

► Statistical Brief

July 2023

Overview of workers in the restaurants subsector

Key points

- Potential for increasing formalisation and expanding coverage of social security: HIGH¹
- There is an estimated quarter of a million (257,056) workers in this subsector, 3.5 per cent of the total workforce
- 88 per cent of restaurant workers are located in the informal sector
- 96 per cent of workers currently work under informal arrangements : 62 per cent in the formal sector; 100 per cent in the informal sector
- Employees make up 73 per cent of total employment
- The share of self-employment in total employment is 25 per cent (11 per cent employers, 15 per cent own-account workers)
- 45 per cent of employers are located in the informal sector
- 44 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 restaurants 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 LFS 2019 economic activity codes included for this subsector are: 5610 Restaurants and mobile food service activities; 5621 Event catering; 5629 Other food service activities; and 5630 Beverage serving activities.

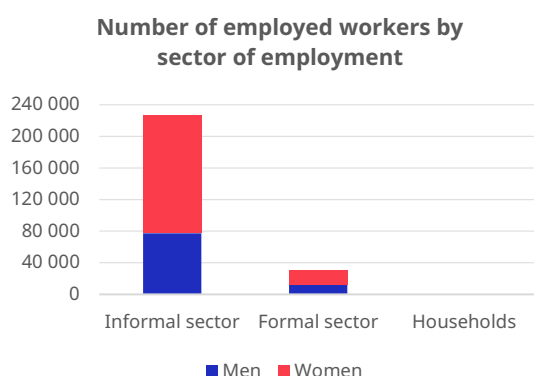
This includes food and beverage serving activities providing complete meals or drinks fit for immediate consumption, whether in traditional restaurants, self-service or take-away restaurants, whether as permanent or temporary stands with or without seating. Decisive is the fact that meals fit for immediate consumption are offered, not the kind of facility providing them. Excluded is the production of meals not fit for immediate consumption or not planned to be consumed immediately or of prepared food which is not considered to be a meal. Also excluded is the sale of not self-manufactured food that is not considered to be a meal or of meals that are not fit for immediate consumption.

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.

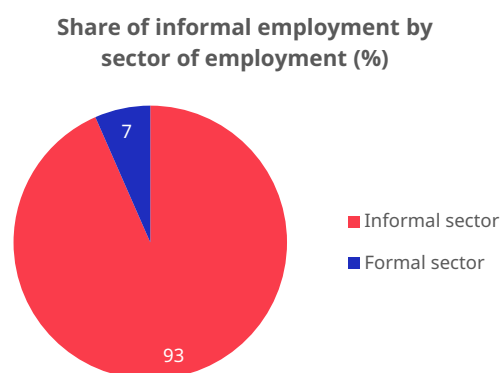
Statistical information

Estimated Number of workers (LFS)	257,056	Proportion of women workers (LFS)	65%
Proportion in informal sector or Households (LFS)	88%	Proportion in bottom income quintile (LFS)	19%



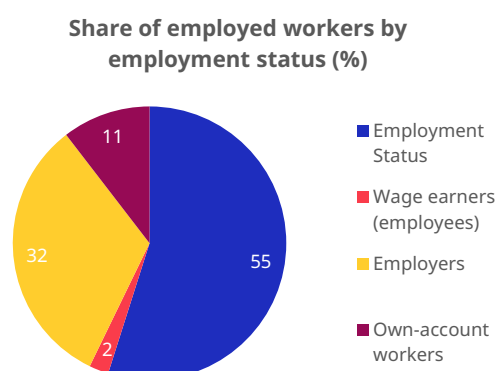
- Of the estimated total 256,056 restaurant workers, 226,553 (88 per cent) work in the informal sector
- Two thirds (65 per cent) of restaurant workers are female
- There are no restaurant workers in the household sector

Source: LFS 2019. N=638



- In the restaurants subsector, 96 per cent of total employment is informal employment, of which 93 per cent takes place in the informal sector and 7 per cent in the formal sector.

