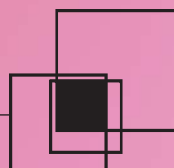




International
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Office



Decent Work for Women and Men in the Informal Economy: Profile and Good Practices in Cambodia



ILO Subregional Office for East Asia
Informal Economy, Poverty and Employment Project
Expansion of Employment Opportunities for Women Project

in cooperation with
Economic Institute of Cambodia
United Nations Development Fund for Women

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International Labour Organization (ILO)
Subregional Office for East Asia (SRO-Bangkok and Phnom Penh)
in cooperation with
Economic Institute of Cambodia (EIC) and
United Nations Development Fund for Women (UNIFEM) Cambodia

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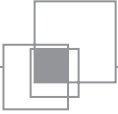
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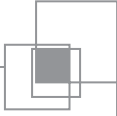
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List of abbreviations

ADB	Asian Development Bank
CAID	Cambodian Association for Informal Economy Development
CAMFEBA	Cambodian Federation of Business Association
CBHI	Community-based health insurance
CDRI	Cambodian Development Resource Institute
CEDAW	Convention on the Elimination of All from of Discrimination Against Women
CMDGs	Cambodian Millennium Development Goals
CSES	Cambodia Socio-Economic Survey
DTVET	Department of Technical, Vocational Education and Training
EIC	Economic Institute of Cambodia
EEOW	Expansion of Employment Opportunities for Women— ILO-supported project
FDI	Foreign direct investments
GDP	Gross Domestic Product
GRET	Group de Recherche et d’Echange Technologique
GTZ	German Technical Cooperation
ICLS	International Conference of Labour Statisticians
IEPE	Informal Economy, Poverty and Employment— ILO-supported project
IIC	International Institute of Cambodia
ILO	International Labour Organization
ISED	Integrated Support to Small Enterprises in Mekong Delta Countries— ILO-supported project
MDG	Millennium Development Goals
MEF	Ministry of Economy and Finance
MIME	Ministry of Industry, Mine and Energy
MoC	Ministry of Commerce
MoEYS	Ministry of Education Youth and Sport
MoH	Ministry of Health
MoLVT	Ministry of Labour and Vocational Training
MoSALVY	Ministry of Social Affairs, Labour, Veterans and Youth
MoWA	Ministry of Women’s Affairs
MPDF	Mekong Private Sector Development Facility
MSE	Micro and Small Enterprise

MSME	Micro, Small and Medium Enterprise
NIS	National Institute of Statistics
NSDP	National Strategic Development Plan
NSSF	National Social Security Funds
OSH	Occupational Safety and Health
PTCs	Provincial Training Centers
REEs	Rural Electricity Enterprise
SEDP	Socio Economic Development Plan
SME	Small and Medium Enterprise
TVET	Technical Vocational Education and Training
UDHR	Universal Declaration of Human Rights
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
UNTAC	United Nations Transitional Authority in Cambodia
USG	Urban Sector Group
WB	World Bank
WEDGE	Women's Entrepreneurship Development and Gender Equality— ILO-supported project
WHO	World Health Organization
WTO	World Trade Organization

Foreword

The ILO agenda on decent work in the informal economy is rooted in the concern to respect the basic rights of all workers, including the millions of men and women who work in homes, streets, markets and workplaces without labour protection as unregulated wage earners together with the self-employed, micro and small entrepreneurs. Since the 1970s, the ILO has called attention to the phenomenon of the “informal sector”. At the turn of the millennium, ILO member States reaffirmed their concern at the 1999 International Labour Conference by defining the challenge as extending decent work to the informal economy.

At the 2002 International Labour Conference, ILO member States spelled out the urgent need to address decent work deficits in the informal economy in four key areas: employment, rights, social protection, and representation. There was agreement that decent work is a goal to be achieved progressively and in an integrated or cross-disciplinary manner. In the immediate and medium term, ILO seeks at least to eliminate the negative forms of informality and, as a further objective, seeks the gradual integration of the informal economy into formal systems of protection and support.¹

The ILO has been a partner in Cambodia’s economic, social and democratic recovery since the early 1990s, supporting its tripartite constituents—Government, employers’ and workers’ organizations—and other concerned parties in their efforts to create decent work for men and women: rights and equity at work, more and better jobs, effective social dialogue among labour institutions, and enhanced social protection for all Cambodians in a growing economy.

The Royal Government of Cambodia has ratified all eight of the international labour standards embodying the ILO fundamental principles and rights at work: freedom of association, elimination of forced labour, effective abolition of child labour and elimination of discrimination in respect of employment and occupation. Through research, policy advice and a wide variety of technical cooperation projects, the ILO works with the Government, the social partners and other civil society organizations to apply these standards and promote decent work in the country.

Technical cooperation is one of the means to find workable strategies to extend progressively decent work to the informal economy. A strategic framework was developed to assist ILO member States in fostering the progressive inclusion of workers in informal

1 ILO, 2002. Conclusions concerning decent work and the informal economy, adopted by the International Labour Conference at its 90th Session, Geneva, reproduced from ILO, Provisional Record, No. 25.

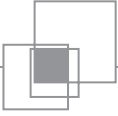
employment within institutional and legal systems through integrated action in five areas: governance, macro policies, representation and voice, market enhancement and productive employment, and social protection to address vulnerabilities.²

In recent years, the ILO Subregional Office for East Asia has cooperated with Cambodian partner organizations to improve the employment and working conditions for workers in informal employment through a variety of technical cooperation projects geared at reducing poverty, promoting decent work in the informal economy, enhancing women's employment opportunities and providing integrated support to small enterprise development. These projects have sought to demonstrate the relevance, effectiveness and feasibility of integrated approaches, build replicable models, develop tools and services, test better procedures for both public and private agencies to better reach the informal economy and contribute to policy formulation for better protection of workers in informal employment.

This report brings together lessons from the experience of over 50 national and local ILO partner organizations in Cambodia. It provides a profile of the informal economy with an explicit gender dimension and highlights good practices for policy development through discussion and dialogue between decision makers in the public and private sectors, and groups of informal economy workers both at the national level and in local communities and workplaces. It is hoped that this report will contribute to more effective policy and programme design geared at alleviating poverty through the creation of decent work.

The report is the result of a collaborative effort between the Economic Institute of Cambodia (EIC), the United Nations Development Fund for Women (UNIFEM) and the United Nations Development Programme (UNDP) through their joint Project on "Gender and the Millennium Development Goals" and the ILO-supported projects on the "Informal Economy, Poverty and Employment" (IEPE), the "Expansion of Employment Opportunities for Women" (EEOW) and "Integrated Support for Small Enterprise Development" (ISED) which have been implemented with the Ministry of Labour and Vocational Training (MoLVT), the Ministry of Women's Affairs (MoWA) and the Ministry of Industries, Mines and Energy (MIME), the social partners and numerous other committed

2 Trebilcock, Anne, 2004. "Decent work and the informal economy", Paper presented at the EGDI-WIDER Conference on Unlocking Human Potential: Linking the Formal and Informal Sectors (Helsinki, 17-18 September, 2004), ILO Geneva



individuals and agencies with resources provided by the Governments of the United Kingdom, Japan and the Netherlands.

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Bangkok, June 2006

Christine Evans-Klock

Director

Subregional Office for East Asia

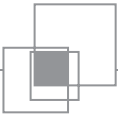
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Summary

This study gives an overview of trends and characteristics of informal economy employment in Cambodia. It identifies some of the main challenges faced by informal economy workers in Cambodia, progress made in extending effective protection to them, and strong and weak points in the implementation of existing policies and programmes. The report highlights innovative programmes and good practices aimed at promoting decent work for women and men in the informal economy. It provides good practices and recommendations to inform policy makers and practitioners reflecting the experience of the ILO and its partner organizations together with the main outcomes of discussions at a Policy Dialogue on the Gender Dimension in the Informal Economy, organized by UNIFEM, UNDP and ILO which brought together 150 representatives of governmental agencies, NGOs, and employers' and workers' organizations from the capital and provinces held in Phnom Penh on 7 November 2005.

While Cambodia does not have an official definition of the informal economy, it is clear that many entrepreneurs are operating in areas of economic activity that are not registered and go unregulated. Depending on whether the focus is on production units, job characteristics or both, estimates of the informal economy in Cambodia after the turn of the millennium range from 80 to 95 per cent of the workforce. Using the proxy indicators of own-account workers and unpaid family workers for measuring informal employment in all economic sectors, labour force estimates show that women and men in Cambodia were fairly evenly distributed in informal employment. Outside of agriculture, more women in informal employment are found in manufacturing and services: of every 5 workers in this category, 3 are women and 2 are men. Occupational segregation is pronounced in Cambodia with activities related to food processing, weaving and crafts production, sales, vending and hospitality services undertaken by women while transport, repair and construction work is performed mostly by men. Many informal economy workers in urban areas are internal migrants from the rural areas.

Workers in the informal economy earn little. Data from the 2001 labour force show that one quarter of own-account workers outside the capital earned less than half a dollar per day and in total more than 55 per cent of these workers lived under the poverty line of less than one dollar per day. Overall, estimates indicate that women's wages amount to 75 per cent of men's wages after taking differences in age and education into account. In informal employment, women own-account workers dominate employment that earns less, while men make up a larger share in jobs that earn more. Women working as waitresses are among the lowest paid workers and female small vegetable sellers



earn less than male rickshaw and motorcycle taxi drivers. Gender discrimination has many faces and this report documents that young and older women workers in domestic service, beer promotion and the entertainment industries as well as in micro vending and in informal subcontracting are extremely vulnerable and subject to many forms of harassment.

Employment conditions in the informal economy are insecure and workers in informal employment are generally exposed to poor, if not very poor work environments and low safety and health standards which impair their health and productivity. Effective social security is not yet in place and social assistance is available only on a limited scale to specific groups. The lack of health insurance is especially difficult for informal economy workers as sickness or accidents can plunge families easily into debt and extreme poverty.

Cambodia is making substantive progress in providing basic education for all. For example, the literacy rate in rural areas amounted to around 72 per cent in 2004, compared to 60 per cent in 1998. However, low levels of education are still common in the country and gender disparities are pronounced beyond the primary school levels with 63 girls to every 100 boys in lower secondary and fewer than 50 girls for every 100 boys at the upper-secondary and tertiary levels. A very small number of people have had access to vocational training opportunities and this is a matter of concern, considering the number of young entrants into the labour market every year and other workers who need to prepare for new jobs in a changing economy.

Turning to legal policy and programme development, the report gives an overview of the many reforms undertaken and the obstacles that still exist to extend decent work to informal economy workers; thereby achieving the Government's priorities to reduce poverty rapidly and meet its socio-economic development goals for the benefit of all Cambodians by strengthening peace, promoting respect for human rights and dignity, and ensuring sustainable and equitable development.

Job creation is high on the development agenda and the Government has ratified the eight international labour standards on fundamental principles and rights at work: freedom of association, elimination of forced and child labour and the prohibition of discrimination. The 1997 Cambodian Labour Code is comprehensive in comparison with labour legislation in other countries. In principle, it covers many forms of informal employment, although it excludes own-account and self-employed workers from the scope of the application of the law.

The Government continues its commitment to implement the second Strategic Plan for Women for 2005-2009: "Neary Rattanak" or "Women are precious gems". As stated in the recent National Strategic Development Plan for 2006-2010, the Government attaches a high priority to enhancing the status of women, changing social attitudes that discriminate against them and removing existing latent and overt gender barriers. In other words, "The myriad and varied aspects of gender mainstreaming in the country will be attended to with vigour".³

3 RGC, 2006. *National Strategic Development Plan 2006-2010*, p. 64

In practice, the implementation of the Labour Code is work in progress and it mainly covers workers in the garment and tourism industries in larger companies willing to abide by the law. On the positive side, in relation to increasing workers' voice and representation, the Labour Code contains clear procedures for the registration of trade unions that can use this law to protect workers' interests. In contrast, organizations aiming to defend the interests of informal economy workers through association building face many legal barriers and red tape. Nevertheless, several organizations, such as the Cambodian Association for Informal Economy Development (CAID) and the Urban Sector Group (USG), have started organizing work with different occupational groups in the informal economy and progress has been made in increasing their voice and representation in consultations with local authorities.

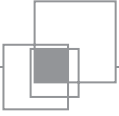
The 1997 Labour Code contains provisions to secure the occupational safety and health of workers, in principle covering all establishments with more than one employee. Given the enormous lack of awareness on work hazards among the self-employed and small-scale business owners and employees in the informal economy, recent pilot initiatives to train agricultural, home-based and construction workers as well as managers on work improvements have met with considerable enthusiasm and success. As a result, the Occupational Safety and Health Programme, currently under development for adoption and implementation from 2006 onwards, will give priority to preventing work hazards and accidents among informal and rural workers in small enterprises, home work, construction and mining through participatory work improvement programmes.

Promising advancements, albeit on a small scale, are also being made in the fields of social security and social assistance with regard to the provision of health insurance, an absolute priority in the informal economy. This is of paramount importance for women in poverty not only because their own health situation is a matter of grave concern, but also because women are traditionally burdened with taking care of family members who are dependent and sick.

In the absence of the most basic forms of health insurance, current community-based health insurance schemes that started in rural areas are now being extended to informal economy workers and the formal garment industries with the mostly young female garment workers contributing to the health insurance of their families in the countryside. For the time being, the experimental health insurance schemes are still small but promising measures are being taken, such as combining workers' contributions with equity funds, thereby increasing effective targeting of people who are poor. Many new schemes are currently being set up and the Government will shortly issue guidelines for the operation of such community-based health insurance initiatives.

Special mention needs to be made of the inclusion of a small maternity grant and training on baby care in the SKY programme, the first community-based health insurance scheme in Cambodia, because maternity protection for all working women is a key gender equality right without which equality of opportunity and treatment in employment can not be achieved.

Progress is also being made in rationalizing the vocational training system and infrastructure. This report documents many good practices which have proven their worth in practice in Cambodia over the years. Vocational training needs to be job-oriented and provided in or near the workplaces and homes of workers in informal employment



in both urban and rural areas. Youth and adult men and women in the informal economy need skills development together with business development services for transparent registration procedures, financial services including effective savings mechanisms, productivity improvements and market linkages. While small and medium enterprise promotion and private sector development are priorities of the Government, the emphasis has been on medium-sized enterprises. Micro and small entrepreneurs in the informal economy are yet to be provided with adequate services for productivity and growth.

Over the past decades in Cambodia, pilot initiatives by government agencies and NGOs for skills and enterprise development have shown that women micro and small entrepreneurs can do as well as their male counterparts when it comes to running a profitable business, irrespective of its size. As pointed out consistently by the Ministry of Women's Affairs and gender experts, girls and young women in poverty require specific measures to counteract the effects of discrimination, and this report highlights some of these in the basic business management training field. The review of current enterprise development initiatives shows that many of these national and international support programmes in the public and private sector in Cambodia are "gender blind", rather than "gender mainstreamed", because it is considered sufficient to provide equal access to both sexes and prohibit direct discrimination. However, practice shows that equal access in theory does not lead to equal outcomes in practice. Effective gender mainstreaming requires the provision of a level playing field, and this means gender inequalities in skills and enterprise development need to be addressed explicitly.

The many good practices that have emerged in Cambodia over the past few years show that strategic action on extending decent work to informal economy workers can be carried out effectively by providing rights and equity, more and better jobs, social protection, representation and voice for the benefit of men and women of all generations in Cambodia. It is hoped that the following pages will inspire readers on how to do so in the future for the benefit of women and men in poverty in Cambodia.

Introduction

After the 1993 election, a new Constitution was adopted and the national Royal Government of Cambodia was formed followed by many reforms. Economic growth has been relatively strong. Real gross domestic product (GDP) at constant prices increased at an annual rate of almost 7 per cent over the past 12 years, despite occasional slowdowns in 1997 and during 2004-2005. Over this period, per capita GDP registered a growth of almost 5 per cent despite an increase in the population while inflation was kept at under 5 per cent.⁴

Cambodia was admitted to the World Trade Organization (WTO) in 2004. Foreign direct investment (FDI) significantly increased starting from 3.5 per cent of GDP in 1994 to 8.3 per cent in 1996 with rapid growth in garments manufacturing, tourism and construction. Large amounts of foreign investment continue to be made mostly in the garment and tourism industries and indications are that the garment industry is doing well despite the end of the Multi-Fibre Agreement in 2004.

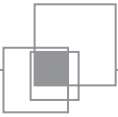
Paid employment in these two industries and in public administration accounts for most employment in the formal sector. In terms of status of employment, 20 per cent of workers were in paid employment and less than one per cent was classified as employers in 2004. Using the proxy indicator of own-account workers and unpaid family workers for informal employment, the total number of workers in the informal economy increased from 4.5 million in 2000, to 5.2 million in 2001 and 5.8 million in 2004 or 85, 84 and 77 per cent of total employment in these years. The informal economy makes a significant contribution to the economy, contributing around 63 per cent of GDP in 2003 according to EIC estimates.⁵

Looking at the sex breakdown of these two categories in all economic sectors, there were slightly more women (53 per cent) than men (47 per cent) in overall informal employment in 2001. In agriculture the proportions are more or less equal (51 per cent of women as compared to 49 per cent men), but in non-agricultural employment there are 3 women for every 2 men in informal employment (61 per cent women and 39 per cent men).

Outside of agriculture, informal sector workers include fruit and vegetable sellers, street and market vendors, motorbike, cyclo and taxi drivers, garbage collectors, and workers in the entertainment industry. Despite the heterogeneity in occupations, workers and employers in the informal economy share some common constraints, such as

4 RGC, 2005. *National Strategic Development Plan 2006-2010*, p.viii

5 EIC, 2006. *Decent work in the informal economy in Cambodia: A literature review*, ILO Bangkok



burdensome and inappropriate regulations, poor working conditions, lack of social protection, and lack of skills and finance for better productivities and incomes. These difficulties are more pronounced for women given their traditional roles as care givers in the family—resulting in a double work load—and their second class position in society—resulting in lack of voice and representation in the family, community and society. Gender analysis and explicit gender-specific strategies are, therefore, needed to take into account the differences between men and women, and address the pronounced inequalities faced by women in the informal economy.

The dilemma of providing decent work to all workers—both women and men—is a concern of governments, international organisations, NGOs, workers and employers worldwide. Many different authors in Cambodia have recommended to extend support to small enterprises and informal economy workers for the development of the country. It is expected that poverty will decrease if informal economy workers are better protected and enabled to engage in more productive, gainful employment. This will require the gradual extension of labour, employment and social protection to these groups.

In response to policy development needs of the Government of Cambodia as expressed by the Ministry of Women's Affairs (MoWA) and the Ministry of Labour and Vocational Training (MoLVT), this synthesis report was developed by ILO, following a desk review, interviews with key informants and drafting by EIC and in cooperation with UNIFEM. The report provides a profile of the informal economy from a gender perspective and highlights areas for policy development for discussion and dialogue between decision makers in the public and private sectors, and groups of informal economy workers at the national and decentralized levels. It intends to inform policy and programme design geared at alleviating poverty through the creation of decent work and social protection for informal economy workers by providing rights, more and better jobs, social protection, representation and voice. The immediate objectives of this joint EIC, UNIFEM and ILO effort were:

- Improved knowledge base and increased research capacity on the informal economy including gender analysis in Cambodia
- Policy inventory made and suggestions developed for the extension of labour, business and social protection to men and women in the informal economy

The report's findings were discussed during a Policy Dialogue Meeting on the Gender Dimension of the Informal Economy in Phnom Penh on 7 November 2005 with around 120 participants (70 women and 50 men), representing government agencies, employers' and workers' organizations, NGOs and international and bilateral organizations. During the meeting, policy makers and programme implementers learned about the concerns of workers, managers and organizers in the informal economy. Participants developed recommendations to extend labour and social protection to men and women in the informal economy and provide them with skills training opportunities, business development services and occupational safety and health.

