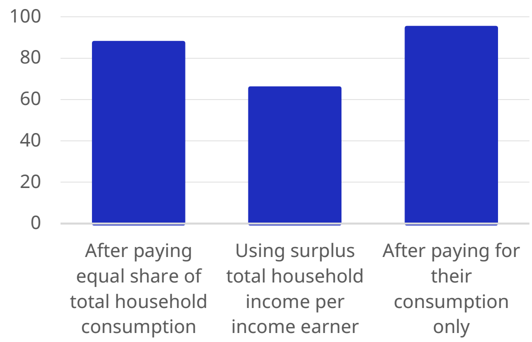
- Wage earners in the construction subsector are concentrated in the middle of the income distribution, with 37 per cent in quintile 3 and just 3 per cent in the bottom quintile.
- This means that around three-quarters (74 per cent) of construction-worker wage earners (employees) are located in the top three national income quintiles.

Household debt by consumption quintile (%)



Source: SES 2019. N=1,143

Proportion of employees able to contribute to social security (%)

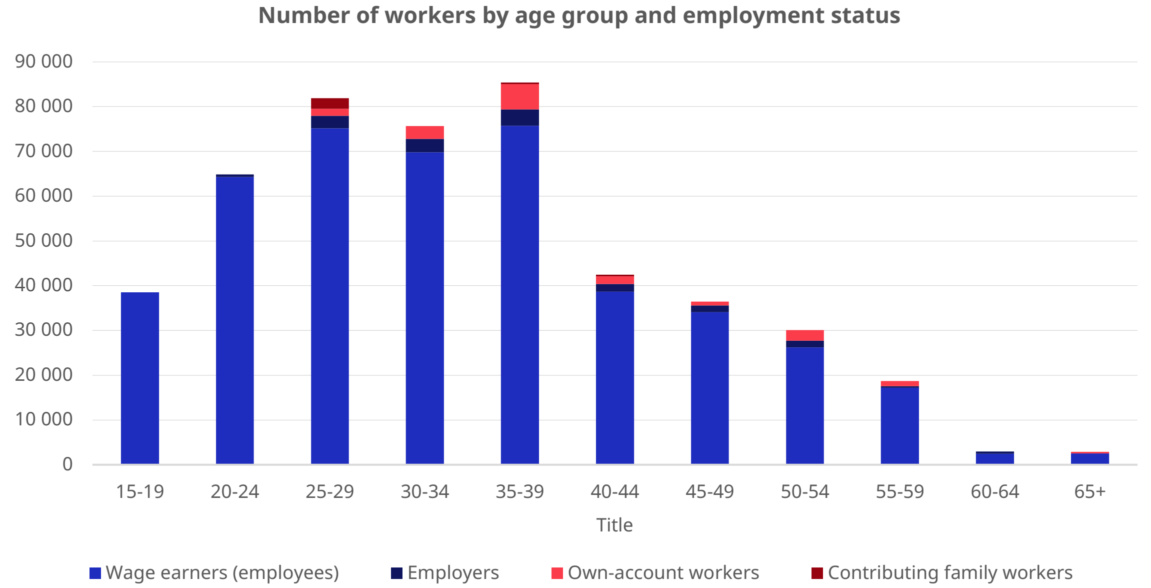


Source: SES 2019. N=1,143

- Over two-fifths (41 per cent) of construction worker households have outstanding debt
- For households with debt, the value of the outstanding debt is worth just over one year (103 per cent) of annual household income on average.
- This is driven by households in the top 3 income quintiles. For households in the bottom two income quintiles, the value of outstanding debt is worth significantly less than one year's income.

- 87 per cent of wage earners (employees) in the construction subsector could potentially afford to contribute to a NSSF pension after paying an equal share of total household consumption.*
- 95 per cent of construction employees could potentially afford to contribute to a NSSF pension after paying for their individual consumption only.*
- This suggests that ability to pay is not the key barrier to participating in social security for many employees.

* Does not account for debt burden.



Source: LFS 2019. N=1,255

- The majority (82 per cent) of construction workers are aged between 15 and 44 years. Wage earners (employees) are especially concentrated in these age bands (82 per cent).
- Youth[2] (15-29 years) make up 39 per cent of the construction subsector workforce.
- One-fifth (19 per cent) of construction workers are aged between 45 and 64 years. This is especially concentrated for employers (25 per cent) and own-account workers (26 per cent).
- Just 1 per cent of construction workers are aged 65 years and above.

[2] 2011 National Policy on Youth Development (Ministry of Education, Youth and Sports, 2011) defines youth as those between 15 and 30 years of age. Youth constituted 27.6% of population in 2019 according to Population of Cambodia 2021 - PopulationPyramid.net

License and registration information

Forming a construction company

Any person, either legal or natural, who wishes to engage in construction business, must obtain a construction license from MoLMUPC. There are four types of construction licenses.