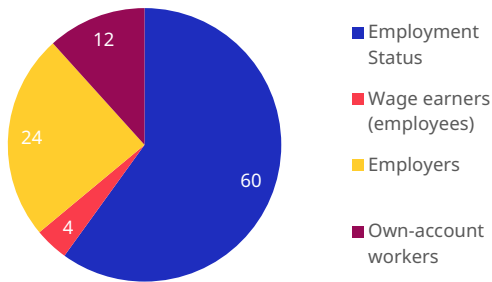
Source: LFS 2019. N=638



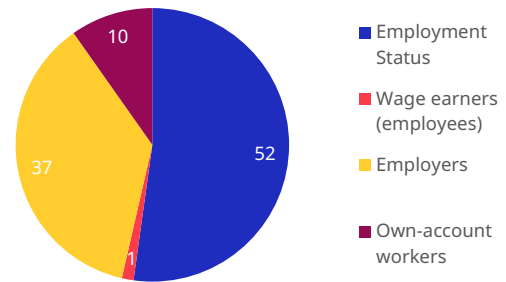
- Across all restaurant workers 55 per cent are wage earners, 2 per cent are employers, 32 per cent are own account workers and 11 per cent are contributing family workers.
- Men restaurant workers are more likely than women to be wage earners (employees) or employers
- Women restaurant workers are more likely to be own-account workers
- Women restaurant workers are more likely to be in vulnerable forms of employment

Source: LFS 2019. N=638. Note: Small sample size. Results should be interpreted with caution and may not be representative of the larger population.

Share of employed workers by employment status - men (%)



Share of employed workers by employment status - women (%)



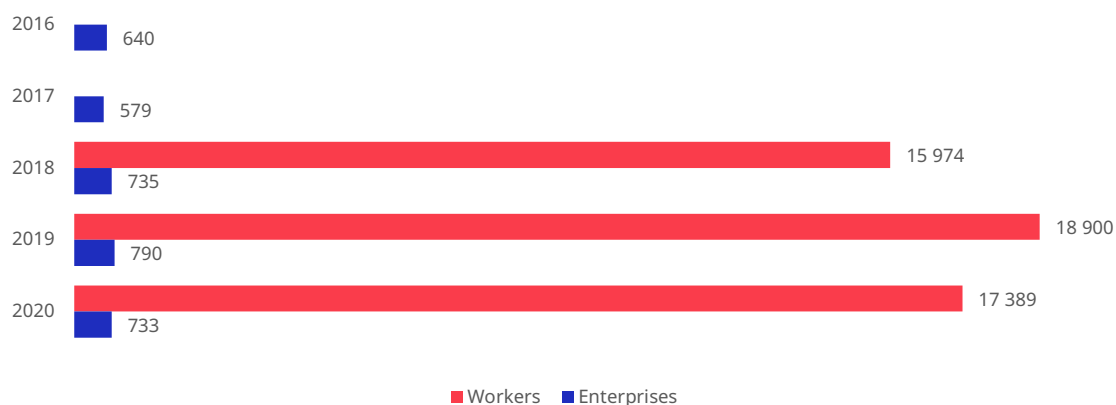
Number of workers by employment status, social security coverage and sector of employment

	Informal sector	Formal Sector	Total
Wage earners (employees)	118 861	22 269	141 130
Employers	2 632	3 275	5 908
Own-account workers	78 757	4 426	83 183
Contributing family workers	26 303	533	26 836
Total by employment status	226 553	30 503	257 056
Insured workers	-	3 786	3 786
Uninsured workers	226 553	26 717	253 270
Percentage of workers uninsured (%)	100	88	99

Source: LFS 2019. N=638

- Formal-sector restaurant workers are more likely than informal-sector restaurant workers to be wage-earners and employers, and less likely to be own-account workers or contributing family workers.
- Within the informal sector, 52 per cent of restaurant workers are wage earners (employees), 1 per cent are employers, 35 per cent are own-account workers, and 12 per cent are contributing family workers.
- Within the formal sector, 73 per cent of restaurant workers are wage earners (employees), 11 per cent are employers, 15 per cent are own-account workers, and 2 per cent are contributing family workers.
- The LFS estimates that almost all (99 per cent) restaurant 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.