Chapter 1 explains the origins, meanings and measures of the concepts "informal sector, informal employment and the informal economy". It provides an overview of trends and numbers of women and men in the informal economy in the agricultural, manufacturing and service sectors in Cambodia. It portrays informal enterprises, gives an overview of characteristics of informal economy workers, and discusses the social protection and skill development needs of these workers.

Chapter 2 gives an overview of legal action, policies, plans, and programmes of the Government, NGOs, international organizations and donors. It explains how these work out in practice for workers in the informal economy and challenges are identified. Good practices and innovative programmes to reach out to women and men in the informal economy are highlighted in the legal and social protection fields and in skills and small enterprise development.

Finally, Chapter 3 provides conclusions, good practices and recommendations on strategic action for decent work in the informal economy for reflection, discussion and future action for policy makers and practitioners, committed to improving labour and social protection, skill development, and micro and small enterprise development to large groups of vulnerable female and male workers in the informal economy.

1

Profile of the informal economy

1.1 General characteristics of the informal economy

1.1.1 What is the informal economy?

While there is widespread agreement that the informal economy is a major employer of working people in many areas of the world, including Cambodia, there is confusion about definitions and measurements. The ILO used the term “informal sector” over 30 years ago referring to the activities of the working poor who put in long hours for low incomes and yet were not recognized, recorded, protected or regulated by the public authorities.⁶

Two decades later, the ILO raised the issue of the “dilemma of the informal sector” at the 78th Session of the International Labour Conference.⁷ The dilemma was whether to promote the sector as a provider of jobs and income or to regulate its activities and protect its workers thereby reducing its capacity to provide jobs. The 1991 report emphasized that “there can be no question of the ILO helping to ‘promote’ or ‘develop’ the informal sector as a convenient, low-cost way of creating employment unless there is at the same time an equal determination to eliminate progressively the worst aspects of exploitation and inhuman working conditions in the sector.” The discussion stressed that the dilemma should be resolved by addressing the underlying causes and not just the symptoms of the informal sector through integrated strategies.⁸

For many years there was an expectation that the informal sector would gradually disappear with economic development. However, this has not been the case. The report prepared for the 95th Session of the International Labour Conference in 2006 points out that informal employment has increased with a decline in traditional production and formal jobs. The informal economy has been growing in industrialized countries as well as developing countries. What was once “atypical” or “non-standard” in terms of employment is becoming the dominant form of production and employment.

This trend has accompanied increasing flexibilization and growing informalization in the global economy. Lifetime employment in large factories is being replaced with

6 “Employment, incomes and equality: A strategy for increasing productive employment in Kenya” (Geneva, 1972) cited in ILO, 2002. *Decent work and the informal economy*, Report VI, 6th item on the agenda, International Labour Conference, 90th Session, Geneva, p. 1.

7 ILO, 1991. *The dilemma of the informal sector, Report of the Director-General*, International Labour Conference, 78th Session, Geneva.

8 ILO, 1991. *Provisional Record*, International Labour Conference, 78th Session, Geneva.

flexible production in units that are often unregistered and informal. Global supply chains have produced growing numbers of informal workers in casual, part-time and temporary jobs. For this reason, the concept of the informal sector with its street vendors, rickshaw drivers, parking attendants, garbage collectors, rag pickers and handicraft producers has been broadened to the informal economy that includes both entrepreneurs and workers who are not recognized or protected under legal and regulatory frameworks. Informal employment refers to precarious jobs in small enterprises of the informal sector as well as employees and subcontractors of the formal sector who do not enjoy legal protection or social security.

Because activities considered to be informal are often on the fringes of the law, they are sometimes confused with underground production and illegal activities. This makes them subject to harassment, bribery, extortion and repression. In some countries there are campaigns to “clean up” cities by eliminating street vendors and micro enterprises. However, the original definition of the informal sector was designed to measure legal production that is within the boundaries of the System of National Accounts (SNA). In this regard, informal sector production has been distinguished from underground production, illegal production and production of households for own final use.

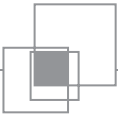
Box 1

Key concepts for the non-observed economy

- **Underground production** – defined as those activities that are productive and legal but are deliberately concealed from the public authorities to avoid payment of taxes or compliance with regulations.
- **Illegal production** – defined as those productive activities that generate goods and services forbidden by law or that are unlawful when carried out by unauthorized producers.
- **Informal sector production** – defined as those productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specified size in terms of employment and that have some market production.
- **Production of households for own final use** – defined as those productive activities that result in goods or services consumed or capitalized by the households that produced them.

Source: OECD, 2002. *Measuring the non-observed economy: A handbook*, Paris, with IMF/ILO/CIS—STAT, pp. 13-14.

Informal employment was once again discussed at the 90th Session of the International Labour Conference in 2002. The report on *Decent work and the informal economy* adopted the view that there is a continuum of activities ranging from informal employment to decent work. It is important that efforts are taken to move the activities along this continuum by ensuring that enterprises and workers adhere to labour standards, are covered by social protection and engage in social dialogue. All workers, including those in the informal economy, should enjoy fundamental rights at work. Employment policies should reduce poverty, increase equality and promote equity by raising the quality as well as the quantity of jobs. Since many of the operators in the informal economy are women, this means making sure that girls and women have access to education, training, credit and land as well as to decent work.



While Cambodia does not have an official definition of the informal economy, it is clear that many entrepreneurs and workers are operating in areas of economic activity that are not registered and go unregulated. This means that they lack recognition, protection and security. Another dimension of informal activity is that it creates an uneven playing field for production inside and outside of regulatory frameworks. For this reason, it is important to review the size and characteristics of the informal economy as a basis for promoting good jobs and fair competition. The long-term goal is to promote employment opportunities that are formal and protected. In the meantime, efforts should be taken to move along the continuum in the direction of decent work.

1.1.2 Measures of the informal sector and informal employment

Perhaps due to the size and importance of informal employment throughout the world there are many guidelines used for defining and measuring informal activities. In addition to statistical definitions developed by the ILO, there are other concepts used for international comparisons such as definitions developed by the Expert Group on Informal Sector Statistics known as the Delhi Group. Individual countries use such a wide variety of concepts that international databases must use footnotes to explain each entry. However, the ILO through the International Conferences of Labour Statisticians (ICLS) has developed guidelines for the “informal sector” and “informal employment.” The 90th Session of the International Labour Conference outlined the concept of the “informal economy” that has not been recognized by the ICLS.

The “informal sector” was defined by the 15th International Conference of Labour Statisticians in 1993. Employment in the informal sector refers to self-employment or paid employment in informal sector enterprises defined as private unincorporated enterprises owned by individuals and households that are not constituted as legal entities independent of their owners. These production units have no separate set of financial accounts aside from household finances. All or at least some of the goods and services produced are for sale or barter. The size of the enterprise is below a certain threshold⁹ identified by national circumstances. Informal sector enterprises are not registered under specific forms of national legislation although they may follow local regulations to obtain licenses or permits. Their employees, if any, are not registered. The ICLS guidelines call for inclusion of non-agricultural activities. This is to avoid measuring the amount of production and employment in agriculture rather than the “informal sector.” Here, the term sector does not refer to a branch of activities such as agriculture, industry and services but, rather, to a group of production units. Under the System of National Accounts (SNA) the institutional sector is “households.” The activities of the production units may take place inside or outside of the owner’s home and with or without a fixed location. In this sense, street vendors, home-based workers and taxi drivers are all considered enterprises.

“Informal employment” outlined by the 90th International Labour Conference in 2002 focuses on jobs rather than production. Informal jobs are those that do not enjoy labour rights, social protection and social dialogue. These jobs can be found in both the “informal sector” and the “formal sector.” The Conference called upon the ILO to assist member States in the collection, analysis and dissemination of consistent, disaggregated

⁹ Usually defined as less than 5 employees

statistics on the size, composition and contribution of the informal economy. This requires a statistical definition for the informal economy that refers to “all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements.” This comprises two components: (i) employment in the informal sector as defined by the 15th ICLS, and (ii) other forms of informal employment including that outside of the informal sector. The report prepared for the Conference outlines a framework for measurement based on statistical definitions. This matrix was endorsed by the Delhi Group for further testing.

The 17th International Conference of Labour Statisticians in 2003 defined informal employment as “informal jobs” that are carried out in either formal sector enterprises or informal sector enterprises. The definition relies on concepts for status in employment outlined in the International Classification of Status in Employment (ICSE) 1993 as: own-account workers, employers, contributing family members, employees and members of producers’ cooperatives. In addition to those working in the informal sector, informal employment includes jobs not covered by labour legislation, labour contracts, social security and collective agreements; jobs without employment benefits such as advance notice of dismissal, severance pay, paid annual leave and sick leave; jobs of limited duration; jobs with hours or wages below a specified threshold; jobs where the place of employment is outside of the premises of the enterprise such as outworkers; and jobs where labour regulations do not apply or are not enforced.

National statistics often do not match these definitions for the informal sector or informal employment. For this reason a number of short cuts or proxy definitions are used. One working definition for the “informal sector” is given in box 2:

Box 2

Working definition of the informal sector

Are owned and operated by households: Enterprises which are public companies (“incorporated”) and those which operate financial accounting systems similar to public companies (“quasi-corporations”) are excluded.

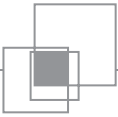
Have few regular paid employees: A distinction is made between informal sector enterprises with no regular paid employees (“informal own-account enterprises”) and those with one or more regular paid employees (“enterprises of informal employers”). Household-operated enterprises with more than a specified number of regular paid employees may be excluded depending on national circumstances. For example, in some countries the cut-off point might be five or more employees or 10 or more employees.

Are not registered: In some countries the operational definition also refers to whether the enterprise is registered or whether its employees are registered. However, this information is not always known to respondents in household surveys.

Are non-agricultural: For practical purposes, household enterprises engaged in agricultural activities are generally excluded from the informal sector. Some countries also exclude paid domestic staff (maids, gardeners, drivers).

Household enterprises located in both urban and rural areas should be included but some countries restrict the scope to urban informal enterprises only.

Source: Pember, Robert, 2002. Measuring the informal sector, ILO Bangkok.



There are also practical ways of obtaining information about “informal employment”. These include questions about the nature of the job such as: “Are you employed permanently or temporarily?” “Are you employed on the basis of a written contract or agreement?” “Does your employer pay contributions to the pension fund for you?” “Do you benefit from paid annual leave or from compensation instead of it?” “In the case of incapacity to work due to health reasons, would you benefit from paid sick leave?” “In case of birth of a child, would you be given the opportunity to benefit from maternity leave?” “Unless there is a fault of yours, could you be dismissed by your employer without advance notice?” “In case of dismissal, would you receive the benefits and compensation specified in the labour legislation?”

In the absence of these statistics, other measures are used to estimate the size and characteristics of informal employment. Sometimes statistics from labour force surveys for status in employment are used—such as own-account workers and unpaid family workers in non-agricultural employment. In other cases, one-off surveys are conducted for certain groups of workers in “informal employment” such as street vendors and household-based workers.

1.1.3 Trends in informal economy employment in Cambodia

In 2004, three-fourths of the working age population, defined in Cambodia as 10 years and older, were in the labour force classified as either employed or unemployed, according to the Cambodia Socio-Economic Survey 2003-2004. The labour force participation rate was higher for men (78.9 per cent) than for women (70.7 per cent).

Four-fifths of the working people lived in rural areas. A higher proportion of the population in rural areas than in urban areas was economically active. While the agricultural sector accounted for only 26 per cent of GDP in 2004, it employed 60 per cent of all workers indicating that output per worker is especially low in agriculture. Only 13 per cent of employment was in industrial production with the remaining 27 per cent employed in services.

According to the 1998 Census, women comprised 52 per cent of the total population in Cambodia and 52 per cent of the economically active population in 2001. Cambodia has one of the highest female labour force participation rates in the region at 82 per cent, compared to 64 per cent in Thailand and 52 per cent in Indonesia. Although labour force participation rates were higher for men than for women in all age groups older than 25 in 2001, the greater number of women in the total population from 15 years onwards, resulted in women outnumbering men in the labour force in all age groups between 15 and 54 years old, except for the 25-29 age group.¹⁰

In the public service, women hold only 22 per cent of the posts while men hold 78 per cent of these jobs in administration, defence, education, health and social work. Women tend to join the labour force at younger ages than men. The labour force participation rates for women between 15 and 19 years old is 72 per cent for women and

10 “Labour Force Survey 2001”, quoted in UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, pp 36-37

62 per cent for men. This is attributed to the higher proportion of boys staying in school, while girls have dropped out and started working.¹¹

Because most workers accept any job rather than be left without earnings, unemployment rates are very low at less than one per cent in 2004. However, unemployment rates for youth aged 15-24 years are quite high. In Phnom Penh, 6.2 per cent of teenagers aged 15-29 and 7.8 per cent of young adults aged 20-24 years were unemployed in 2004. Many of the “baby boomers” born during the 1980s are entering the labour force. In Phnom Penh, 71 per cent of all unemployed were youth aged 15-24 years.

A much higher percentage of workers are underemployed rather than unemployed. A larger proportion of the workforce holds more than one job. Many workers are employed in the informal economy. According to recent estimates, some 40-45 per cent of the population has expenditure levels below the poverty line with 15-20 per cent in extreme poverty. Many women and men work long hours for low earnings with 60 per cent of household income from self-employment. Women have not enjoyed equal access to education, training, land and credit. In addition, gender stereotyping has limited girls and women to traditional kinds of training and jobs. The result is a high degree of occupational segregation and wage differentials.¹²

Given the different concepts used for the “informal sector”, “informal employment” and the “informal economy” focusing on production units, job characteristics or both respectively, it is not surprising that there are many different measures used in Cambodia. The Cambodian Development Resource Institute (CDRI) refers to census data and its own survey to come up with an estimate of 95 per cent of the labour force in the informal economy during 2000 and 2001.¹³ The Economic Institute of Cambodia has produced a rough estimate of 85 per cent of the workforce.

This study uses data from the Labour Force Surveys of Cambodia during November 2000 and November 2001 together with the Cambodia Socio-Economic Survey 2004. A rough proxy is used based on status in employment: Own-account workers and unpaid family workers together are measured to provide estimates for informal employment in all sectors.

In Cambodia status in employment is classified as employers, own-account workers, employees and unpaid family workers:

- **Employers** operate an enterprise, perform a trade or engage in a profession in which one or more persons is hired as a paid employee. Only a small number of people or 8,110 were classified as employers by the Labour Force Survey of Cambodia 2001. Two-thirds of these were men.

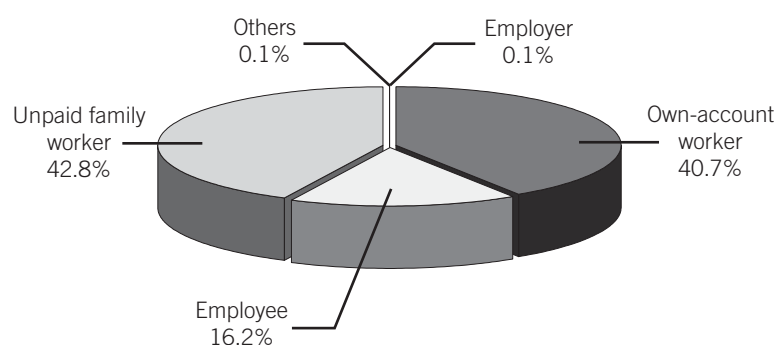
11 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, pp 36-37

12 Data come from Morris, Elizabeth, *Employment in Cambodia* (forthcoming), ILO Bangkok, unless other sources are quoted

13 CDRI, 2002. *Cambodia's annual economic review 2002*, Phnom Penh, p. 35.

- **Own-account workers** operate their own enterprise, trade or profession without hiring any paid employees. Two-fifths of the employed persons in Cambodia were classified as own-account workers in 2001. Women tend to be own-account workers in trade, dressmaking, weaving and crafts. Men work as trade, vehicle repair, construction work, metal work, cabinet making and many crafts. Others are drivers and monks.¹⁴
- **Employees** work for a public or private employer for remuneration paid in wages, salary, commissions, tips and piece rate payments in cash or in kind.¹⁵ In 2001 only 16 per cent of the employed persons were classified as employees with 43 per cent of them women. In Phnom Penh, a higher proportion of workers was in paid employment in 2001—42 per cent of whom 35 per cent were women.
- **Unpaid family members** or contributing family members are those who work without pay in an economic enterprise operated by a related person living in the same household. The room, board and allowances paid to these workers is not counted as compensation. Thus, they are not included as employees who are paid by an employer. Data for Cambodia as a whole indicate that 43 per cent of all workers were in this category in 2001. However, much larger proportions of women (53 per cent) than men (32 per cent) were employed as unpaid family workers. The percentage of women was 64 per cent. In rural areas, 46 per cent of employed persons aged 10 years and above were contributing family members, of whom 64 per cent were women.

Figure 1: Status in employment, Cambodia, 2001



Source: NIS: Labour Force Survey of Cambodia, November 2001.

14 Urashima, Cheryl, 2002. *Rapid assessment of priorities and needs in gender and employment promotion and poverty reduction in Cambodia*, prepared for ILO-EEOW project, p. 20.

15 These include persons working for a private household as a domestic helper, household cook, gardener, family driver and so forth; persons working for private establishments such as public works on private contracts; public transport drivers who do not own their own vehicles, dock workers and stevedores; cargo handlers at railroad stations and piers, paddy harvesters paid a fixed share of the paddy harvest; persons working for religious groups, trade unions and non-profit organizations; persons working in government offices or government corporations; Cambodians working in international organizations and foreign embassies; persons working on a commission basis even if they do not work regular hours. NIS, 2001. *Labour force survey of Cambodia*, pp. 5-6.

Table 1.1: Employed population aged 10+ years by status in employment, Cambodia, 2001

	Both sexes		Male		Female	
	Number	%	Number	%	Number	%
Employer	8,110	0.1	5,358	0.2	2,752	0.1
Own-account worker	2,542,982	40.7	1,481,299	49.1	1,061,683	32.9
Employee	1,013,552	16.2	574,775	19.1	438,778	13.6
Unpaid family worker	2,672,039	42.8	952,073	31.6	1,719,966	53.3
Others	6,646	0.1	3,628	0.1	3,018	0.1
Total	6,243,329	100.0	3,017,133	100.0	3,226,197	100.0

Source: NIS: Labour Force Survey of Cambodia, November 2001.

Using the definition of own-account workers and unpaid family workers, the total number of workers in the informal economy increased from 4.5 million in 2000 to 5.2 million in 2001 and 5.8 million in 2004, as shown in Table 1.2. Total employment for these years was 5.3 million, 6.2 million and 7.5 million. This puts the percentages in informal employment at 85 per cent and 84 per cent for the Labour Force Surveys of Cambodia in 2000 and 2001. The corresponding figure for the Cambodia Socio-Economic Survey 2003-2004 is 78 per cent. However, this does not mean that there has been a decline in informal employment, since these two sources measure employment in different ways. The Labour Force Surveys use a one-week reference period and measures current activity (what types of activities did you do during the last 7 days), while the Cambodia Socio-Economic Survey is based on usual activity during the 12 months before the survey.

Table 1.2: Size of informal employment measured by own-account workers and unpaid family workers, 2000, 2001 and 2004

('000s)

	2000			2001			2002		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Own-account workers	1,378	791	2,169	1,481	1,062	2,543	1,507	1,067	2,574
Unpaid family workers	675	1,614	2,289	952	1,720	2,672	1,320	1,924	3,244
Total	2,052	2,405	4,457	2,433	2,782	5,215	2,827	2,991	5,818

Source: NIS: Labour Force Surveys of Cambodia 2000 and 2001 and Cambodia Socio-Economic Survey 2003-2004.