Obtaining construction permits

All land owners have a right to construct a building on their land but **a construction permit must be obtained** prior to the construction. Sub-Decree No. 86 on Construction Permits dated 19 December 1997 stipulates the requirements for obtaining construction permits in Cambodia.

Depending on the nature of the construction, a permit may be issued by MoLMUPC or its provincial administration or municipal authority. A construction permit is **valid for one year** although an extension can be allowed for another year.

After obtaining the construction permit, before the construction can start, the construction owner must **obtain site opening permit** from the concerned municipal authority or MoLMUPC authority. The approval process lasts about 45 days.

The documents required for construction permits are technical in nature **and do not include** any of the following:

- Registration with the NSSF
- Insurance policy
- List of employees or expected labour engaged in the project overall
- Certificates of training in OSH standards

Taking Construction Sites Insurances

According to the Law on Insurance dated 4 August 2014 and the Sub-Decree No. 06 dated 22 October 2001, **a construction liability insurance policy is mandatory** for the individual or legal entity (who is the owner or the operator of a construction site in Cambodia) to start any construction work. However, the **owner and builder may seek an exemption from the MEF** of this obligation for any small-scale construction or repair.

It is not mandatory to include worker's Personnel Accident (PA) insurance (such as NSSF-EII) as a part of construction risk insurance policies to be taken by the owner / operator of the construction site. Hence, insurance company offerings do not include any PA insurance products similar to the EII cover available from NSSF to a registered construction site worker.

Construction OSH regulations

The MoLVT has issued sector wise regulations concerning OSH. The construction and related sector OSH regulations were issued on 30 March 2011 which are:

- Prakas077 concerning the Information at the Construction Site
- Prakas 075 concerning the Sanitation at the Construction Site
- Prakas 076 concerning the Prevention of Risks associated with the Changing Weather Conditions at the Construction Site
- Prakas 078 concerning the Storage, Waste Management and Cleanliness at the Construction Site

	Category 1	Category 2	Category 3	Category 4
Project value	Any value	Up to USD 150,000	Up to USD 100,000	Small construction projects only
Licensing authority	MoLMUPC			municipal authority or provincial MoLMUPC authority
License duration	3 years, extendable			
Foreign companies	Yes, establishing a branch or a subsidiary in Cambodia			N/A
Taxation	Tax on profits, valued added tax, withholding tax, salary tax			

Glossary

The **informal sector** is comprised of unregistered and/or small unincorporated household enterprises engaged in the production of goods or services for sale or barter. It includes all workers in enterprises that are not registered with the relevant authorities, that do not keep a complete set of accounts, and whose workers do not benefit from social protection or other work-related benefits. It excludes households that produce exclusively for own use (e.g., subsistence farmers).

The **formal sector** comprises all those who are employed by government or international organisations; private enterprises that are producing for sale in the market and are either registered or have written accounts; private enterprises producing for sale in the market whose employees don't know if their firm is either registered or has written accounts but do know they are entitled to social security; and private enterprises producing for sale in the market whose employees don't know if their firm is either registered or has written accounts or if they are entitled to social security, but firm size is greater than or equal to 5 employees and has a fixed location in which it operates.

The **household sector** comprises those whose products from farming or fishing are used for themselves and their families only, as well as those who are employed by households as domestic workers.

For employees, **informal employment** is defined in terms of the employment relationship and refers to working arrangements that are in law or in practice not subject to national labour legislation, income taxation, or entitlement to social protection or other employment guarantees such as advance notice of dismissal, severance pay, or paid annual or sick leave.

Wage earners (or waged workers): Those whose employment status is 'employee', including people who work in any economic unit, including family businesses, and who receive regular pay.

Employers and own-account workers are considered to be in informal employment when their economic units operate in the informal sector. This means that informal employment conditions can occur outside the 'informal sector'. For example, casual, temporary, or seasonal workers who lack social insurance or other employment benefits, or who fall short of full legal status, may be informally employed even if they work in the 'formal sector'.

Employers: Persons who run a business and engage at least one paid employee on a continuous basis.

Own-account workers: Persons who run businesses but do not engage any paid employee on a regular basis.

Contributing family workers: Persons who work in their family business without receiving any regular pay.

Employees status in employment is generally associated with more job security and better working conditions, whereas own-account workers and contributing family workers are regarded as **vulnerable employment**.

After equal share of total household consumption: Share of employees in a household that can pay for the consumption of all household members and still contribute towards pension. We are taking 6.75 per cent of their income as a contribution. towards pension.

Using surplus total household income per income earner: Share of employees whose 6.75 per cent of average income is above monthly household surplus income.

After paying for their consumption only: Share of employees that can contribute after their own consumption only.

Funded by the European Union

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