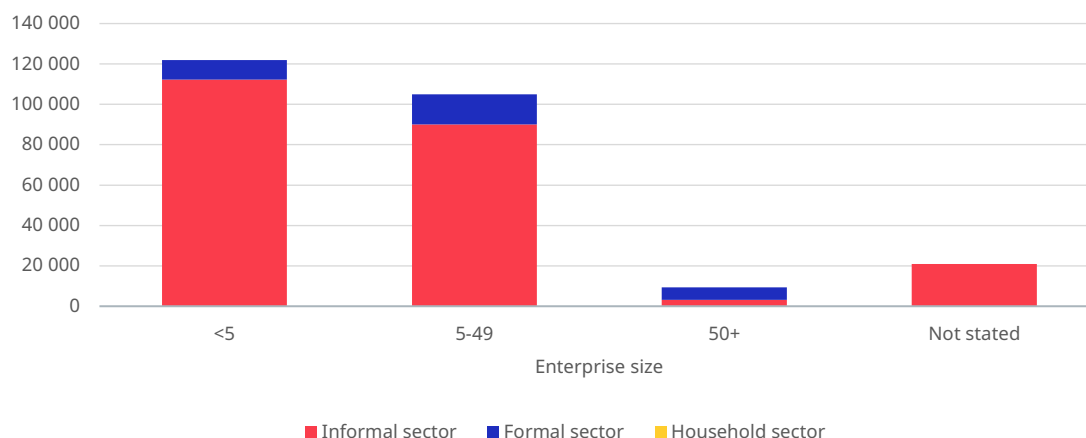
Number of workers and enterprises registered with NSSF by year



Source: NSSF.

- NSSF administrative data indicate that there were 18,900 restaurant workers registered in 2019 from 790 registered enterprises.
- This equates to a coverage rate of 7 per cent using the LFS estimate for total size of workforce in this subsector for that year.

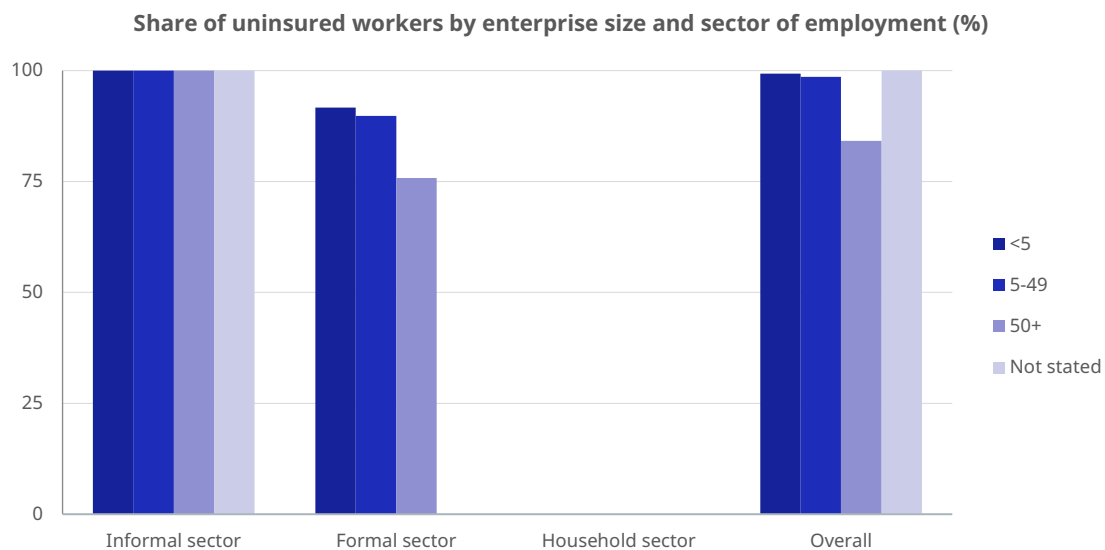
Number of workers by enterprise size and sector of employment