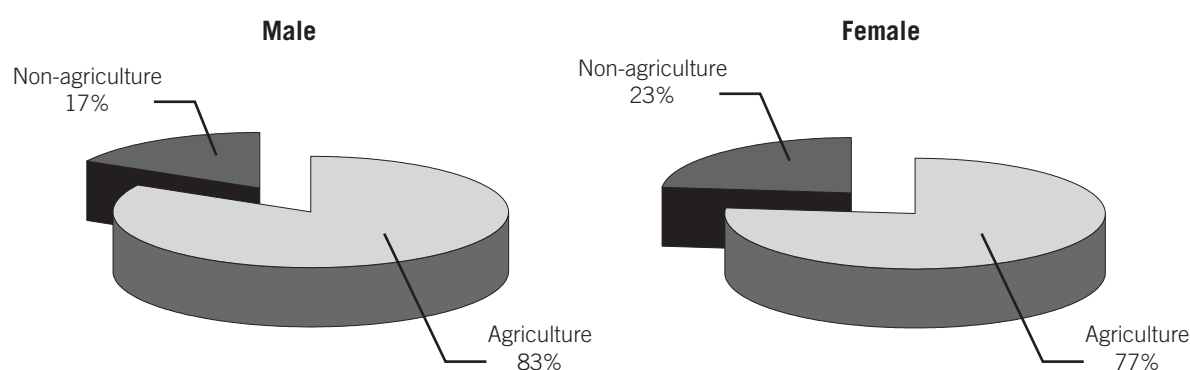
Using these data for total employment including agricultural activities, there were slightly more women than men classified in informal employment. The statistics from the Cambodia Socio-Economic Survey 2004 indicate that 51 per cent were women and 56 per cent were unpaid family workers. These figures are heavily weighted by agriculture. As mentioned above, non-agricultural employment is often used to separate factors of informality from those related to agriculture. Table 1.3, therefore, shows data from the Labour Force Surveys of Cambodia that are disaggregated by agriculture and non-agriculture. The former includes crops, hunting, forestry, logging, fishing and related workers.

Table 1.3: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, 2000 and 2001

Total	2000			2001		
	Total	Agriculture	Non-agriculture	Total	Agriculture	Non-agriculture
Own-account worker						
Male	1,377,510	1,133,367	244,143	1,481,299	1,140,128	341,171
Female	791,065	517,146	273,919	1,061,683	621,204	440,479
Total	2,168,575	1,650,513	518,062	2,542,982	1,761,332	781,650
Unpaid family worker						
Male	674,867	628,491	46,376	952,073	878,603	73,470
Female	1,613,720	1,473,125	140,595	1,719,966	1,509,437	210,529
Total	2,288,587	2,101,616	186,971	2,672,039	2,388,040	283,999
Total						
Male	2,052,377	1,761,858	290,519	2,433,372	2,018,731	414,641
Female	2,404,785	1,990,271	414,514	2,781,649	2,130,641	651,008
Total	4,457,162	3,752,129	705,033	5,215,021	4,149,372	1,065,649

Source: NIS: Labour Force Surveys of Cambodia 2000 and 2001.

Using the proxy measure of own-account workers and unpaid family workers outside of agriculture, there were 1.1 million workers in informal employment instead of 5.2 million in 2001. Of these 651,000 (61 per cent) were women and 415,000 (39 per cent) were men. In other words of every 5 workers in this category, 2 are men and 3 are women. The number of female unpaid family workers is larger than that of men in both agriculture and non-agriculture. This is not surprising because female and male respondents and interviewers alike tend to classify women as unpaid family workers and men as own-account workers when they are engaged in the same productive activities for the family. The sex breakdown among own-account workers is more revealing: here women predominate in non-agriculture while almost 2 men are counted for every 1 woman in agriculture.

Figure 2: Percentage of workers in informal employment by agriculture and non-agriculture, 2001

Source: Table 1.3

Table 1.4 shows the distribution in urban areas. In 2001, just 623,000 workers were own-account workers and unpaid family workers in urban areas. Of these 339,000 were engaged in non-agricultural activities—206,000 women and 134,000 men.

Table 1.4: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, urban areas, 2000 and 2001

Total	2000			2001		
	Total	Agriculture	Non-agriculture	Total	Agriculture	Non-agriculture
Own-account worker						
Male	137,729	57,456	80,273	195,782	87,784	107,999
Female	132,502	31,018	101,484	212,181	65,778	146,403
Total	270,231	88,474	181,757	407,963	153,561	254,402
Unpaid family worker						
Male	37,958	25,559	12,399	76,139	50,610	25,529
Female	98,145	54,541	43,604	138,483	79,068	59,414
Total	136,103	80,100	56,003	214,622	129,678	84,944
Total						
Male	175,687	83,015	92,672	271,921	138,393	133,528
Female	230,647	85,559	145,088	350,664	144,846	205,818
Total	406,334	168,574	237,760	622,585	283,239	339,346

Source: NIS: Labour Force Surveys of Cambodia 2000 and 2001.

Table 1.5 shows the data for rural areas where, not surprisingly, most of those employed as own-account workers and unpaid family workers were engaged in agricultural production. However, a significant number 726,000 were working in non-agricultural activities in rural areas in 2001—445,000 women and 281,000 men. Of these, 151,000 women worked as unpaid family workers in off-farm employment.

Table 1.6 presents data on informal employment from 2000 and 2001 classified by numbers and percentages of men and women in agriculture, industry and services. Between 2000 and 2001 the overall percentage of women dropped slightly from 54 per cent to 53 per cent. It is interesting to note that the percentage of women in informal employment was higher in industry (62 per cent) and services (61 per cent) than in agriculture (51 per cent)¹⁶. In other words, there are 3 women for every 2 men in informal employment in non-agriculture.

16 The classification for industry includes manufacture of textiles, handicrafts and implements. It also covers food processing, furniture production and dress making. The service sector includes trading activities such as street vendors as well as eating establishments, hair dressing, repair services, taxi drivers and others.

Table 1.5: Size of informal employment measured by own-account workers and unpaid family workers by agriculture and non-agriculture, rural areas, 2000 and 2001

Total	2000			2001		
	Total	Agriculture	Non-agriculture	Total	Agriculture	Non-agriculture
Own-account worker						
Male	1,239,781	1,075,911	163,870	1,285,517	1,052,345	233,172
Female	658,563	486,127	172,435	849,502	555,426	294,076
Total	1,898,344	1,562,039	336,305	2,135,019	1,607,771	527,248
Unpaid family worker						
Male	636,909	602,931	33,977	875,934	827,993	47,941
Female	1,515,575	1,418,584	96,991	1,581,483	1,430,369	151,114
Total	2,152,484	2,021,516	130,968	2,457,417	2,258,362	199,055
Total						
Male	1,876,690	1,678,843	197,847	2,161,451	1,880,338	281,113
Female	2,174,138	1,904,712	269,426	2,430,985	1,985,795	445,190
Total	4,050,828	3,583,555	467,273	4,592,436	3,866,133	726,303

Source: NIS: Labour Force Surveys of Cambodia 2000 and 2001.

Table 1.6: Size of informal employment measured by own-account workers and unpaid family workers by agriculture, industry and services, 2000 and 2001

	2000						2001					
	Male		Female		Total		Male		Female		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Agriculture	1,761,858	47.0	1,990,271	53.0	3,752,129	100.0	2,018,731	48.7	2,130,641	51.3	4,149,372	100.0
Industry	84,440	47.8	92,174	52.2	176,614	100.0	105,564	38.0	172,506	62.0	278,070	100.0
Services	205,525	39.0	322,067	61.0	527,592	100.0	308,080	39.5	471,221	60.5	779,301	100.0
Other	554	67.0	273	33.0	827	100.0	997	12.0	7,281	88.0	8,278	100.0
Total	2,052,377	46.0	2,404,785	54.0	4,457,162	100.0	2,433,372	46.7	2,781,649	53.3	5,215,021	100.0

Note: Other includes private households with employees and extra-territorial organizations.

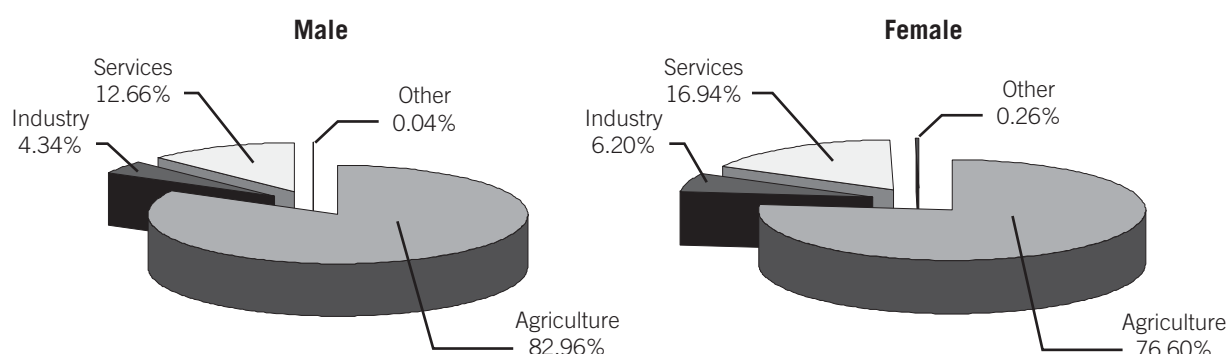
Source: NIS: Labour Force Surveys of Cambodia 2000 and 2001.

Major occupations in the informal economy are shop and market sales workers, agriculture and fishery workers, craft and related trades workers, plant and machine operators:

- In urban areas, informal economy occupations are diverse and include: self-employed operators of motor-taxis and cyclos, street vendors, shoe-shiners, garbage collectors, street-level vehicle mechanics, curb-side gasoline sellers, masons, construction workers, handicraft producers, dressmakers and tailors, hairdressers and workers in domestic service and the entertainment industries.

- In rural areas, informal economy workers work around agricultural and industrial/non-farm activities. To earn more income for their households and support their daily lives, informal economy workers work in off-farm activities as secondary or primary occupations, often on a seasonal basis when farming is not possible. Activities include: fishing, fish processing, mining, spinning and weaving, food processing, home-based apparel making, furniture manufacture, vehicle maintenance/repair, handicraft manufacture, electricity generation, retail trade, construction and land/water transport.¹⁷ Landless men and women work as casual farm workers for own-account farmers when the latter can not accomplish their work themselves.¹⁸

Figure 3: Proportion of women and men in informal employment by sector, 2001



Source: Table 1.6

Since the published reports of the labour force surveys do not include cross-tabulations for occupation and status in employment, data can not be provided for the numbers and proportions of own-account workers and unpaid family workers by occupational classification. While not all are in the two categories used to represent informal employment, many of the sales and craft workers working in the informal economy were women and the majority of machine operators in the informal economy were men, as shown in Table 1.7.

Occupational segregation by sex is pronounced in Cambodia. Traditional views and perceptions consider some occupations to be more appropriate for women and men respectively. Activities related to vending, dressmaking, food processing, weaving and other crafts and provision of entertainment are viewed as women's work and transport, machine operation, vehicle repair and construction are considered to be men's jobs.¹⁹ Moreover, women's lack of skills and education, lack of opportunity to travel for work, and the double work-load combining family care and paid work also narrow the range of occupations available to them.

17 EIC, 2006. *Decent work in the informal economy in Cambodia: A literature review*, ILO Bangkok

18 Sieng, Deline and Nuth, Monyrath, 2006. "Extending labour protection to the informal economy in Cambodia", in *Extending labour law to all workers: Promoting decent work in the informal economy in Cambodia, Thailand and Mongolia*, edited by Tajman, David, ILO Bangkok, 2006

19 Urashima, Cheryl, 2002. *Rapid assessment of priorities and needs in gender and employment promotion and poverty reduction in Cambodia*, prepared for ILO-EEOW project

Table 1.7: Occupational classification of the employed population, 2001

	Total	Male	Female	Percentage female
Legislators, senior officials and managers	9,703	7,431	2,272	23.4
Professionals	20,041	13,174	6,867	34.3
Technicians and associate professionals	31,323	20,338	10,985	35.1
Clerks	12,220	5,542	6,678	54.6
Shop and market sales workers	126,699	42,254	84,445	66.7
Skilled agriculture and fishery workers	55,570	26,865	28,705	51.7
Craft and related trades workers	29,444	16,177	13,267	45.1
Plant and machine operators and assemblers	39,448	25,439	14,009	35.5
Elementary occupations	26,428	17,548	8,880	33.6
Armed forces	11,737	11,355	382	3.3
Total	362,613	186,123	176,490	48.7

Source: NIS: Labour Force Surveys of Cambodia 2001.

A limited survey conducted on five occupations (farmers, motodop drivers, tri-moto-taxi drivers, market stall vendors and street vendors) in four locations (Phnom Penh and three other provinces) by the Cambodian Association for Informal Economy Development (CAID) confirms this traditional trend of occupational segregation by sex in Cambodia. The survey pointed out that driving occupations are either completely or predominantly male and sales occupations are either completely or predominantly female.²⁰ Certain informal occupations associated with high risks and very poor working conditions including sexual harassment and exploitation, physical and verbal abuse, and likely exposure to HIV/AIDS—are exclusively carried out by (young) women. They predominate in the entertainment industry, including prostitution, and ‘sex’ or the promise of sex is often used to sell products in the case of beer promotion and other related occupations such as cigarette promotion and waitressing.

1.1.4 Profile of informal enterprises

General features

Definitions on different types of enterprises are not readily available in Cambodia. However, the draft SME Development Framework prepared under an Asian Development Bank (ADB) technical assistance project proposes that the Government adopts a definition based on full-time employees for statistical purposes as follows:

- Micro Less than 10 employees
- Small Between 11-50 employees
- Medium Between 51-100 employees
- Large Over 100 employees²¹

20 CAID, 2004. *Rapid assessment of selected occupational groups in the informal economy*, prepared for ILO-IEPE project, p. 17

21 Note: Draft financial definitions are also provided, determined by assets, excluding land. Source: MIME, August 2004. *Draft SME Development Framework*, by ADB consultancy companies, p. 25.

A large proportion of Cambodian enterprises including urban enterprises are small in scale and household-based. An overwhelming majority of these enterprises operate their businesses informally. There is no data for all enterprises, but MIME figures of manufacturing/industrial establishments conclude that the vast majority of Cambodian enterprises are small-scale. The most frequent activities of these micro and small establishments (MSE) concern food, beverages and tobacco, followed by mining, quarrying, wood, wood products and fabricated metal products.²²

Unlike formal enterprises, informal enterprises are usually not organized in business associations. Many concerted attempts of donors have been made to organize informal enterprises. As a result, some informal enterprises have formed associations, such as the National Cambodian Rice Millers Association and the Rural Electricity Enterprise Operators (REEs). Nonetheless, informal enterprise organisations are often too weak to influence policymakers.

Why so many informal enterprises?

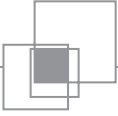
Cambodian law does require different types of enterprises to register and to obtain operating licenses. According to the law on commercial rules and registration, any merchant and commercial company whose principle establishment is located in Cambodia is required to register, except for merchants whose profits are exempt from taxation. Limited liability companies are required to register with the Legal Affairs Department of the Ministry of Commerce (MoC) and sole proprietors should register with the provincial-municipal trade divisions of the MoC or at the Legal Affairs Department.

The MoC defined taxable enterprises as those with an annual profit of more than 6,000,000 riels (approx US\$1,500). Another Prakas (regulation) of the MoC obliges all enterprises—that possess no obligation to register with the MoC—to obtain a license from the provincial-municipal trade divisions of the MoC to operate commercial activities or services.

Registration with the MoC does not yet complete the process of formalizing an enterprise. The enterprise needs to further obtain operating licenses from relevant ministries that perform regulatory functions over specific types of enterprises. For instance, the Ministry of Industry, Mines and Energy (MIME) issues licenses for product safety and hygiene. The Ministry of Tourism is in charge of licenses to operate hotels, guesthouses, tourist companies, restaurants and entertainment venues. The Ministry of Agriculture, Forestry and Fisheries issues licenses for agricultural and fishery enterprises. The Ministry of Economy and Finance issues VAT licenses. The Ministry of Environment authorises enterprise activities that could harm the environment such as waste water disposal. And the Ministry of Labour and Vocational Training (MLVT) approves internal rules for enterprises of more than 8 workers.

Overall, informality starts when enterprises fail to register with specific agencies despite being required to do so. Informality of enterprises reflects four situations: (1) enterprises under obligation to register with the MoC, which fail to do so such as many medium enterprises; (2) enterprises that operate their businesses without license(s)

22 ILO, 2000. *Report on micro and small enterprise development for poverty alleviation in Cambodia*, p. 11



required by different regulatory agencies/line ministries; and (3) semi-informal enterprises that do not register with the Ministry of Commerce, but do operate their businesses with licenses issued by relevant line ministries (usually this type of enterprise pays some form of lump-sum estimated tax to local authorities); and (4) small scale enterprises that generate incomes of less than US\$1,500 in annual profit including other types of familial or survival enterprises.

Only about 9,000 enterprises have registered with the MoC. The vast majority of enterprises in Cambodia do not register and are thus informal. The large part of these unregistered enterprises belongs to unregistered farmers and agricultural household enterprises. Even many enterprises in the industrial sector do not register with the MoC either. The number of unregistered enterprises in the industrial sector is more than 27,000, but half of them do operate their businesses with licenses from the MIME.²³

Tax evasion is another reason for enterprises to be informal. However, the reasons why so many enterprises do not register are much more complicated and numerous. Normally, benefits of formality are privileges to obtain import and export licenses, to benefit from investment incentives accorded by investment law, to access formal bank loans, to gain a level of protection from small-scale graft by local level officials, etc.²⁴ However, these benefits are often irrelevant to small-scale informal enterprises. Many of them do not engage in any import-export activities and their businesses are not in a position to obtain investment incentives according to the investment law²⁵. In other words, being formal does not benefit these enterprises but increases their tax burdens.

Also, informal enterprises find that they can avoid a span of overlapping inspections by different ministries and authorities at the commune, provincial and municipal levels, if they do not register. These inspections are obscure and uncertain and inspectors who visit or inspect enterprises usually ask for unofficial fees. These processes obviously consume the time of enterprise owners and managers, and increase their operating costs.

Another compelling motive for informal enterprises not to register is the complication, high costs and time-consuming registration. These registration procedures are not transparent. As mentioned above, enterprises need to go through many complicated and unnecessary procedures of licensing with different ministries if their businesses touch different jurisdictions of the various ministries. Some licenses are even duplicated. It costs about US\$1,500 and takes 94 days to register a business.²⁶ MoC recently reduced its official registration cost to only US\$177, but still charges in practice between US\$250 and US\$300 (including some unofficial fees).²⁷ Though some reform of registration with the MoC was undertaken, complicated and costly licensing procedures with other ministries still persist.

23 MIME, 2003. *Private sector assessment for the Kingdom of Cambodia*, Report for the ADB

24 *Ibid.*

25 Incentives provided by the Investment Law target only large investments

26 IFC & MPDF, 2003. *Business Issues Bulletin*, No 2, Cambodia, p. 1

27 AAC, 2006. *Easing the barriers to formality: Registration procedures for micro enterprises and handicraft exports in Cambodia*, ILO Bangkok

Lack of supportive legal procedures and documents, such as land titles are, in part, reasons for many enterprises to remain informal. Smaller enterprises operating as sole proprietors and subject to profit taxes are required to present a copy of their residence title or a lease agreement of enterprise location. As land titling is still far from complete and many small businesses are operating on non-titled land, they can not meet these requirements.

Gender inequality exists with regard to registration and licensing procedures particularly for women in male-headed households. The rights to land of these women may be weakened by their subordinate status within a household where land rights are vested in the name of the male head of household.²⁸ They may, therefore, face more constraints in registering their businesses. In addition, as women have less access to capital, they are less likely to be able to register given the significant barrier of high registration costs.

1.2 Characteristics of informal economy workers

1.2.1 Movement of people

Urbanisation has become common in Cambodia. People generally migrate from rural areas where poverty is massive and employment opportunities are inadequate, to urban areas rather than eking out a living in poverty, in subsistence agricultural work. About 31 per cent of the population were internal migrants in 1998 according to the NIS census of 1998. The share of the migrant population has increased up to 35 per cent in 2004 and the rate of migration from rural to urban areas is 14 per cent. The main reasons for migration in 2004 are family moves (44 per cent), followed by marriage (16 per cent), repatriation return after displacement (14 per cent) and search for employment (12 per cent).²⁹ According to the 2003-2004 census³⁰ the migration rate of women is higher than that of men, particularly in the 15-19 age group.

In Cambodia, both women and men migrants work either permanently or seasonally in the urban informal economy. For instance, farmers migrate to cities for urban employment only after harvest time and when harvest time returns, they return to their places of origin. The growth of the garment and tourism industries around urban areas has attracted many migrants. Besides work in the formal sector, they work in informal employment in or around garment factories, in hotels, restaurants and markets and on the streets. Women with some skills are able to enter the formal sector, mainly the garment industry. Women with limited education, few skills, and lack of awareness of the possible risks associated with migration are more likely to enter vulnerable occupations and face exploitative employment and working conditions.

28 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, pp. 62-63

29 NIS, 2004. *Cambodia Inter-Censal Population Survey, General Report*

30 Workshop on final statistical analysis of the CSES 2003-2004, June 16-17, 2005, Phnom Penh Hotel

Two different survey reports of the ILO/IPEC validate that many female sex workers and women working in vulnerable sex related industries in one municipality had their places of origin in different provinces. The survey on child and women prostitutes in Sihanoukville showed that about 70 per cent of sex workers in municipalities came from other provinces.³¹ Another research study on beer promotion girls in Phnom Penh indicated that only about 16 per cent of beer promotion girls had their place of origin in the capital and half of them came from households that relied on agriculture as their main livelihood.³²

1.2.2 Working and Employment conditions

Working hours

Data on working hours and wages spent on productive activities are provided in the labour force surveys by status of employment, sex and economic sectors but the NIS indicated that the data outcomes were not consistent. In addition, it should be noted that the hours of work spent on household duties and family care are not included in these statistics since they refer to hours spent producing goods and services for consumption by others and not those consumed by the own household as defined by the System of National Accounts.

Looking at the number of working hours of the self-employed and unpaid family workers, own-account workers work on average about 46 hours and unpaid family workers 39 hours per week. These figures show that compared to the formal economy where working hours officially amount to 8 hours per day for 6 days a week³³, the working hours of informal economy workers are not extremely long. The number of working hours of these two types of workers differ by age. Elderly workers tend to work more hours than the young. As indicated in Table 1.8, workers of both types, who are more than 60 years old, work almost 10 hours a day for 7 days per week.

Table 1.8: Average working hours of informal economy workers in the past week by age, 2001

	Average	1-14	15-29	30-44	45-49	50-54	55-59	60 & Over
Own-account workers	46	11	24	38	48	50	56	67
Unpaid family workers	39	11	23	37	47	50	56	67

Source: Labour Force Survey 2001

In general, as shown in Table 1.9, women and men in own-account work spend the same number of hours working: about 39 hours per week when in non-agricultural work and about 41 hours per week when in agricultural work. In contrast, female unpaid family workers work for about 30 hours per week in agriculture and 28 hours per week when involved in non-agricultural activities, while male unpaid family workers work only

31 ILO-IPEC, 2004. *Research report on children and women prostitutes (CWP) in Sihanoukville municipality, Cambodia*, pp. 12-13

32 ILO-IPEC, 2004. *Research report on beer promotion girls in Phnom Penh, Cambodia*, pp. 9-10

33 Work in the formal economy is not confined to these hours. A major problem in Cambodia is overtime and the payment of overtime in garment factories.

for about 20 hours per week when in agriculture and 23 hours per week when in non-agricultural activities. It has been estimated that women take charge of 90 per cent of the household work and family care.³⁴ Combined with the number of hours spent by women on household duties and family care, the significant difference in working hours implies a large gender inequality among women and men in unpaid family work. If hours spent on household duties and family care for the family would be added, women in own-account work would also spend more working hours in total than male own-account workers.

Table 1.9: Average working hours of informal economy workers in the past week by sex, 2001*

	Agriculture	Non agriculture	Total
Own-account workers	41.2	38.7	40.2
Male	41.4	38.8	40.6
Female	40.9	38.7	39.8
Unpaid Family workers	26.6	26.6	26.6
Male	20.6	23.0	20.9
Female	30.0	28.1	29.7

Source: Labour Force Survey 2001

* This data was compiled by EIC from the soft data of the NIS Labour Force Survey 2001.

The above data on the working hours of women and men in informal employment are not conclusive. The situation may differ per occupation and hours spent on unpaid household work and family care for the family would need to be included to obtain a better picture of the workload of women and men respectively.

Wages and income

Even if conclusions about working hours can not be drawn, informal economy workers are quite vulnerable in terms of income security, because they earn little to start with. The 2001 NIS Labour Force Survey³⁵ reveals that nearly one-fourth of own-account workers earned less than 50,000 Riel (approximately US\$12) a month and most of them lived outside Phnom Penh. This means their income is less than half a dollar a day. Almost one-third of the total own-account workers was found in the income group which earned 50,000 to 100,000 Riel per month (US\$12 to 25). Thus, in total more than 55 per cent of these workers live under the poverty line of less than US\$1 a day. Almost 30 per cent of the total own-account workers earned between 100,000 to 200,000 Riel (approx US\$ 25-50) per month. For more information, see Table 1.10.

34 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, p. 24

35 The data includes both employer and own-account workers. However, given the very small number of formal employers in Cambodia (there are about 8,000 employers according to NIS) compared to the large number of own-account workers (about 2.5 million in 2001), it does not affect the data of workers' earnings

Table 1.10: Monthly earnings of employers and own-account workers by region (%)

Earnings/Wages (in Riel)	Total	Phnom Penh	Other urban	Other rural
49,999 or less	22.7	5.8	15.7	24.7
50,000-99,999	32.8	12.6	25	34.2
100,000-49,999	15.4	15	14.7	16.1
150,000-199,999	13.8	25.3	18.1	13.1
200,000-299,999	6.9	16.9	12.5	6.1
300,000-499,999	6.4	17.9	9.2	4.6
500,000-749,999	1.3	3.9	2.6	0.9
750,000-999,999	0.4	2.3	1	0.2
1,000,000-1,999,999	0.2	0.2	0.6	0
2,000,000 & over	0.1	0.1	0.6	0.1

Source: Labour Force Survey 2001

There is a significant gender gap in income within the informal economy, with women earning less on average than men. Overall, women face wage discrimination. CDRI research reveals that after taking differences in age and education into account, women's wages amount to 75 per cent of men's wages.³⁶ Table 1.11 also reveals clear evidence that gender differences in wages and earnings in the informal economy are considerable. Women own-account workers in urban areas dominate the groups of people that earn less, while men dominate groups of people that earn more.

Table 1.11: Monthly earnings of employers and own-account workers by sex (%)

Monthly Remuneration (in Riel)	Phnom Penh (100%)		Other urban (100%)		Other rural (100%)	
	Male	Female	Male	Female	Male	Female
49,999 or less	40.0	60.0	46.5	53.5	50.3	49.7
50,000-99,999	31.1	68.9	44.0	56.0	62.8	37.2
100,000-149,999	41.5	58.5	51.6	48.4	65.2	34.8
150,000-199,999	46.3	53.7	49.6	50.4	64.6	35.4
200,000-299,999	38.8	61.2	58.4	41.6	67.8	32.2
300,000-499,999	58.2	41.8	60.8	39.2	66.0	34.0
500,000-749,999	48.8	51.2	78.4	21.6	75.8	24.2
750,000-999,999	61.1	38.9	68.8	31.3	33.3	66.7
1,000,000-1,999,999	54.5	45.5	77.8	22.2	100.0	0.0
2,000,000 & over	100.0	0.0	85.7	14.3	100.0	0.0

Source: Labour Force Survey 2001

³⁶ CDRI, 2003, quoted in UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, Policy Brief 1

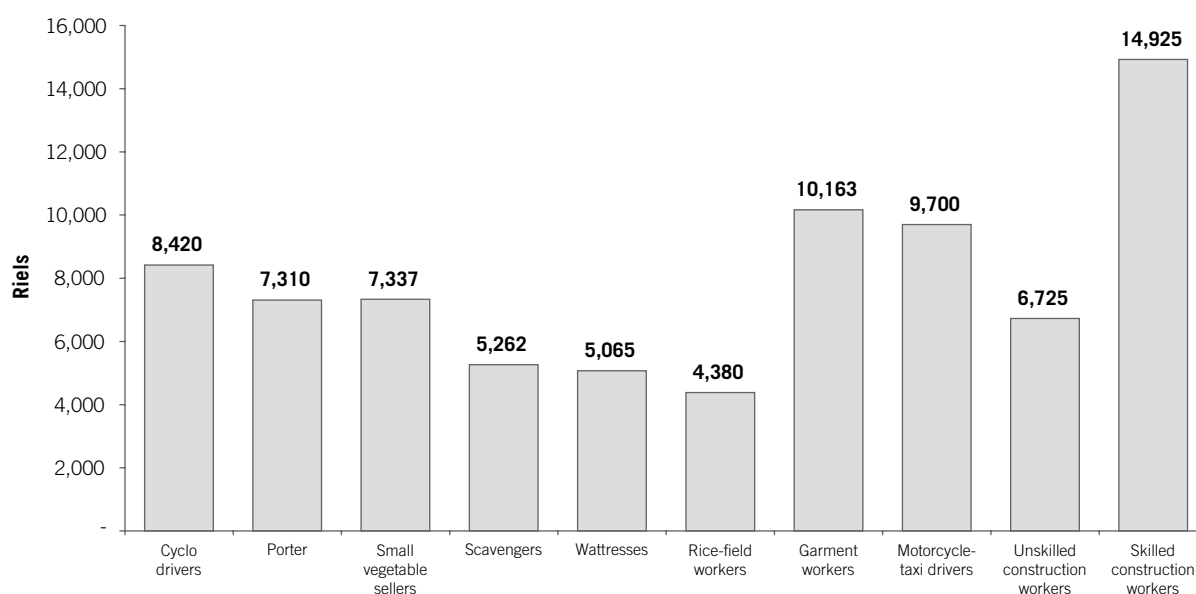
The information is confirmed by surveys conducted by the Cambodia Development Research Institute on vulnerable workers. The survey was expanded from cyclo drivers, porters, small vegetable sellers and scavengers in 1997 to waitresses, rice-field workers, garment workers, motorcycle-taxi drivers, unskilled construction workers and skilled construction workers. There is considerable variation in earnings among the groups of workers surveyed by the CDRI as illustrated below.

Table 1.12: Average daily earnings of vulnerable workers, 1997-2004

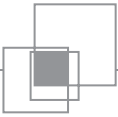
	1977	2002	2003				2004		
	Pre-Jul.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.
Cyclo drivers	12,250	8,878	9,200	7,000	9,380	9,817	9,500	8,425	8,420
Porters	9,675	6,312	7,600	6,225	7,240	6,500	8,700	7,847	7,310
Small vegetable sellers	7,050	7,158	7,250	6,162	6,860	6,700	7,400	7,625	7,337
Scavengers	4,155	4,012	3,875	3,605	4,900	3,900	4,800	4,600	5,262
Waitresses	-	4,000	4,600	4,380	4,520	4,435	4,900	4,500	5,065
Rice-field workers	-	4,219	4,180	3,712	4,600	4,450	4,700	4,300	4,380
Garment workers	-	10,000	10,127	9,123	10,300	10,000	9,675	9,740	10,163
Motorcycle-taxi drivers	-	12,075	11,400	9,372	10,900	10,000	11,200	9,000	9,700
Unskilled construction workers	-	5,850	6,162	7,100	7,600	6,200	7,200	6,900	6,725
Skilled construction workers	-	13,350	12,500	12,050	12,700	16,900	13,800	12,450	14,925

Source: CDRI, Cambodia Development Review, Volume 8, Issue 4, October-December 2004.

Figure 4: Average daily earnings of vulnerable workers, August 2004



Source: CDRI: Cambodia Development Review, Volume 8, Issue 4, October-December 2004.



Despite the lack of data on the differences of wages of women and men, examples of informal occupations show that discrimination against women and girls in terms of wage earnings prevails in the informal labour market:

- First, women earn less than men in the informal economy because they are concentrated in occupations traditionally considered as women's work with less status. Table 1.12 and Figure 4 show that waitresses are among the lowest paid workers and small vegetable sellers who are mostly women earn less than cycle and motor cycle taxi drivers who are mostly men.
- Secondly, women earn less even for the same type of work as men because their work is less valued and less recognized. In fisheries, while men workers earn about 5,000 Riel per day, women workers earn only 83 per cent of that amount. In fish processing, men earn about 4,150 Riel per day and women earn 63 per cent of that wage. Another instance would be the difference of wages between women and men in casual labour. While male casual workers can earn up to 5,000 Riel per day, women receive only up to 2,500 Riel for the same work.³⁷

1.2.3 Women's occupations

Both women and men informal workers are afflicted with poor employment and working conditions, and male informal workers who work in urban and rural areas are also vulnerable and poor. However, the vulnerability of workers tends to be greater for women than men, because of their double workload and low status in society. The large majority of women and girls, including those workers who earn incomes for their households, also take care of the house and children.³⁸ A female vendor said: "If I cannot cook on time for my husband he will be angry with me, especially when he is drunk."³⁹ Thus, not only are women informal workers vulnerable in the workplace, they are vulnerable at home.

Many women work in 'grey' informal occupations, for instance, as beer promotion girls, masseuses and sex workers. Social discrimination against and exclusion of these vulnerable occupations has been clearly documented. The conditions of work of these women workers are miserable and unacceptable and they are subject to gender-specific abuse and exploitation.

Beer promotion

A recent survey on the safety and protection of beer promotion women conducted by Care UK⁴⁰ demonstrates that about 80 per cent of the more than 4,000 women working as beer promoters have been verbally and sexually harassed and abused mainly by clients, followed by restaurant owners, managers and other staff. Harassment and abuse include verbal and non-verbal derogatory behaviour, unwanted sexual touching,

37 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, p. 46

38 *Ibid.*, p. 17.

39 *Ibid.*, p. 29.

40 CARE International in Cambodia, 2005. *A report on the situation of beer promotion women in the workplace, Cambodia: Results of a harassment and abuse survey*, pp. 9-10 and p. 54.

physical abuse, and threats of coerced sexual acts in the workplace such as touching men's private parts and rape.

Many of these workers feel unsafe not only at their workplaces and surroundings but also on the way to and from work, and in front of their own homes. Some workers were told by their employers and restaurant owners to sit, drink, and have sex with customers. Female beer promoters often need to drink beer while working with customers to sell more beer. The amount of beer consumed by these workers amounted to three to more than five cans among around 40 per cent of respondents. This can lead to alcoholism and other serious health problems.

Findings of the ILO/IPEC surveys on working conditions in this occupation provide similar conclusions. The most common health problems found among beer promotion girls in Phnom Penh are fever, dizziness, headaches, stomach pains, and ulcers.⁴¹ In general, many people view beer promotion girls as indirect or direct sex workers in spite of the fact that only a small number of these women workers trade sex with their clients.

Sex work

Trafficking of people is illegal in Cambodia, including the trafficking of people for sexual exploitation. Prostitution of minors under 18 years is forbidden but adult prostitution itself is not, although it is illegal to facilitate or profit by it⁴². The sex industry is growing in Cambodia, because of increases in local and international demand. Around 100,000 women were reported to work in the sex industry in 2001 but actual figures may be significantly higher. Studies carried out in the late 1990s indicate that girls and women enter sex work as a last resort: extreme poverty within the family, low levels of education, lack of education and employment alternatives are all 'push' factors. Girls and women subjected to sexual violence and rape at work or at home are considered to be 'spoiled' and will enter the trade because of lack of alternatives.⁴³

Severe gender injustices exist because the women who are punished, victimized and discriminated are not technically breaking the law, while brokers, employers and clients in the sex industry, who are predominantly men, are engaged in illegal activities but manage to avoid sanctions through impunity or pay-offs. Finally, it is noted that sexual exploitation of minors is not limited to girls but includes boys.

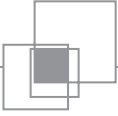
Recent ILO-IPEC research in Sihanoukville found that sex workers suffered from long working hours from 7 to 10 hours a day for 7 days a week. One-fourth of these workers in Sihanoukville responded that they had experienced physical abuse from clients. Workers stated that they were faced with hatred and contempt by community members and clients.⁴⁴ The largest risks of their work are HIV/AIDS and pregnancy. Despite awareness of condoms among many Cambodians, some clients do not want to or do not use condoms properly when they are drunk. If women refuse, they are beaten up.

41 ILO-IPEC, 2004. *Research report on beer promotion girls in Phnom Penh, Cambodia*, p. v

42 RGC, 1993. *Constitution of Cambodia*, Article 46 and 1996. *Law on the Suppression of Kidnapping, Trafficking and Exploitation of Human Persons*, Article 3

43 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, pp. 113-118

44 ILO-IPEC, 2004. *Research report on children and women prostitutes (CWP) in Sihanoukville municipality, Cambodia*, p. vi



Cases of gang rapes⁴⁵ have been cited by studies and newspapers as common incidences and have become a sport for young, often well-educated men, especially in Phnom Penh.⁴⁶ Sometimes sex workers are not even aware that *bauk* is a crime, but they do agree that if it would happen to other girls it would be a rape case.⁴⁷

Domestic service

Very little is known about workers in domestic service in Cambodia. However, child domestic labour is widely accepted in Cambodia. It is legal for those over 15 years to work, and many parents send their children to work in order to generate an income, ensure their children are fed, and provide them with an education. However, abuse is often hidden and children, in particular girls, are working long hours and missing out on an education. They do not receive the emotional support of a family environment and they do not have the opportunity to develop skills which would give them options for alternative employment. Most child domestic workers would not choose this form of employment—poverty is the main driving factor which leads to families sending their children into domestic work.

A 2003 survey on child domestic workers conducted by the National Institute of Statistics with ILO support found 27,950 children between 7 to 17 years old employed in domestic service. In Phnom Penh, 9.6 per cent or almost 1 of every 10 children in the capital were child domestic workers.⁴⁸ The majority of these workers are girls (59 per cent) and 41 per cent are boys. The majority of child domestic workers are aged 15-17 and 68 per cent of those in this age group are girls, while boys dominate in the 10-14 years age group⁴⁹. This means that boys have opportunities to find other jobs upon reaching the legal age to work at 15 years while girls have less alternatives for entering other work and remain in domestic service, a typical women's job, which is undervalued, often underpaid and excluded from protective labour legislation.

Most children and youth in domestic service (60 per cent) are working for relatives (grandparents, uncles or aunts), 19 per cent worked for more distant relatives and 21 per cent for strangers. Girls work for strangers more often than boys. Child domestic workers perform a range of duties, including house-cleaning, washing clothes and dishes, and ironing. Girls also undertake cooking and childcare. A large proportion of these children also work in their employers' businesses.