Source: LFS 2019. N=638

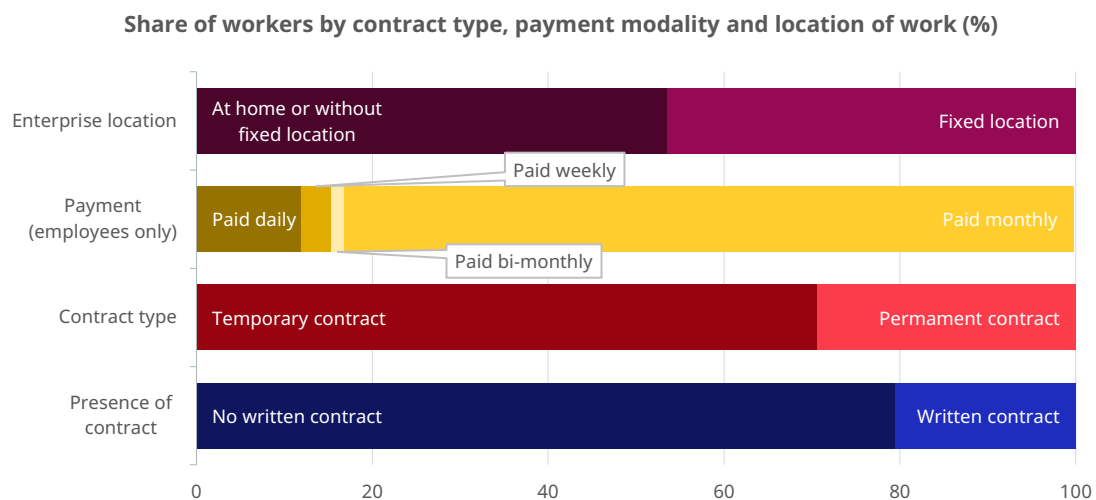
- The vast majority (88 per cent) of restaurant workers work in micro- (<5 employees) or small (5-49 employees) enterprises (47 per cent and 41 per cent respectively). Just 4 per cent work in medium or large (50+ employees) enterprises.*
- This is driven by the informal sector. In the formal sector, 20 per cent of restaurants are medium or large size.

* Enterprise size is not stated for 8 per cent of observations.



Source: LFS 2019. N=638

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



Source: LFS 2019. N=638. Note: Small sample size. Results should be interpreted with caution and may not be representative of the larger population.

- Four-fifths (79 per cent) of restaurant workers have no written contract.
- Of those with written contracts, 71 per cent have temporary contracts and 29 per cent have permanent contracts.
- The majority (81 per cent) of employees in the restaurants subsector are paid monthly.
- Just under half (46 per cent) of restaurant workers work in an enterprise with a fixed location. Just over half (54 per cent) work from home or without a fixed location.

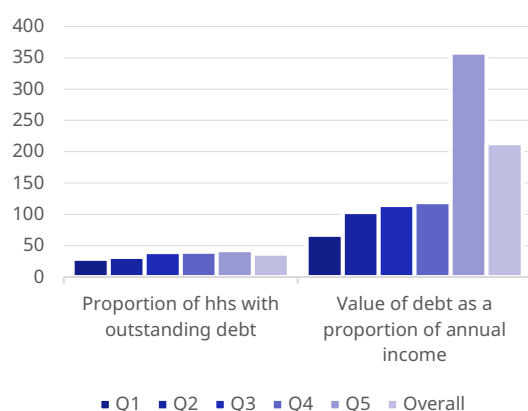
Share of workers by income quintile and employment status (%)

Employment Status	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Wage earners (employees)	18	33	19	18	12
Employers	48	-	-	-	52
Own-account workers	47	12	27	-	13
Contributing family workers	-	-	-	-	-
All workers	19	32	19	18	12