45 *Bauk* in Khmer refers to gang rape. *Bauk* usually takes place when two young men procure a prostitute or the affection of a young woman and take her to a guest house where their friends, between four and 10 youths, lie in wait or turn up shortly afterward for sex (cited from *The Cambodia Daily*). See also UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, p. 115

46 *The Cambodia Daily*, April 19-20, 2002. Accessible online at: http://www.camnet.com.kh/cambodia.daily/selected_features/story2.htm

47 LICADHO, 2004. *Rape and indecent assaults cases and the Cambodian justice system*, p. 23

48 NIS, 2004. *Child Domestic Worker Survey Phnom Penh 2003*, Phnom Penh, Cambodia

49 *Ibid* p. 32

The working conditions and income of these young workers are a reason of concern. Most child domestic workers are unpaid—74 per cent receive no salary and for those who do earn an income, the average monthly wage is between US\$10-15 a month. Forty per cent had dropped out of school, and 5 per cent had never attended school; 67 per cent of boys and only 47 per cent of girls were still attending school. Girls work more days than boys do: 70 per cent of girls work 7 days a week, compared to 40 per cent of boys, and girls also work much longer hours than boys.

Many face hardships at work. While no sexual abuse was reported in the study, verbal abuse was very common, and 7 per cent had been physically abused. Five per cent reported that they did not have enough to eat, and 60 per cent of those working in slum areas only received 2 meals a day. Both girls and boys reported experiencing anxiety, fear, insomnia and exhaustion as a result of their employment.⁵⁰

Micro-vending

Micro-vending, including street vending, is predominantly a female occupation in the informal economy. These working poor earn between 4,000 to 8,000 Riel (US\$1 to 2) a day.⁵¹ They often face confusion about public policy, for instance, the policy relating to the management and organization of public spaces and sidewalks.

Common troubles of micro-vendors are disruption and harassment by market and public authorities since they are not entitled to any legal status or recognition. Public authorities often solicit bribes from the vendors on the pretext of public order. Micro-vendors in different informal activities (vegetable sellers, street vendors, food sellers, beverage sellers) state that if they do not pay bribes, their wares will be confiscated and they will not be allowed to display products for sale.⁵² Many vendors pay both official and unofficial fees to the authorities for fear of losing their customers if their selling places are changed.

In addition to the insecurity of the selling place, another common difficulty is narrow-spaced working places and poor working environments. Many vendors display their products on the floor where dirt and rubbish are scattered. Their workplaces are unhygienic, dirty and muddy, particularly in the rainy season.⁵³ They have limited access to basic services such as toilets. The poor working conditions affect not only these workers, but also their family members since some vendors bring their children and are sometimes assisted by their family members as unpaid helpers.

The personal safety of these women workers is also at risk. Some workers need to wake up in the morning to buy fresh produce at good prices to resell and go back to their homes sometimes late at night. They are afraid of various crimes including sexual harassment, rapes and robberies by gangsters.⁵⁴

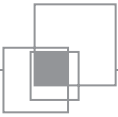
50 Ibid p. 55

51 USG, 2003. *Report on an analysis of the informal economy in Phnom Penh*, ILO pp. 7-10.

52 *Ibid.*

53 USG, 2006. *Vendors Livelihoods: Women micro entrepreneurs and their business needs*, Phnom Penh, Cambodia, ILO-ISED Series 4, pp. 26-30.

54 *Ibid.*



1.2.4 Informal employment in the garment industry: A case study

It was expected that the end of the Multi-Fibre Agreement in 2004 would lead to large scale losses in employment opportunities in Cambodia. However, ILO information indicates that the garment industry continued to do well in 2005. There seems to be a trend to increasing size in larger factories and the closure of smaller scale establishments.

So far, there is little information on the extent of subcontracting to informal enterprises and the employment of subcontracted workers in work places or at their homes. The Cambodian labour law requires subcontractors to observe its provisions and assume the same responsibilities as other employers. The law specifies responsibilities on subcontractors, workers, entrepreneurs and managers of enterprises in case of insolvency or defaults by subcontractors.⁵⁵ In spite of the well-regulated labour code, subcontracted employment in the garment industry is often clandestine, so workers are not protected as this kind of employment is informal and beyond the control of labour inspection.

In an attempt to start revealing the working conditions of subcontracted workers in informal employment in the garment industry, 10 interviews were conducted by EIC with a Director and Manager/Administrator (2 men); wholesalers (one woman and one man); subcontractors (2 women) and 4 subcontracted workers (4 women). These findings can, of course, not be generalized due to the limited number of interviews. This case study mainly aims to highlight concerns for future action.

All interviewees confirmed that the vast majority of workers in subcontracting employment are women and girls. The interviewed small-scale entrepreneurs preferred informal arrangements to avoid unofficial visits of government officials from different line ministries including labour inspectors who request unofficial fees, and to escape from their legal obligations. The advantage of subcontracting, according to one respondent was that he did not need to spend time supervising workers since this task was performed by the subcontractors instead.⁵⁶ Larger scale garment enterprises occasionally engaged in informal arrangements when they received more orders for garment exports than they could produce on time to meet contract obligations with the exporting enterprises.⁵⁷ One of the subcontractors mentioned that work is sometimes also subcontracted to home-based workers, when they have many orders.

Situation of workers in small-scale subcontracted employment

The working conditions of the subcontracted workers were poor. The workplaces of these subcontracted workers were found to be very small. In one workplace, 10 sewing machines were placed and about 15 female workers were employed in a room of about 6 square meters. In another case, the room was even smaller. Workers had difficulty in moving about and the air flow was inadequate. However, workers had access to some basic facilities such as water, toilets and lights. Protective equipment, such as masks to protect against pollution caused by dust and chemicals from clothing materials, was not provided. Sometimes, workers encountered minor accidents caused by needles. No medical equipment and medications were found on the premises. It is noted that the

55 1997 *Labour Code*, Articles 47-48

56 EIC Interview with a wholesaler of Olympics market

57 EIC Phone interview with Director of Garment Factory

2 small-scale subcontractors or group leaders, seemed to work in precarious conditions themselves.

Subcontractors sometimes travelled to the provinces to recruit workers for their businesses. The workers' families were paid a small amount in exchange for allowing their family members to work for the subcontractor. In discussions at the small scale subcontracting enterprises, workers provided information on their working conditions. They worked for about 14 to 15 hours a day for 7 days a week for a monthly salary of 40,000 (US\$10) Riel for the first three months, including meals. In some cases, subcontracted workers did not get their wages on time. If merchants failed to pay subcontractors on time, they, in turn, delayed the payment to their workers.

The workers had about one hour each for lunch and dinner breaks. If they had many clothes to sew, their recess time would be shortened to about 30 minutes per break. They were entitled to some important Cambodian holidays such as Thanksgiving Day and New Year's Day. After three months, some better skilled workers could get a salary raise of up to 80,000 Riel (US\$20) per month.

There was no written job contract, so the terms and conditions of work were unclear. The length of tenure of workers was uncertain and hinged upon the discretion of the subcontractors. The workers had not been given any information or training on work hazards and how to prevent these. When sick, workers were allowed to seek medical consultation and treatment, and subcontractors deducted the medical fees from their salaries at the end of the month. The workers indicated that they did not know about trade unions and that they did not have time for such activities.

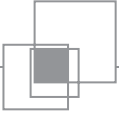
There were young girls in the small-scale subcontracted workplaces. These girls miss the opportunity to go to school and prepare for adulthood. When asked why they were doing this work, they responded that they had no other alternatives. They worked to survive and be able to send a small amount of money back to their families. Some workers responded they had no other place to go to since they were abandoned by their parents or their parents had divorced. None of the interviewed women mentioned that they had suffered from sexual harassment or abuse at their workplaces.

Some workers expressed their hopes to have the chance to gain entry into formal employment in a factory after they would have learned how to sew well. However, it seems unlikely that this will happen since these workers spend so much time working. Thus, they have limited opportunity to access training and education and to get to know people who could provide them with information about better employment opportunities.

Situation of workers in larger scale subcontracted employment⁵⁸

Following the EIC visit and interview with a manager of a garment factory, workers in larger scale subcontracted employment seem to be better off than those working in smaller enterprises. In this factory, there were 270 women engaged in sewing, and 30 men working as manual labourers or supervisors. During the visit to their workplace, fairly acceptable conditions were found: enough light, fans, clean water, toilets, a small infirmary and medication kit for slight injuries. However, the space was quite small and air circulation was insufficient.

58 EIC Interview with Manager/Administrator of a Garment Factory.



Workers' salaries for 6 days per week ranged from \$40 to \$45 per month depending on their seniority and without distinction between women and men according to the respondent. When there are many orders, workers are paid for overtime work on holidays and weekends at the rate of 1.5 times their normal pay. Overtime is often 2 hours in addition to their regular work schedule of 8 hours a day. Many workers are willing to work overtime to earn more money. Nobody mentioned sexual harassment at the workplace, but arguments among workers did sometimes happen. Workers in this factory exercise the right to association. Last year, the enterprise experienced three demonstrations by workers demanding to have their overtime paid when workers had been asked to perform more overtime work.

The tenure of employment of workers is uncertain, as there is no contract. The factory manager said that since workers did not have a contract, they could stop working whenever they wanted, but they needed to inform him a week in advance. Employment of workers is generally irregular and hinges upon orders. If a subcontractor does not receive an order from the factory owner, workers have nothing to do and are not paid.

1.3 Social protection

What is social protection?

Within the ILO, the concept of social protection includes social security in all forms (public and private), social assistance, occupational safety and health, working conditions and HIV/AIDS prevention, and this approach has been followed in this report.

According to the ILO World Labour Report 2000, the term 'social security' is defined as the protection which society provides for its members through a series of public measures: to offset the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner); to provide people with health care; and to provide benefits for families with children.

Public social security and social assistance schemes have been implemented in many countries. Social security schemes are usually set up by governments and funded by contributions of employers and workers in the formal economy. Governments also allocate public funds to social assistance for vulnerable groups in society. In less developed economies due to the absence or inability of social security and assistance schemes to address basic social protection needs of large parts of the population, private, community-based or non-statutory schemes have emerged. It is now realized, especially in developing countries with weak economies that a combination of public funds, together with employers' and workers' contributions as well as community involvement can contribute to provide wider access to adequate social services to large population groups in a more transparent and accountable manner.

Although many governments are still unable to provide universal social security for their citizens, social protection of workers in the informal economy is a basic human right and a fundamental means for income security, creating social cohesion and ensuring social peace and inclusion. Social protection prevents and reduces poverty and contributes

to human dignity, equity and social justice as well as sustainable social and economic development.⁵⁹

Occupational safety and health risks

Research in Cambodia found that many workers are not aware of the occupational safety and health risks associated with the work they carry out in their daily lives and they do not know how to avoid these risks.⁶⁰ This confirms worldwide trends in the informal economy, where workers are exposed to very poor work environments and low safety and health standards in their workplaces. These serious occupational safety and health hazards including risks of HIV/AIDS transmission impair their health and productivity as well as the general well-being and quality of life of both themselves and their families.⁶¹

Social security and assistance needs

In the informal economy in Cambodia, income and employment are not stable and secure. Often, workers do not have a fixed tenure of work. Their workplaces and jobs can differ from time to time and season to season. This poses problems for their income security. Many workers indicate that their net incomes are fluctuating or seasonal.⁶²

Effective social security schemes are not yet in operation in Cambodia and social assistance is available on a limited scale for some specific groups. This negatively affects women and men in informal employment, because they are more vulnerable to risks throughout their life cycle. Furthermore, lack of social protection in the informal economy contributes to gender inequalities in Cambodian society for a number of reasons:

- Women are traditionally considered as the main care givers in Cambodian society and, therefore, have been charged with heavier burdens to care for their families. The absence of social protection means that they are ultimately responsible and need to care for the sick, the young, the elderly and people with disabilities.
- The proportion of women in informal employment in all sectors is slightly larger than the proportion of men. Outside agriculture, 3 out of every 5 informal economy workers are women, indicating that men are able to find better paid jobs in formal employment outside of agriculture more easily than women. This confirms findings from all over the world that legislative provisions for social protection are implicitly gender biased in the sense that they do not adequately serve sectors where women are over represented⁶³.

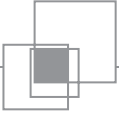
59 EIC, 2006. *Decent work in the informal economy in Cambodia, A literature review*, p. 57.

60 *Ibid.*, p. 14-16.

61 ILO, 2002. *Decent work and the informal economy*, report VI, Geneva, p. 65.

62 Half of respondents to the survey conducted by CAID sponsored by ILO/IEPEP reportedly complained that their incomes were fluctuating or seasonal, see also CAID, 2004. *Rapid assessment of selected occupational groups in the informal economy*, prepared for ILO-IEPE Project, p. 8.

63 Sabatas-Wheeler, Rachel, and Kabeer, Naila, 2003. *Gender equality and the extension of social protection*, ESS Paper No 16, ILO Geneva, p. 27



- The health needs of women themselves are urgent given the high percentage of anaemia that causes maternal mortality and morbidity as well as the increasing transmission rates of HIV/AIDS from husbands to their wives.⁶⁴

Specific groups of vulnerable women in Cambodia are:

- Female-headed households which face many constraints and vulnerabilities, and are usually identified as the poorest households in communities. They are older widows as a result of decades of civil war, are divorced or have been abandoned by their husbands. These women generate income for the family without male assistance or substitute care from within the household for their young children. Also, women-headed households are more likely to work in agriculture, tend to have smaller land holdings and have higher rates of child labour than male headed households.⁶⁵
- Women with disabilities and those who are the main care givers for family members with disabilities.

1.4 Skill levels and requirements in the informal economy

Worldwide, one of the common characteristics of workers in the informal economy is the utilization of a low level of technology and skills, and limited or no access to formal education and training. For example, in Jamaica, it was found that informal economy workers were usually not in a position to undertake long term formal training at vocational schools. Generally, they mastered their skills through short-term training, learning-by-doing practice and apprenticeship training without assistance from external sources or reference to theory.⁶⁶ In Cambodia, skills of informal economy workers are learned on-the-job as access to education and training is scarce. They rely on traditional methods to transfer skills from one person to another. In general, children acquire skills taught by their parents, relatives and so forth. Only few workers have access to skill training.

One way of extending decent work to the informal economy is to increase the capacity of informal economy workers through skills training, in addition to opening markets and improving working conditions.⁶⁷ Low skill levels in the informal economy result in low productivity of workers. Cambodia's labour market is characterized by labour rather than technology intensive work, and by low levels of school enrolment rates. In Cambodia, workers are less productive than in other countries like China, India, Pakistan and Bangladesh.⁶⁸

64 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, p. 9.

65 *Ibid.*, pp. 27-28.

66 Miller-Stennett, Andrea, 2002. *Informal sector training in Jamaica: An assessment*, p. 4

67 ILO, 2001. *Reducing the decent work deficit, Report of the Director General*, Geneva, pp. 29-30

68 World Bank, 2003. *Cambodia seizing the opportunity: Investment climate assessment & reform strategy*, August, p. iii.

Access to education and training

Basic education and numeracy are very important for skills attainment but low levels of education and literacy are still common in Cambodia. In spite of recent improvements, the literacy rate in rural areas amounted to about 72 per cent in 2004— from about 60 per cent in 1998.⁶⁹ The lack of basic education and numeracy has limited the opportunity of many people in Cambodia to further acquire skills that respond to their business and work needs.

In the informal economy, skill shortfalls are critical for everyone, both women and men. However, skills of women are much more limited than their male counterparts because of less access to education. There is a significant gender disparity in education, especially beyond the most basic school levels and in literacy. While almost equal numbers of boys and girls are enrolled in preschool and primary school, only 63 girls are enrolled for every 100 boys in lower secondary school. At upper secondary and tertiary-level education, less than 50 girls are enrolled for every 100 boys⁷⁰.

Very small numbers of people have access to vocational training opportunities, compared to the number of new entrants in the labour market. Vocational training courses are usually center-based which makes it difficult for rural workers, especially women to access training due to mobility and time constraints.⁷¹ If women are fortunate enough to enrol in skills training they enter training in traditional female skills, such as hairdressing and sewing, without knowledge about the market demand for these skills.⁷²

Women and men in the informal economy in Cambodia need skills so that they can engage in productive employment for a decent livelihood. Many workers choose the informal economy as their workplace despite tons of difficulties and vulnerabilities because they can not afford to be unemployed. If a chance comes for them to switch to a better job, they will seize it. A USG study found that women chose micro-vending because they felt they could do it despite their low education and skill levels⁷³. International experience indicates that micro-vending is attractive because it provides immediate income, even if the profit margins between buying and selling are small.

As mentioned in Section 1.1.3, youth unemployment is a problem. There is a potentially bleak outlook for unemployment among young people in Cambodia as indicated by EIC⁷⁴, other scholars and institutions, including the outgoing US Ambassador to Cambodia, Charles A. Ray⁷⁵, because of the imbalance between the large number of new entrants in the labour market of about 210,000 per year and available jobs in the

69 NIS *Cambodia Inter-Censal Population Survey 2004*, General Report

70 UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*, pp. 71-72

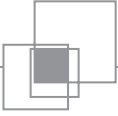
71 *Ibid.*, p. xii

72 Fitzgerald, Ingrid, 2005. *Exempt from growth? The impact of trade liberalization on women in Cambodia's garment sector*, p. 8

73 USG, 2006. *Vendors Livelihoods: Women micro entrepreneurs and their business needs, Phnom Penh, Cambodia*, ILO-ISED Series 4, p. vii

74 See EIC, 2005. *Cambodia Economic Watch*

75 AFP, June 30, 2005



garment and tourism industries. New, educated job entrants can no longer count on formal and civil service employment after graduation or when they reach the working age as was common in the 1980's and early 1990's.

What skills are needed in the informal economy?

It is sometimes thought that jobs in the informal economy require minimal skills and competencies that are easy to learn from one another informally. In contrast, the informal economy requires multi-skilling at high levels:

- Basic literacy and numeracy training are vital for informal economy workers.
- They need much more comprehensive skills than their formal sector counterparts because informal operators and workers need to perform a much broader range of functions from manual labour and technical skills to bookkeeping and customer services. They must learn to integrate more diverse aspects of the trade and business to solve problems more often than a typical worker in formal employment.⁷⁶

In general, informal economy workers need market-oriented skills to increase their income for livelihood in line with demand in the job market. Skills training needs to suit the education, basic knowledge and experience of workers so that they can easily acquire new skills and adapt them to their daily business. Women engaged in off-farm employment in traditionally female occupations in rural and urban require both vocational training and basic business management skills to empower them to operate small businesses successfully. In addition, young women need access to education, just like their male counterparts to enable them to gain access to training in a wider range of occupations.

Cambodia relies on many imported products from neighbouring countries, while these products can be locally produced. Thus, skills training for informal economy workers should enable them to make local products, for instance in silk and food processing, that meet the demand in the local markets together with upgrading standards and technology to render local products competitive with other imported products⁷⁷.

Providing quality skills training to girls and women in both traditionally female skills and in other skills to prepare them for a wider range of occupations will help to prevent inequalities. Low skills have forced women to work in occupations that do not require formal skills and competencies, such as domestic service, alcohol and cigarette promotion and the sex industry. With employable skills that enable women to be employed or operate their own business, women are less likely to migrate to urban areas for employment and to work in occupations in which they are subject to exploitation, violence and human trafficking.