Source: SES 2019. N=346 (336 wage earners; 2 employers; 8 own-account workers)

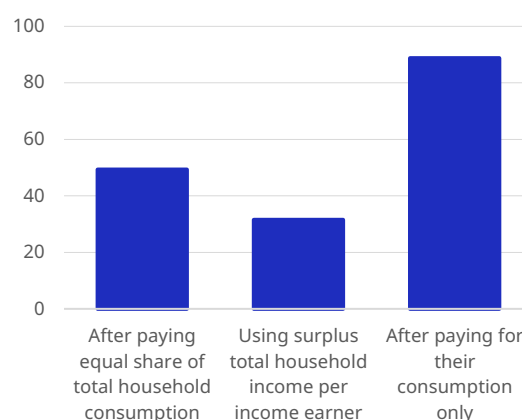
- Wage earners are quite evenly distributed across national income quintiles, except with relatively more in the second quintile and less in the top quintile.
- This means that just over half (51 per cent) of restaurant-worker wage earners (employees) are located in the bottom two national income quintiles.

Household debt by consumption quintile (%)



Source: SES 2019. N=346

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

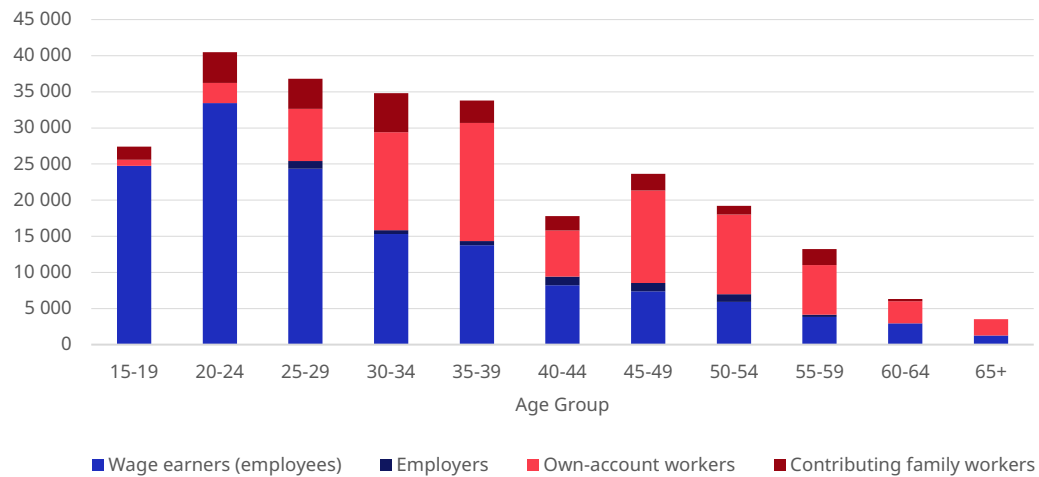


Source: SES 2019. N=336

- Over a third (37 per cent) of restaurant worker households have outstanding debt
- For households with debt, the value of the outstanding debt is worth just over two years (213 per cent) of annual household income on average.
- This is driven by households in the top income quintile. For households in other quintiles, the value of outstanding debt is worth closer to one year's income.
- Half (49 per cent) of wage earners (employees) in the restaurants subsector could potentially afford to contribute to a NSSF pension after paying an equal share of total household consumption.*
- 89 per cent of restaurant 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.

Number of workers by age group and employment status



Source: LFS 2019. N=638. Note: Small sample size. Results should be interpreted with caution and may not be representative of the larger population.

- The majority (74 per cent) of restaurants subsector workers are aged between 15 and 44 years. Wage earners (employees) are especially concentrated in these age bands (85 per cent).
- Youth² (15-29 years) make up 41 per cent of the restaurants subsector workforce.
- A quarter of restaurant workers are aged between 45 and 64 years. This is especially concentrated for employers (43 per cent) and own-account workers (41 per cent).
- Just 1 per cent of restaurant 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 per cent of population in 2019 according to Population of Cambodia 2021 - PopulationPyramid.net

License and registration information

Business registration

By law, **all business activities need to be registered** with the appropriate agencies of Government, regardless of size, type or sector of business.