76 *Informal educational strategies for skill acquisition in West Africa: A review of the literature and of recent significant research results*, available at: <http://www.adeanet.org/wgnfe/publications/abel/abel3.html> and Middleton et al., 1993. *For productivity: Vocational education and training in developing countries*, p. 24

77 EIC Interview with Cheryl Urashima, International Gender Expert

2

Policies, programmes and practices in the informal economy

This chapter examines the status and progress made by the Government and other development actors in Cambodia to ensure the attainment of goals, laid down in national and international instruments that seek to guarantee the rights of all workers. Policies, programmes and plans geared at improving the situation of women and men in the informal economy will be analysed from a gender perspective with a view to identify successes, gaps and challenges in implementation. The focus is on policies, programmes and practices in four fields: labour protection, social protection, skill development and small and medium enterprise promotion.

2.1 International standards in Cambodia

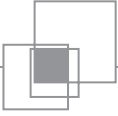
The 1993 Cambodian Constitution recognizes the respect for human rights as laid down in the United Nations Charter, the Universal Declaration of Human Rights (UDHR) and covenants and conventions related to human and workers' rights, women's and children's rights. Cambodia is a signatory to the International Convention on the Elimination of All Forms of the Discrimination Against Women (CEDAW) and has ratified all eight ILO core International Labour Conventions⁷⁸:

- The Forced Labour Convention (No. 29),
- The Abolition of Forced Labour Convention (No. 105),
- The Freedom of Association and Protection of the Right to Organize Convention (No. 87),
- The Right to Organize and Collective Bargaining Convention (No. 98),
- The Equal Remuneration Convention (No. 100),
- The Discrimination (Employment and Occupation) Convention (No. 111)
- The Minimum Age Convention (No. 138)
- The Worst Forms of Child Labour Convention (No. 182).

These labour standards lay down fundamental principles and rights at work and apply to all types of workers, regardless of their status of employment and whether they work in the formal or the informal economy⁷⁹. Every Cambodian is entitled to the basic rights as stipulated in these conventions, and workers of both sexes should enjoy, at minimum, fundamental rights at work such as: freedom of association, right to collective bargaining, the abolition of all forced and child labour, and the elimination of discrimination in employment and occupation.

78 In total, the Cambodian Government has ratified 12 international labour conventions

79 ILO, 2002. *Decent work and the informal economy*, Report VI, Geneva, pp. 39-47



2.2 The Cambodian Constitution and Development Plans

The Cambodian Constitution explicitly grants basic rights to everyone. Vital rights include: equality before the law, the right to choose employment, the right to equal pay for equal work, equality of work outside and inside the home, the right to social security, the right to form and join trade unions, the right to strike and hold non-violent demonstrations, the abolition of all forms of discrimination against women, in particular the prohibition of the exploitation of women in employment, the guarantee of women's job security during pregnancy and the right to maternity leave.

Articles of special relevance to workers in the informal economy in the Cambodian Constitution are:

- Equality of right to every Cambodian without discrimination based on sex, race, colour, religious belief, political tendency, wealth, other status or whatsoever (Article 31)
- Everybody is entitled to the right to participate actively in the political, economic, social and cultural life of the country (Article 35).
- Fundamental rights at work: the right to choose employment, the right to equal pay for equal work, and the right to form and be a member of a trade union (Article 36).
- Policymakers are obliged to promote economic development throughout the country, including remote areas, and in all sectors, especially in agriculture, handicrafts, industry with attention to policies for the provision water, electricity, roads and means of transport, modern technology and a system of credit (Article 61).
- The state has the obligation to help resolve production challenges, to protect the price of products for farmers and crafters and to find markets to enable them to sell their products (Article 62).
- Overall, it is the responsibility of the State to guarantee a better standard of living for the people (Article 63).

The Cambodian Government recognizes the significant contribution that informal economy workers make to employment generation, economic growth, poverty reduction and the prosperity of the country. The first Government's Socio-Economic Development Plan (SEDP) for 1996-2000 which aimed at reducing poverty and targeted women as special beneficiaries, set strategies to generate employment through:

- Labour-intensive manufacturing for export and the development of tourism
- Promotion of self-employment in small-scale activities in the urban economy and in non-farm employment in the rural economy
- Enhancement of labour standards, occupational safety and health, skills development and access to credit.⁸⁰

80 RGC. *Socio-Economic Development Plan (SEDP I) 1996-2000*, pp.19-22

Other current Government plans, such as SEDP II for 2001-2005, the Cambodian Millennium Development Goals (CMDGs) and the National Poverty Reduction Strategy (NPRS) also include policies that aim to address the employment needs and vulnerability of women and men working in the informal economy with regard to labour and social protection, skills development and the promotion of informal enterprises.

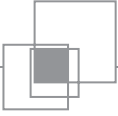
Likewise, the Government's Rectangular Strategy promotes decent work through improvements in productivity and earnings, the application of fundamental principles and rights at work, and the provision of labour and social protection, skills development and social dialogue. These policies are crucial to move women and men in informal employment out of the poverty trap of low skills and low income. In early 2006, the Government has published the National Strategic Development Plan (NSDP) for 2006 to 2010 which sets out the roadmap for achieving the Rectangular Strategy.

The NSDP states that poverty reduction and gender concerns will "govern all other actions during 2006-2010".⁸¹ The RGC gives high priority to enhancing the status of women through implementing a gender strategy, building women's capacities, changing social attitudes that discriminate against them and ensuring their rights to actively and equally participate in nation building. The NSDP acknowledges that women are in a disadvantaged position in the family and in society, that they bear a heavy share in raising families that many women are in the labour force, especially in the garment sector where they predominate albeit as low level labour. The Plan emphasizes that the representation of women in the policy and decision making levels needs to improve considerably. Gender mainstreaming strategies will focus on: building commitments and capacity at all levels on gender sensitivity and mainstreaming; promoting women's economic empowerment; and enhancing legal protection.

Key areas for action between 2006 and 2010 are:

- Gender mainstreaming across the entire spectrum of Cambodian life at all levels of Government and in budgeting processes
- Tackling domestic violence, trafficking of women and cultural norms that tacitly sustain gender inequality in many facets of social and domestic life
- Increasing female access to productive assets such as financial capital, reducing gender-based discrimination in the labour market and providing an enabling environment to permit greater female entry into high quality employment
- Addressing political and legal challenges such as increasing female participation in formal and informal decision making structures and processes; improving female access to high level positions in public administration; legal action and implementing practical measures to stop violence against women.

81 RGC, 2005. *National Strategic Development Plan (NSDP), 1996-2000*, p. x and pp. 64-65



2.3 Labour protection

As mentioned above, the right to employment is enshrined in the Constitution and employment generation has been one of the important pillars of the Government's Rectangular Strategy with focus on job creation and improvement of better working conditions.

2.3.1 Scope and application of the Labour Code

The 1997 Cambodian Labour Code mainly covers workers in employer-employee relationships. The Labour Code states: "This law governs relations between employers and workers resulting from employment contracts to be performed within the territory of the Kingdom of Cambodia... [Article 1]".

The Labour Code in Cambodia is considered to be more comprehensive in comparison with labour legislation in other countries, as cited in an earlier ILO and EIC Study⁸² and, in principle, covers many forms of informal employment. The Labour Code states:

- All natural persons or legal entities, public or private are considered to be employers who constitute an enterprise within the meaning of this law, provided that they employ one or more workers, even discontinuously.
- Every enterprise may consist of several establishments, each employing a group of people working together in a defined place such as in factory, workshop, work site, etc., under the supervision and direction of the employers.
- A given establishment shall be always under the auspices of an enterprise. The establishment may employ just one person. If this establishment is unique and independent, it is both considered as an enterprise and an establishment.⁸³

This is relevant to the Cambodian context where the majority of enterprises are small in scale. The law protects part-time and casual workers who are temporarily, intermittently or seasonally employed. Furthermore, the labour law also regulates the situation of subcontracted work, providing that the entrepreneur or manager of an enterprise is liable to fulfil or substitute the obligations of a subcontractor in case of insolvency or default by the latter.

Considerable challenges exist in the implementation of the labour law for workers which are covered, because of a lack of both financial and human resources. The number of inspectors is not commensurate with the tasks assigned by the law. Lack of further Prakas (Implementing Regulations) also discourages inspectors to intervene in certain cases and carry out their duties successfully. According to H.E. Dr. Huy Han Song, Undersecretary of State, MoLVT, it would be a great step forward if the Ministry would be able to effectively deal with inspections of enterprises that employ more than 30 workers.

82 Sieng, Deline and Nuth, Monyrath, "Extending labour protection to the informal economy in Cambodia", in *Extending labour law to all workers: Promoting Decent Work in the informal economy in Cambodia, Thailand and Mongolia*, edited by Tajgman, David, 2006, ILO Bangkok

83 1997 Labour Code, Article 2

In practice, labour legislation mainly covers workers in the garment and tourism industries in larger companies willing to abide by the law. It excludes own-account or self-employed workers from the scope of the application of the law⁸⁴, thereby excluding the majority of workers. Occupations in domestic service where a large proportion of young and female workers can be found have been excluded from the Code. Women in the informal economy do not enjoy the specific provisions that protect women in formal employment such as maternity leave and benefits and breaks for child breastfeeding and nursing⁸⁵.

A special problem exists regarding the employment of beer promoters, virtually all of whom are women, who face severe abuses. They are contracted by beer companies but actually work in restaurants and entertainment places and the owners of these establishments are not obliged to provide these workers with safe working conditions.

2.3.2 Organizing in the informal economy

Workers in the informal economy, especially the self-employed, are not entitled to the rights to organize and to bargain collectively accorded by the Labour Code. They do enjoy freedom of association, expression, assembly, strike and non-violent demonstration under protection of the Constitution and other relevant laws, but the capacity to exercise these rights outside the scope of labour legislation is much more restricted because of lengthy procedures, considerable time investments, and lack of effective legal arrangements.⁸⁶

When creating an association, the founder needs to register with the Ministry of Interior (Mol), while the registration of a trade union is processed by the MoLVT. The procedure with the MoLVT is clear. The labour law requires the Ministry to respond within two months after receipt of the registration form. In contrast, the procedure with the Mol is ambiguous and time consuming since there is no legal provision which specifies the period in which the Mol must respond to the declaration of the formation of an association. Although the Mol does not officially charge any fee for registering an association, officials solicit “facilitators’ fees” which can run up to US\$400.⁸⁷ In practice, associations can only register within a reasonable time period, if they pay these fees.

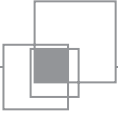
Furthermore, trade unions can refer to the Labour Code to protect workers’ interest while the status of associations to do the same is not clearly mentioned in the law. In other words, associations are not well empowered to protect the interests of informal economy workers, because the legal basis for associations to defend their members is not clear. Associations often refer to relevant international conventions and the Constitution. They use their informal negotiation and advocacy skills to convince policymakers and other

84 Sieng, Deline and Nuth, Monyrath, “Extending labour protection to the informal economy in Cambodia”, in *Extending labour law to all workers: Promoting Decent Work in the informal economy in Cambodia, Thailand and Mongolia*, edited by Tajgman, David, 2006, ILO Bangkok

85 1997 Labour Code, Articles 182-187

86 Sieng, Deline and Nuth, Monyrath, “Extending labour protection to the informal economy in Cambodia”, in *Extending labour law to all workers: Promoting Decent Work in the informal economy in Cambodia, Thailand and Mongolia*, edited by Tajgman, David, 2006, ILO Bangkok

87 Informed by Mey Narath, Deputy Director of the Department of Association and Political Party, Mol



relevant social actors as underlined by Mr. Luos Seyha, President of the Cambodian Association for Informal Economy Development (CAID)⁸⁸. However, in Cambodia, according to general observations by lawyers and legal practitioners, international conventions are usually not applied or referred to by the court and relevant public institutions, due to limited capacity and awareness of judges and public officers.

Two NGOs, the Urban Sector Group (USG) and CAID have started to assist informal economy workers and their initiatives are highlighted below.

Urban Sector Group (USG)

USG helps women street vendors to organize and improve their income earning opportunities, working conditions and negotiation skills. USG works with female street vendors only, thereby enabling them to emphasize women's needs and protect their interests which are sometimes not understood and heard by male policymakers and other stakeholders.

To date, the USG has organized around 160 women street vendors in Phnom Penh as members of vending communities. As mentioned in Chapter 1, women street vendors share common problems at their workplace, such as harassment and arbitrary fee increases for their selling spaces by public authorities. USG has provided training and capacity building in advocacy and negotiation skills, on basic business management and on fundamental women's and workers' rights. The women participated in various meetings, conferences and public hearings. As a result, women micro-vendors⁸⁹ are empowered to bargain and deal with the public authorities, including market authorities, the majority of whom are men.

USG has also promoted the establishment of savings schemes among the members of the vending communities, so that they do not need to use private lenders who charge high interest rates, when they need resources for social emergencies, such as sickness and death or for business expansion. It has, however, proven difficult for these women to save due to their meagre earnings, and the lack of trust among members, many of whom are rural migrants, have no stable workplace and shift their place of residence and work frequently, all factors which are not conducive to building trust and solidarity.

As members of the vending communities, women street vendors now know whom they should appeal to once they are harassed or extorted by public authorities. Furthermore, women street vendors are encouraged to resolve problems themselves without relying on USG, but USG does help, in general, to coordinate and facilitate the process. Many street vendors earn more income than before. They have more business and communication skills and contact market chiefs and market security guard chiefs directly in the event of harassment. In the view of USG, good governance and consistent policies and regulations related to markets and public places are crucial tools to improve the working conditions for women street vendors.

88 Validation workshop on extending labour protection to the informal economy on 29 April 2005, organized by ILO and EIC under the IEPE project

89 EIC Interview with Ms. Morn Borina, Program Office of the USG project: Expansion of Employment Opportunity for Women, supported by ILO-EEOW project.

USG is now also providing support to establish the vending communities into a representative membership-based association of women street vendors, the “Federation of Women Vendors” and give this association a legal basis to provide capacity building to their members and enable women street vendors to advocate themselves on behalf of their members. This is an ambitious goal reflecting the conviction that it will be most effective and sustainable if women street vendors have their own channel to voice their concerns and inform public authorities on what they need for their daily lives and businesses.

Cambodian Association for Informal Economy Development (CAID)

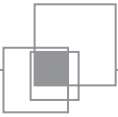
CAID aims to improve the livelihoods of informal economy workers by providing them with education and training, advocacy and legal protection and ways to improve their market access.⁹⁰ The Association works in 6 provinces and in Phnom Penh with different occupational groups in the informal economy: farmers, fishery workers, street vendors, market stall vendors, and transport operators, such as motodops (motorcycle-taxi drivers), tri-taxi (rickshaw) drivers and taxi drivers. By mid 2005, the total number of the association’s members increased to 3,400. This number has not yet been broken down by sex. In exchange for CAID services, members contribute around 4,000 Riel (US\$1) each per month. This fee fluctuates depending on the economic situation and locations, for instance, in Kampong Speu, a member contributes only 500 Riel to CAID.

Four of the 15 members in the CAID management team are women. CAID plans to create a better gender balance in their management team by appointing more women, because women can understand and respond well to the needs of CAID women members. Moreover, according to the President of the Association, women can manage their resources better than men do. CAID has not started gender specific programmes or projects for its members. However, it encourages women to represent their community and members in occupations where women predominate, such as street and market stall vendors.

CAID has conducted training on safe work for informal economy workers with support of the ILO-IEPE project and recently, a course on public safety in road traffic was provided to transportation operators. CAID is also a member of the Government Committee on public works and transportation, in which the CAID representative advocates and negotiates for the interests of its members with the public administration.

On several instances, CAID has effectively protected its members, and succeeded in persuading public administration to reverse decisions that were harmful to them. In the case of a road toll charged by a private company, CAID led a negotiation with the Ministry of Transportation and Public Work on behalf of its transport operator members, such as taxi-drivers. The outcome of the negotiation was an agreement to reduce the road toll to 32 per cent of the initial fee charged by the company. More recently, CAID represented its member women market stall vendors in Kandal market and negotiated with the Municipality that vendors are entitled to go back to their stalls without paying additional fees after the renovation of the market.

90 EIC Interview with Mr. Luos Seyha, President of CAID



2.4 Social protection

2.4.1 Occupational safety and health

Legislative developments

The 1997 Labour Code contains provisions to secure the occupational safety and health of workers, and prevent accidents at work⁹¹, covering all employers and establishments with more than one employee. However, the law provides protection in general terms and, so far, reflects intentions rather than reality. The provisions need to be elaborated into Prakas (Implementing Regulations) for all types of employment covered under the Code.

A 5-year Occupational Safety and Health (OSH) Programme is currently under development for adoption and implementation from 2006 onwards. Priorities of the OSH action areas are: strengthening of the legal framework, inspection, small enterprises, hazardous child labour, disabled workers, HIV/AIDS, construction and mining, informal and rural workers and consultations between policy makers, OSH specialists and programme implementers from government, employers' and workers' organizations, and other stakeholders.

Work improvements in the urban and rural informal economy⁹²

OSH legislation, inspections, technologies for work improvement, work place monitoring and health examinations are usually designed for larger enterprises in the formal sector. In many developing economies, poor working conditions and OSH risks are hazards considered inevitable in the informal economy. At the same time, safety and health conditions in informal employment in urban and rural areas are often very hazardous due to the lack of legislation, regulations, inability of labour and health agencies to expand services to unprotected workers and absence of OSH knowledge among women and men engaged in small, often home-based enterprises.

For this reason, the ILO project on the Informal Economy, Poverty and Employment (IEPE) in cooperation with the OSH unit within SRO-Bangkok supported practical, effective and low-cost training to make work more safe and productive as follows:

- Work Improvement in Safe Homes (WISH)—for home-based workers and their families
- Work Improvement in Neighbourhood Development (WIND)—for agricultural workers
- Work Improvement in Small Construction Sites (WISCON)—for construction workers.

OSH trainers' training was provided to around 110 trainers (39 WIND, 44 WISH and 27 WISCON; two-thirds men and one-third women) from around 25 agencies, among others, 6 workers' federations, 7 NGOs and national and local government inspection organizations which in turn trained women and men in urban and rural communities

91 1997 Labour Code, chapters 8 and 9

92 Project on the Informal Economy, Poverty and Employment (IEPE) in Cambodia, Mongolia and Thailand, August 2005. *Progress Report*, ILO Bangkok and communication with IEPE National Project Coordinator in Cambodia, April 2006

and work places. This type of training proved to be instantly popular, because the learning-by-doing approach through on-the-job workplace visits with easy-to-understand checklists, local illustrations and photo's inspire people to take action. By May 2006, 1,790 workers were trained (48 per cent women and 52 per cent men).

Informal economy workers can improve their own situation dramatically through awareness-raising on the prevention of work hazards. Over 60 per cent of the participants made improvements in their safety, health and working conditions. Post-training follow-up showed improvements in the organization of work in terms of storage and material handling methods, organized work floors and stations, and a healthier working environment including better work posture, lighting and ventilation, and safer use of machines and hazardous substances. Safer working conditions also mean higher productivity and incomes. For example, in Siem Reap, after the training, female weavers were able to reduce the number of days for producing a set of baskets by 2 days (from 10 to 12 days for one set to 8 to 10 days respectively).

OSH training is also an effective entry point to organize workers from difficult-to-reach workplaces such as household enterprises and small unregistered construction sites, because it responds to the immediate concerns of workers to improve their working environment. For example, through OSH training and post-training contacts, CAID organized around 600 home-based workers, market vendors and motor cycle taxi drivers in Phnom Penh, Kandal, Kampong Cham and Kampong Speu provinces. The Cambodian Union Federation organized 150 porters and brick workers in Kandal, Poipet and Phnom Penh. The Cambodian National Federation of Building and Wood Workers mobilized over 1200 construction workers in Phnom Penh and Kandal, the Federation now represents them in negotiations with their employers, and almost 300 of these workers pay union membership dues on a regular basis.

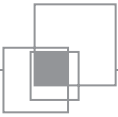
ILO support at the policy level was provided by organizing tripartite National OSH workshops with the MoLVT on national OSH programme development and OSH in the construction sector in 2005. In March 2006, the MoLVT agreed to include the participatory work improvement programmes into the National OSH programme which is currently being developed. A first historic National Safety Day was held in April 2006.

2.4.2 Social security and assistance

Status in legislation and development planning

Legislation on Social Security was enacted in 2002. It applies to workers covered under the 1997 Labour Code with the exception of civil servants. In general, benefits under the social security law will include pensions for the elderly and compensation for death, employment injury and occupational diseases. This legislation will be implemented progressively over the next 10 years. The Government plans to start with employment injury benefits, linking this to the above-mentioned occupational safety and health programme⁹³.

93 ILO, 2005. *Report to the Government on employment injury insurance in Cambodia: Legislation, financing and administration*



The social security law allows for health insurance through the extension of membership of the National Social Security Funds (NSSF) to the self-employed and seasonal or casual workers. This will be regulated later through Prakas (Implementing Regulations) of the Ministries in charge of social security systems.

In Cambodia, as in countries worldwide, the provision of health care is a major concern. As stated in the Rectangular Strategy, the Government is committed to establishing social protection, not only for civil servants, but also for employees and workers including victims of natural disasters, people with disabilities, the elderly, orphans, female victims, the homeless, and veterans and their families through enhanced cooperation with national and international organizations.⁹⁴ The Strategy includes the enforcement of the labour and social security laws to ensure the rights and benefits of employees, employers and vulnerable population groups.

According to the Socio-Economic Development Plan (SEDP II) 2001-2005, the Government's policies to promote people's health in an attempt to reduce poverty are to:

- provide basic health services, including family planning and reproductive health services to all people with community participation
- decentralize financial and administrative functions
- develop human resources
- foster competition among public and private sector based on technology and professional ethics
- promote people's awareness of a healthy lifestyle and of the qualifications of health care providers
- promote health legislation
- pay special attention to women's and children's health and nutrition and to the control and prevention of communicable diseases
- take into account specific priority groups such as the elderly and people with disabilities, and specific health issues such as mental health, eye care and oral health.

Even though the implementation of a universal social security scheme is not yet feasible due to lack of tax revenues, the Government, donors and international organizations have started some initiatives aimed at promoting and extending social protection to the Cambodian people with a focus on setting up mechanisms for health insurance. A Social Health Insurance Committee⁹⁵ was set up by the MoH in 2005, consisting of 15 members from relevant ministries, the private sector, donors, international organizations and NGOs. The tasks of this Committee are to:

- review in-country and regional experiences including feasibility studies and lessons learned from pilot projects
- outline strategic objectives and principles for developing social health insurance to achieve social protection, equity and accessibility to health care

94 Vulnerable population groups, such as veterans and very poor children, women and the disabled, have been covered under various social assistance schemes covered by several ministries

95 MoH, 2003. *Master Plan for Social Health Insurance in Cambodia*

- propose an enabling process to discuss and explore insurance development in different sectors including development of legislation, financing and regulatory measures
- coordinate and direct ongoing or new pilot schemes including technical assistance on social health insurance for low-income populations in both urban and rural areas.

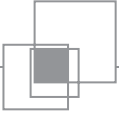
In 2005, a Master Plan for Social Health Insurance in Cambodia was adopted by the MoH in cooperation with the World Health Organization (WHO), as well as a Roadmap for Social Health Insurance Legislation. The Master Plan underscores the vital role of social health insurance to promote equitable access to health care, to facilitate rational household expenditure on health through regular prepayment rather than unpredictable payment at the time of illness, to improve health care delivery services, and to reduce poverty caused by the costs of health care. The Plan recommends a series of interrelated strategies consisting of:

- compulsory social health insurance for public and private workers and their dependents in accordance with the 2002 Social Security Law and administered by the National Social Security Fund (NSSF)
- voluntary insurance for workers (many of them in the informal economy) through the development of community based health insurance (CBHI)
- social assistance through the use of equity funds to pay for the contributions of the non-economically active and indigent (the very poor) populations to the CBHI
- entitlement to the same health care benefits for beneficiaries of both the NSSF and the CBHI schemes.

In Cambodia there is no national social protection mechanism for health care. People in need of health care have to pay users' fees which are often beyond their income capacity and there is no insurance system which covers their needs. In response to this problem, the Government aims to provide social assistance to the poor and the very poor in accessing health care by encouraging the establishment of "Equity Funds". More than 20 Equity Funds⁹⁶, are being piloted in 16 districts of Cambodia with financing by international donors. In 2006, it is planned to extend the schemes to 25 districts.

In the future, the share of the Government counterpart fund is planned to be US\$1.5 million per year in conjunction with the contribution of the ADB and the WB at US\$1.7 million per year. The Equity Funds are part of the national budget under the so-called Priority Action Program. These Funds intend to cover the provision of health care to around 40 per cent of Cambodia's poor population. The problem with these Equity Funds is their financial sustainability. There is no clear-cut view about the viability of these Funds upon the termination of donor support. This type of equity funds needs continuous provision of resources from government tax revenues or donors, as opposed to rotating, contributory schemes based on contributions by employers, employees or members.

96 EIC interview with Ms. Sok Kanha, Department of Planning, MoH



The Equity Funds are managed by the Department of Planning of the MoH through contracts with local NGOs and district health centers of the MoH. In general, 10 people are hired to work for each Fund. The intended beneficiaries of the Fund are poor people, particularly women (such as female-headed households and widows) and children who have difficulty in accessing health services with a view to reduce the mortality rates of women and children. Benefits provided by the Equity Funds include health services free of charge, food, transport to health centers, and a small amount of money in case of death of clients. However, almost all of the Funds address only catastrophic risks, not primary health care. It is reported that 35 per cent of current Equity Funds' allocations are spent on the identification of beneficiaries.

The SKY Health Insurance Scheme

The first community-based health insurance (CBHI) schemes were initiated by GRET (Groupe de Recherche et d'Exchange Technologique) under the 'SKY Health Insurance Project'.⁹⁷ GRET has been piloting health insurance schemes for communities of rural poor families in 3 districts in Kandal and Takeo provinces and at the end of 2005, it started an urban scheme in Phnom Penh. The number of insured members has increased from 1,166 in late 2004 to more than 5,700 people to date.

The benefits under the SKY project cover expenses for transportation, consultation and treatment at health care centers including care during pregnancy and delivery, pre- and post-natal care, vaccinations and funeral expenses. The SKY insurance does not discriminate against HIV-positive people among its membership. Any household from the districts covered by SKY can join the scheme and HIV-positive people can benefit from all public health services to treat opportune diseases. Anti-retroviral treatment is not covered, because it is too expensive, not readily available or provided through special programmes.

A Safe Motherhood and Well-Baby Benefit has been included within the SKY scheme in 2006 with a view to encourage ante-natal care, attended births and breastfeeding. This includes a maternity grant and training related to safe motherhood and the welfare of babies.

In terms of management and structure of the scheme, GRET cooperates with the existing public health care centers, district and provincial hospitals of the MoH. GRET establishes contracts with health centers and hospitals with decent health facilities which can provide 24-hour health services 7 days a week so that its members can access health care services at any time.

For each consultation or treatment, the scheme pays a fixed amount to the health centers utilizing the capitation payment system (payment based on the number of people covered). In this way, SKY members are covered for all services provided by the public health system. Moreover, the SKY scheme contributes to financing the public health system, and enhancing the quality of services, as the participating health care facilities have regular financing for buying drugs, paying doctors, etc.

97 Sources: ILO-EIC, 2006. *Decent work in the informal economy in Cambodia, A literature review*; EIC interview with Mr. Clement Larcher, Technical Assistant of Sky Health Insurance Project, GRET on 5 August 2005, and information from ILO-SRO-Bangkok

In the rural scheme, the SKY insurance charges about US\$3 per person per year for the premium⁹⁸, while the average out-of-pocket expenses for health care from private practitioners are approximately US\$22 per person per year. This proves that CBHI membership is advantageous. The scheme accepts only family membership. On average, a family contributes 1,000 Riel (US\$0.25) per month to the system. This amount is relatively low, when compared to the expenses charged by private practitioners. Despite this, only households with average living standards in rural areas can afford to participate in the SKY scheme.

GRET has assessed the effectiveness of the SKY project through a survey of 100 families (about 500 people) in the 4 pilot districts on the quality of services and the hospitality at the health care centers for members who sought treatment. The survey showed that the expenses paid by the insured for their health care were less than those paid to private practitioners. SKY members agreed that they had better access to health facilities and the number of members visiting private clinics had been decreasing.

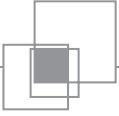
In the future, GRET plans to expand its scheme to other provinces and cities, including Kampot, Kampong Thom, Kampong Cham, Sihanoukville and Siem Reap. It is planned to extend the membership to more than 10,000 people. The Urban SKY Project was launched in December 2005 in Phnom Penh with support of GTZ and the MoH following the outcome of a feasibility study on the scheme's expansion in 2004. Operation of the scheme in Phnom Penh and the resulting additional members through group membership will strengthen the sustainability of this community social security initiative.

In the urban scheme GRET is considering a variety of female- and male-dominated occupations, such as garment-factory workers (with 50 per cent of the premium to be contributed by employers), and workers in transportation, advertisement (such as beer promotion) and street and market trade. Since group membership will be encouraged, cooperation is sought with other organizations, for example, CAID and USG for groups of street vendors, CARE for beer promotion girls and KHEMARA for vulnerable communities.

Lessons learned from the GRET initiative in Cambodia illustrate that even when a new, innovative scheme is provided, many informal economy workers face difficulties in accessing it, due to their irregular income that limits their ability to make continuous and regular contributions to the scheme. While SKY membership is steadily increasing, families do drop out of the scheme because informal economy workers have irregular incomes. About 10 per cent of the scheme's members have withdrawn from SKY insurance since they could not afford to contribute to the scheme in spite of its low premium. The recent (recurring) drought has reduced farmers' incomes and limited their ability to afford the schemes. SKY membership drop-outs are also caused by job losses in garment factories as garment workers pay for their families' premium in rural areas.

In addition, many rural households are not aware of the benefits of health insurance services. People still have limited knowledge about health care and solidarity. Many of them believe that a good health care service means getting an injection. Thus, many households do not participate in the scheme and prefer private practitioners

98 Information provided to EIC by Mr. Clement Larcher, Technical Assistant, SKY health Insurance Project (GRET) on 16 September, 2005



who inject them at every consultation with a one-time shot of antibiotics or whatever the injection contains, even though the fees charged by these practitioners are much higher than the SKY premium, sometimes beyond their affordability.

There is a great need for health insurance among the poor in Cambodia as in other countries. Besides the consolidation and expansion of the SKY schemes, several new CBHI pilot projects have been emerging. For example, in Bantey Mancheh province, a new CBHI scheme started operations in 2003 with a modest health benefit package and subsidized contributions covering 15,000 beneficiaries. Another CBHI started in 2005 in Oddar Mancheh, presently covering 750 people, and two schemes are scheduled to start in Pursat and Siem Reap. The Ministry of Health has developed draft Guidelines for CBHI and these will be implemented from mid-2006 onwards.

In sum, the provision of affordable health care, one of the most basic forms of social protection, will contribute to improving the health of children, men and women in poor families, decrease the burdens on women who traditionally take care of the sick and people with disabilities, and thereby address one of women's most urgent practical gender needs⁹⁹.

2.5 Skill development for informal economy workers

2.5.1 Policies, institutional arrangements and coverage

In the Rectangular Strategy, the Government has committed to the goal of "Education For All" aiming to ensure equity in the attainment of 9 years of basic education for all children and access to education by children from poor households. The strategy stresses the importance of partnerships with the private sector and the national and international community to enhance and improve the quality of education services, both in vocational and technical training and in higher education.

The Socio-Economic Development Plan (SEDP II) 2001-2005 also emphasizes the necessity of skill development. Apart from addressing education as a key means of reducing poverty, the Plan notes progress in improving technical vocational education and training (TVET) and sets out a strategic plan to improve TVET. Pressing priorities for skill improvement include:

- Formulation of an appropriate mix of TVET financing mechanisms, especially defining criteria for programs for which government support should be given (including expansion of workplace-based training where employers meet the direct costs of training, provision of plants and training supervision).
- Establishment of strategies and guidelines for increasing the operational autonomy of public TVET institutions, learning lessons from private providers.
- Emphasis on the private sector as the major engine for the expansion and greater equity in access to TVET.

The Education Strategic Plan for 2004-2008 of the Ministry of Education, Youth and Sports (MoEYS) accords high priority to stimulating demand-side interventions through the promotion of skills training. MoEYS policies in relation to skill training are to:

99 World Bank, 2003. *Gender Equality and the Millennium Development Goals*, WB Gender and Development Group, Washington DC, 2003, p. 15.

- Enable and facilitate a strong demand-side approach to TVET for youth through strong public/private partnerships
- Enable the consolidation and extension of existing provisions including paid-for apprenticeships at private enterprises, commercial/NGO training providers and the Government.

Objectives and targets up to 2008 are:

- Increased enrolment of youth in enterprise-based and apprenticeship training by commercial or NGO training providers. Target: 250,000 per year from 2006 onwards with 40 per cent women and 50 per cent from poor families.
- Increased enrolment in community-based informal education and skills training programmes in village centers associated with the Community Lifelong Learning Centers (CLLC). Target: 250,000 per year from 2006 onwards with 40 per cent women and 50 per cent from poor families.
- Maintain current enrolment in technician level programmes in two public TVET institutions. Target: 2,000 per year from 2004 onwards with 40 per cent women and 30 per cent from poor families.

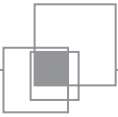
The MoWA emphasizes the importance of skills development for women in “Neary Rattanak” or “Women are Gems”, its second strategic plan for 2005-2009. It contains various programmes to promote the status of women with priority on “raising literacy rates of women and improving women’s life skills”. The Ministry’s programme also focuses on the economic empowerment of women through a range of mutually supporting, integrated measures including community level demand and supply studies, training and skills development, and expansion of self- and wage employment opportunities. In line with its gender mainstreaming mandate, the MoWA calls for further cooperation with and support from other relevant ministries, particularly the MoEYS and MoLVT to increase the participation of women in a wider range of vocational training and education programmes.

A National Training Board¹⁰⁰ was established in 1996 as a policy-making, planning and coordination body for technical, vocational education and training (TVET)—to deliver longer term (1-3 years) formal secondary and tertiary TVET and shorter term non-formal skills training programmes for the urban and rural poor throughout the country. However, it has been difficult for the Board to play an effective role over the past decade, because cooperation between the different agencies has proven to be challenging. The Directorate of Technical and Vocational Education and Training has shifted from the MoEYS to the MLVT in recent years.

In March 2006, the restructured National Training Board met for the first time and adopted a new National Technical and Vocational Education and Training (TVET) Development Plan (NTDP), setting out the TVET development timeframe from 1996 to 2020.¹⁰¹ This Plan incorporates many of the good practices and recommendations of previous studies and reports, and builds on work done in previous development processes. The plan focuses on a dual track strategy to build a comprehensive training

100 Article 18 of the Sub-decree on the organization and functioning of the MoLVT

101 Data in this section comes from MoLVT, 2005-06. *Draft National TVET Development Plan*, unless indicated otherwise



system for Cambodia in the longer term, and to take action towards rural poverty reduction in the immediate term. There is an emphasis on demand driven training and access at the commune level, including strategies to boost self employment using proven techniques with the Asian Development Bank financing some of these programmes.

The demand for vocational education and training far exceeds supply. While the formal sector creates around 50,000 new jobs every year, the workforce increases by 300,000 annually. A snapshot of vocational training providers and coverage in 2005 was as follows:

- The State runs 39 institutions and centers, including two Vocational Training Centers (VTCs) in Phnom Penh (Preah Kosomak) and Battambang which provide longer term technical trades training and more than 16 Provincial Training Centers (PTCs) under the MoLVT (previously under the MoEYS), and 11 Women Empowerment Centers (previously known as Women in Development (WID) centers) under the MoWA. In these centers short-term vocational training is provided to around 1,400 very poor, often illiterate women in the MoWA centers every year. The PTCs used to turn out 4,000 graduates annually in the past but due to budget constraints, the number of graduates fell to less than 1,200 annually in 2004. Other government ministries run staff training colleges catering to skills development for public services in the transport, electrical power supply and agricultural sectors.
- In the private sector, around 12 national NGOs run institution-based skills training courses, turning out around 1,000 graduates per year. Some 200 commercial skills training institutions provide training on information technology, computer-based communications and languages to around 2,000 students on a yearly basis.
- It is estimated that around 200 large enterprises train up to 25,000 workers annually. In many occupational groups apprenticeships are the most common form of skills transfer. In around 60,000 small enterprises, skills training is provided to approximately 80,000 persons in the form of paid apprenticeships (fees and/or free labour for non-family members) and to around 30,000 persons through free apprenticeships and unpaid labour for family members. The Labour Law requires that enterprises with more than 60 employees take a number of apprentices equivalent to 10 per cent of the number of employees. However, large companies, including international businesses are against making this a mandatory regulation.
- It is difficult to obtain enrolment figures which are broken down by sex. In 2000-2001, a total of 4,867 students were enrolled in tertiary TVET institutions, 30 per cent of which were women. Between 1999 and 2001, almost 12,000 trainees completed longer or shorter skills training courses. Of these 53 per cent were women and 47 per cent were men.¹⁰²

102 Information below comes from: Kusakabe, Kyoko and MoEYS, 2004. *Action research on the gender dimension of skills development in Cambodia*, ILO, unless other sources are quoted

- It is estimated that between 90,000 to 110,000 under-educated out-of-school youth enter the labour market every year without any access to training. Each year, around 230,000 youths leave school without basic education and few or no skills. Of these, more than 60 per cent are female.

2.5.2 Quality vocational training for the informal economy: Good practices

During the 90s, ILO and UNDP provided technical and financial support with the establishment of effective vocational training strategies in Cambodia, including guidance on the provision of long term training through the VTCs and organization of short-term vocational training through the PTCs to benefit workers in poverty. A study was carried out by the MoEYS, the Asian Institute of Technology and the ILO in 2001-03 to identify access of women and men to these two types of training and trace training outcomes.¹⁰³ Upon request of the MoWA a review of several WID centers was also carried out by the ILO and findings of these studies were similar.

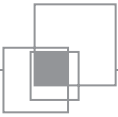
Popular training subjects in vocational training centers were in general: animal raising, computer skills, motorbike repair, food processing, hairdressing, TV repair, radio and cassette repair, small engine repair and construction. The type and number of training courses was based on both supply (training needs assessments) and demand (local job market analyses) studies. Both women and men tended to enrol in training for traditionally female and male occupations respectively. In the tracer study, the gender stereotypes in society and the resulting occupational segregation by sex were found to be common among trainers, trainees, employers and customers. Few women enrolled in the mechanical and electrical trades, and those who graduated and in these trades indicated it was difficult to stay in business because employers and customers were reluctant to trust the ability of female mechanics and electricians.

In efforts to reach rural workers, many mobile courses were offered in the 90's. Normally the distance between vocational training institutions and people's houses is between 50 and 70 kilometres. Many trainees do not have adequate means of transportation, since they do not have motorbikes or bicycles. They go to the training center on foot or ask for a ride from neighbours. Due to cultural constraints, riding with others is considered unsafe or inappropriate for women. Furthermore, women are often not allowed to abandon their household and family obligations for extended periods of time in order to acquire new skills.¹⁰⁴ Thus, the training in rural communities by mobile training teams was popular.