A business needs to register with Ministry of Commerce (MoC) before they can register with the General Department of Taxation (GDT) and Ministry of Labour and Vocational Training (MoLVT). Since 2020, the Government has instituted the online platform called CamDX to

register businesses with all the main agencies at once (i.e., MoC, GDT and MoLVT).

Small and micro-business can also register with the One Window Service Office (OWSO) at sub-national level, especially, the District, Municipal and Khan (DMK) levels.

	Registration process and requirements
Ministries	1) MOC, 2) GDT, 3) MoLVT
Level	National
Fees	2.15 million riels (for all three agencies), done through CamDX
Key docs required	ID, Photo, Name/Address of business / capital / expected employee #, memorandum of articles
Time to process	15-20 working days (MOC 5-7 days; GDT 7-10 days; MoLVT 3-5 days)
Documents obtained on completed registration	From MOC: Memorandum of articles, Certificate of Incorporation, Company extract From GDT: VAT TIN#, Patent, GDT notification letter From MOLVT: Declaration of Business Opening

Tax obligations

Obligations	Large/medium business	Small business
Annual return	> 1,000 million riels	250-1,000 million riels
Annual tax	1) Patent tax (1.2 MR), 2) Minimum tax	1) Patent tax (0.4 MR), 2) Minimum tax
Monthly tax	1) Turnover tax, 2) VAT, 3) Withholding tax, 4) Salary tax, 5) Public lighting tax (on beers...)	1) Turnover tax, 2) VAT, 3) Withholding tax, 4) Salary tax, 5) Public lighting tax (on beers...)
Tax exemptions	Tax exemption during COVID-19 period	Tax exemption during COVID-19 period
Accounting/ Bookkeeping	Cambodian International Accounting Standard (suing accrual basis)	Simplified accounting record (incl. daily purchase, daily sale, and inventory)
Other requirements	Invoices issued are more complete	Need to issue simple 'invoices'

Registration with MoLVT and NSSF

Additional documents required for registering with MoLVT alongside the documents obtained on registration with MoC and GDT are: *description of the business in Khmer*; *expected number of working hours* (per day or week); and *list of hazardous materials and/or machinery used in the work process*.

In addition to the registration of the Declaration of Business Opening, once in operation businesses are required to apply for other labour-related permits, most commonly: *Enterprise employee book*; *Computer-based payment of salary registry book*; *Recognition of staff representatives*; and *Certification of internal rules*. Business can apply for these permits either from MoLVT (>100 employees) or OWSU (<101 employees). The documents required, the cost of the fees, and the timeframe for completion of the process vary depending on the size of business and permits applied for.

To register with NSSF a business must submit the *ID of the employers and employees* and information (in the form of a table) regarding the *monthly salary of each employee*, *their names and signatures*.

Business licence requirements

Restaurant businesses must obtain a licence from the Ministry of Tourism (MoT) or OWSO at the sub-national level, depending on their size.

Other certifications (as relevant)

- Fire safety certificate, issued by the police
- Food hygiene certificate, issued by the Ministry of Health or its Provincial Department

	> 100 chairs	51-100 chairs	< 50 chairs
Application level	Ministry of Tourism	OWSU	OWSO
Fees (annual)	From 0.8-1.6 MR (Valid for 1 year) depending on the size of the restaurants (bigger than 100 seats)	600,000 R	100,000R
Required docs	Confirmation of business location issued by SNAs, application form, ID, photo, Patent, location owned/rent docs, fire safety certification issued by police, a 'law compliance declaration)	Application form, ID, photo, Patent, location owned/rent docs, a picture showing fire safety in the shop, a law compliance declaration)	Application form, ID, photo, location of the restaurants, a picture showing fire safety, a 'law compliance declaration)
Time to process	7 working days	28 working days	28 working days

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.



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