In the past explicit efforts were made in the VTCs and PTCs to attract more women trainees to the training courses. For example, in 1996, 1999 and 2001, 71 per cent of the trainees in four PTCs were women. Some training institutions lowered the entry requirements for women and in several PTCs women were encouraged to enrol in male-dominated courses. Faced with very low enrolment rates of women in longer term skills training, one VTC offered a graphic design course to women only.

103 *Ibid.*

104 Urashima, Cheryl, 2002. *Rapid assessment of priorities and needs in gender and employment promotion and poverty reduction in Cambodia*, pp. 36,40



However, the number of mobile courses in PTCs has gradually decreased over the last years due to cuts in training budgets. In general, the number and quality of the skills training courses provided by the PTCs and WID Centers vary from time to time, depending on the participation and contribution of donors and civil society. The tracer study found that trainees now tend to be youth who have finished 9 years of basic education and live relatively close to the training centre, rather than youth and adults from disadvantaged population groups in rural areas.

In order to support graduates to find employment after their graduation, some training institutions contacted enterprises, companies, factories and NGOs for vacancy information, internships, and assistance to graduates such as finding a job or provision of micro-credit to run a business. A micro-credit scheme for PTC graduates was also initiated by MoEYS. The need for this type of post-training support services was tremendous, but the scheme has ceased operation due to lack of funds since then.¹⁰⁵ Most of the PTC graduates found jobs in wage or self-employment. The average income from work in skills that trainees acquired was US\$53 a month. Wages in women's jobs, such as hairdressing, were less than in men's jobs such as construction and motorbike repair.¹⁰⁶

Successful training strategies for employment and micro enterprise development developed in Cambodia with ILO/UNDP assistance were:

- Conducting both training needs assessments and market demand studies prior to the design of vocational training courses, thereby matching demand and supply to increase employability and income earning in communities
- Developing fair and systematic trainee selection systems taking into account equal opportunities for women and men
- Provision of updated curricula and equipment/raw materials as well as staff training for instructors and administrators
- Provision of follow-up support to graduates, such as job placement for employees and business development support, including access to credit business networks and further training to self-employed micro-entrepreneurs.

2.6 SME development policies and practices

2.6.1 Policies and plans

In the Rectangular Strategy, the development of small and medium enterprises (SMEs) is promoted through the following policies:

- Encourage the development of SMEs, especially through the provision of medium and long term finance
- Suppress smuggling
- Reduce registration procedures and start-up processes for companies
- Facilitate export-import activities by simplifying procedures such as licensing and other letters of permission

105 *Ibid.*, p. 36

106 Kusakabe, Kyoko and MoEYS., 2004. *Action research on the gender dimension of skills development in Cambodia*, ILO

- Support newly-established industries for an appropriate period
- Promote links between SMEs and large enterprises
- Establish a National Center for Productivity for SMEs to enhance their productivity and reduce their production costs
- Establish a national standards institution to help ensure the quality of domestic products to meet regional and international standards
- Establish national laboratories for physics, chemistry, micro-biology, mechanics and tests for quality and criteria of products
- Strengthen mechanisms for the protection of industrial intellectual property rights, to prevent illegal copying, re-creation and illegal use of new techniques and technology
- Promote vocational skill training, both domestic and overseas
- Expand and accelerate the “one village, one product” program
- Strengthen the legal framework by creating laws on the operation of factories and industrial zones, and regulating patents and inventions, measurements and industrial safety.

Lately, an inter-ministerial Sub-committee led by the Minister of MIME was established to develop an enabling environment for SMEs by implementing necessary reforms. With technical assistance from the ADB, this SME Sub-committee issued a road-map, the “SME Development Framework” which was adopted in 2005. The SME Framework identifies critical issues for SMEs and sets priorities for government strategies and action plans to promote a favourable environment for SMEs by:

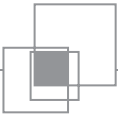
- improving SMEs access to medium and long term finance
- streamlining licensing and registration procedures to reduce bureaucratic red tape
- improving market access for SMEs through better trade facilitation
- providing support for building links between SMEs and larger enterprises.

The SME framework is a step in the right direction because SMEs promote economic growth and poverty reduction.¹⁰⁷ However, informal economy workers mainly operate micro-enterprises and, thus, have different needs. SME development is not enough but needs to be expanded to cover micro, small and medium enterprises (MSMEs).

The needs of men and women in MSMEs in Cambodia also differ. According to an ILO survey, female entrepreneurs perceive their business climate differently from male entrepreneurs¹⁰⁸ and face greater business constraints than men with regard to limited access to credit, to entrepreneurial and vocational skill training and to productive resources. Research in Cambodia confirms the outcomes of studies worldwide that there are not only equality but also efficiency reasons to empower women entrepreneurs

107 Speech by H.E. Suy Sem, Minister of MIME, Kick-off workshop for the SME Development Program, May 11, 2005

108 Project on Integrated Support to Small Enterprises in Mekong Delta Countries (ISED), 2005. *Progress Report* available at the website of the Ministry of Industry, Mine and Energy (MIME): www.mime.gov.kh



because they contribute their incomes to their family and households to a larger extent than men. Assisting women entrepreneurs thus contributes to economic growth at large¹⁰⁹.

The Ministry of Women's Affairs (MoWA) has underlined the importance of the need for gender-specific measures in MSME policies, Neary Rattanak II (Women are Gems) states that the MoWA supports private sector development and job creation through the development of micro, small and medium enterprises (MSMEs) to achieve a more equitable distribution of the gains from economic growth between the rich and the poor, between urban and rural areas and between women and men.

2.6.2 Access to financial services

Access to financial services is crucial for starting and expanding micro and small enterprises (MSEs), sustaining employment and creating more jobs. Many SME owners in Cambodia have identified the lack of affordable long term financing as one of the greatest obstacles to their growth, as banks and financial institutions are reluctant to provide long-term loans at affordable rates¹¹⁰. Most informal MSE operators have difficulties in accessing loans and savings facilities. Small-scale enterprises borrow from family members or informal sources, generally at high interest rates. Where financing services are available, women tend to receive considerably smaller and less frequent loans than men due to discrimination by financial service providers, and women's lack of education, self-confidence and negotiation skills.¹¹¹

Substantial surplus capital is available with banks in Cambodia. However, this is not used for the provision of financial services to the poor. At the same time, Cambodia has a fast-growing and competitive micro-finance sector, consisting of 1 micro-finance bank, 10 licensed micro-finance institutions, and more than 80 NGOs that run credit schemes. Altogether the micro-finance sector services almost 400,000 clients, or 3.3 per cent of the population. The most important weak point of the Cambodian micro-finance sector is its focus on credit. Most micro-finance institutions offer loans without giving clients the opportunity to save. For many small entrepreneurs, micro-loans have proven to be a debt trap rather than a way out of poverty.¹¹²

The lack of local savings is such a serious problem in Cambodia that micro-finance institutions rely on grants and loans of mainly foreign banks to make their operations sustainable¹¹³. People save their incomes by buying assets rather than saving. Lack of

109 Kantor, Paula, 2000. *Promoting women's entrepreneurship development based on good practice programmes: Some experiences from the North to the South*, ILO-SEED working paper 9, p. ix and UNIFEM, WB, ADB, UNDP and DFID/UK, 2004. *A fair share for women: Cambodia gender assessment*

110 IFC & MPDF: *Business Issues Bulletin*, No 1, November 2003

111 UNIFEM, WB, ADB, UNDP and DFID/UK: *A fair share for women: Cambodia gender assessment*, 2004, p. 63

112 Ibid.

113 This part is based on EIC interviews with many microfinance institutions and banks, such as the Rural Development Bank, ACLEDA, AMRET, PRASAC, AMK, Vision Fund, Cambodia Entrepreneur Building Limited, Canadia, National Bank of Cambodia

savings is partly due to a lack of trust of Cambodian people in the banking sector which is even lower for micro-finance institutions. Other reasons that do not encourage people to make savings with micro-finance institutions are the low interest rates and the high costs of providing micro-finance services. The donor-driven rather than market-driven attitude of micro-finance institutions needs to change in order to mobilize local savings. In relation hereto, it is noted that various local commercial banks with capital surplus do not wish to work with micro-finance institutions to provide small loans.

Where micro-finance is accessible, interest rates are high, compared to the return on investment of rural and urban poor households. In general, a monthly interest rate of 4 per cent is too high for borrowers to keep their business operations viable. Some major reasons for high interest rates underlined in interviews with micro-finance institutions are:

- high interest on capital loaned from foreign banks
- high operation costs due to poor infrastructure, energy supply, security, and so on
- lack of rule of law and law enforcement
- lack of appropriate land titling and land registration system that bring about problems of collateral and double borrowing
- informal/unofficial payments.

2.6.3 Initiatives for MSME promotion

SPD of the Ministry of Economy and Finance

An SME Development Programme (SDP) has been launched with an ADB loan with a view to reform registration and licensing procedures and practices to reduce regulatory compliance costs facing SMEs and improve SME competitiveness in both foreign and local markets.¹¹⁴ This project also facilitates the access of SMEs to the financial sector by improving their ability to provide accurate financial information. To attain this aim, the project, in cooperation with the Ministry of Economy and Finance (MEF), provides training in financial reporting to many small and medium entrepreneurs.

To improve the legal infrastructure for SMEs, the SDP in cooperation with the Ministry of Commerce (MoC) will disseminate information about licensing and registration procedures to SMEs through various publications such as handbooks, the media and its website.¹¹⁵ This dissemination programme is expected to reach a wider range of micro-entrepreneurs.

The SDP does not contain any gender-specific measures to date. However, in cooperation with NIS, it is planned to break down and analyse data on SMEs by sex. This information will make it possible to ensure that enterprise development programmes benefit women and men.

114 MIME: *SME Newsletter*, Issue 1, June 2004

115 EIC interview with Mr. Charles Schneider, Team Leader of the SME Development Program

MPDF

A multi-donor—supported project, the Mekong Private Sector Development Facility (MPDF), builds capacities of SMEs through a project entitled Business Edge¹¹⁶. This project has disseminated:

- Business Edge workbooks for operators and managers of SMEs as well as micro-entrepreneurs focusing on marketing, quality control, human resources management, finance and accounting
- Business Edge television series showing entrepreneurs how to operate their businesses successfully. Common challenges and problems faced by entrepreneurs are followed by a panel of business experts who suggest possible solutions.¹¹⁷ About 20,000 TV viewers have followed this television series according to an MPDF survey.

As many entrepreneurs do not like reading and TV programmes do not enable entrepreneurs to learn enough, MPDF partners have also organized management training workshops since November 2004. These training workshops include subjects, such as customer services, how to motivate people, time management, budgets and cost control. Half of the participants in the training courses are from the formal sector and the other half are NGO staff, government officers, students and informal operators who are interested and personally enrol in the training courses. This training has been evaluated as successful since trainees were eager to attend further training courses and trainees' feedback indicated that they were satisfied with the training methods, subject and quality.¹¹⁸

Around 30 per cent of the total 350 trainees were women entrepreneurs. The MPDF is in the process of developing a special programme to promote women entrepreneurship in 2006-2007 as requested by its donors.

ISED of the Ministry of Industry, Mines and Energy

The “Integrated Support to Small Enterprises in Mekong Delta Countries” (ISED) Project was launched by the Ministry of Industry, Mines and Energy (MIME) in 2004 with ILO support with a view to reduce poverty and promote decent work through partnerships for integrated small enterprise development at the provincial level in Battambang and Siem Reap in concert with action at the national level in Phnom Penh.

The project supported provincial and district authorities in the implementation of national policies and regulations to facilitate micro and small enterprise development and create a supportive business environment. Recently, trade fairs were held at the 3 project sites. The project also provides business management training in cooperation with existing business development service providers, adapting ILO training packages such as “Start your Business” for business starters, “Improve Your Business” for entrepreneurs, and “Know about Business” for youth to the Cambodian context and providing trainers' training, including gender-specific entrepreneurship training (see below). Support and training for small business associations has also been provided.¹¹⁹

116 EIC interview with Mr. Hor Soneath, Business Development Officer, MPDF

117 MPDF leaflets

118 EIC interview with Mr. Bunlong Leng, Business Development Officer, MPDF

119 MIME, 2004: *SME Newsletter*, Issue 2, December

Despite explicit efforts to reach micro-entrepreneurs, the project covers mostly Small and Medium Industries (SMIs) and larger, formal enterprises rather than MSMEs from the non-industry sectors, because MIME partners at the national and provincial levels mainly deal with the formal segments of the local economy. Likewise, ISED has made explicit efforts to attract women to participate in project activities, and equal numbers of women and men entrepreneurs are invited to training. However, it has been difficult to attract women entrepreneurs, unless training is especially targeted at women.

Multi-agency cooperation on GET Ahead for Women in Enterprise

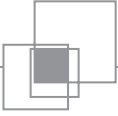
Since 2002, the ILO projects “Expansion of Employment Opportunities for Women (EEOW)” and “Women’s Entrepreneurship Development and Gender Equality” (WEDGE) cooperate with the MoWA, the MoLVT and various NGO partners in 4 provinces and Phnom Penh for the economic and social empowerment of women alongside men in poverty in communities and work places. These projects promote gender equality and women’s rights through 3 inter-related strategies: capacity building of governmental and non-governmental organizations, pilot projects in communities and work places, and drawing upon good practices for policy development.

In response to a request from MoWA for specific training on gender and entrepreneurship to provide basic business management skills geared at women (and their husbands) with little education, the EEOW and WEDGE projects, MoWA, especially its ADB project to support rural women, USG, the female business owner from Lotus Pond, a socially responsible enterprise in the capital validated and adapted the ILO training package “GET Ahead for Women in Enterprise” in Cambodia as one of the first pilot countries in 2003-04. The GET Ahead training package deals with the specific constraints that women with little education face in societies characterized by pronounced gender inequalities. It boosts women’s self-confidence, enables them to deal with risk taking, trains them on costing and pricing, promotes networking both among women entrepreneurs and between women and general business service providers and intra-household sharing of workload and decision making between men and women in family- and women’s businesses.¹²⁰

GET Ahead trainers’ training was provided to the networks of the ISED and IEPE partner organizations in 2005.¹²¹ In 2006, GET Ahead training will be provided to Cambodian networks for the protection of children to enhance income generation for families in action against child labour. Refresher training is being provided to trainers from many agencies who train families in poverty to enhance their skills in providing business development services.

120 For electronic copies in Cambodian and English, see: www.ilo.org/public/english/region/asro/bangkok/library/pub4.htm or contact EEOW or ISED at the ILO Joint Office in Phnom Penh

121 Progress Report of ISED, available at the website of the Ministry of Industry, Mine and Energy (MIME): www.mime.gov.kh; Informal Economy, Poverty and Employment (IEPE) Project in Cambodia, Mongolia, and Thailand, Progress Report, August 2005, ILO Bangkok



Artisans Association of Cambodia (AAC)¹²²

The Artisans Association of Cambodia (AAC) is a membership-based NGO, founded in 2001¹²³ with the primary objectives to improve the socio-economic well-being of artisans with a specific focus on people with disabilities¹²⁴. AAC members consist of 22 entrepreneurs who represent groups of craft producers and 12 of these are women's groups. The leaders of these groups employ around 600 handicraft producers. Two-thirds of these are women.

AAC assists its members by strengthening their organizations, helping them with developing business development plans, marketing, capacity building through various training, fund raising for informal entrepreneurs and trade facilitation. AAC has conducted many courses for its members focusing on product design (colour theory, pattern making), production, sales management, shipping management, costing and pricing, market access for craft products and good business governance. It also provides opportunities for its members to participate in relevant training courses at the local and international levels, for instance, in 2005, some members attended a craft development workshop in the Philippines.

In the area of trade facilitation, AAC coordinates between buyers and its craft producers, identifies markets for its members, facilitates the needs of buyers and negotiates for its members with relevant ministries to ease and reduce production and export costs. AAC also receives support from ministries, for instance, in 2004, its members were invited by the Ministry of Commerce to participate in a Fair Trade in Bangkok. AAC also helps its members with fund raising, i.e. proposal writing and information dissemination about donor funds.

Many other craft producer groups and entrepreneurs wish to join the organization, and the target for 2005 is to increase membership to another 35 entrepreneurs and producer groups. This will be a gradual process as AAC's budget and staff numbers are limited. Currently, AAC employs 4 staff, one woman and 3 men.

AAC is successful as evidenced by the increase of sale volumes of its members' products (a 50 per cent increase is reported in 2005 compared to 2004). Many members are more aware of the markets and due to quality control the number of refused products has decreased. Another noticeable project outcome is job creation among the members with a reported 20 per cent increase of craft producers or staff in 2005, compared to 2004.

122 EIC Interview with Mr. Lung Yeng, AAC Coordinator on 27 September 2005

123 With support of the United Nations Development Programme (UNDP) and the World Rehabilitation Fund (WRF), and currently supported by the ILO IEPE project and TRAIID-CRAFT/UK

124 AAC brochure

2.7 Informal economy, poverty and employment

In Cambodia, the Ministry of Labour and Vocational Training and around 30 other national and local partners cooperated with ILO over the past two years in implementing the “Informal Economy, Poverty and Employment” Project. This project aims at developing a strategic approach to decent work challenges faced by informal economy workers in poverty, gaining experience from various parts of the country and sharing knowledge and good practices with Thailand and Mongolia in East Asia and other countries worldwide. Work focused around three main themes at the national and provincial levels:

- Organization, representation and voice in the informal economy has been promoted through the development of representative and service organizations for workers in informal employment, through support to action by CAID and AAC (see section 2.3.2) and participation in local governance.¹²⁵ New tools have been developed in Cambodia for training small business associations; building partnerships between civil society and commune councils; assisting trade unions to support and organize informal economy workers; and documenting the experience of self-help group models to increase decent work through self-organization.
- Productivity and market access. Support was given to the development of successful models for creating market linkages between often-marginalized rural producers and musicians—many of whom are disabled—with the growing modern and tourism sectors. Measures to increase productivity and access to public extension services consisted of improving product design, exchanging experience among provinces and with other countries and organizational development in the handicraft sector. Research and dialogues for further policy development included an analysis of the barriers to formality in terms of business registration procedures for micro-businesses and handicraft enterprises¹²⁶; as well as a review of the barriers to trades or livelihoods that could provide more and better work to job seekers, for example in street vending.
- Labour and social protection. Given the significant challenges to extend labour protection, health and safety, and health insurance to informal economy workers, the labour law was analysed with respect to the informal economy¹²⁷; trainers’ training and outreach to informal economy workers on work improvements was provided in homes, farms and other non-traditional workplaces (see section 2.4.1), and supported was given to improve the management information systems of SKY, the first community-based health insurance scheme which collaborates with the public sector (see Section 2.4.2).

125 In collaboration with the Partnership for the Development of Kampuchea (PADEK)

126 AAC, 2006. *Easing the barriers to formality. Registration procedures for microenterprises and handicraft exports in Cambodia*, ILO Bangkok

127 Deline Sieng and Monyrath Nuth, “Extending labour protection to the informal economy in Cambodia”. In *Extending labour law to all workers: Promoting decent work in the informal economy in Cambodia, Thailand and Mongolia*, edited by David Tajgman, David, 2006. ILO Bangkok

3

Strategic action on decent work in the informal economy

Cambodia is committed to promoting decent work for all workers through its 1993 Constitution and national laws such as the 1997 Labour Code, and ratification of various international conventions and instruments including the ILO international labour standards on fundamental principles and rights at work and CEDAW. To this end, the Government has set forth many laws, policies and programmes to reduce poverty, promote employment and private sector development, and ensure that both men and women participate actively and equally in nation building.

Considerable challenges still exist in the implementation of these laws, policies and programmes in practice. The majority of people are in informal employment, and legal frameworks and institutions do not effectively extend to these workers. However, as seen in the previous chapter, legal and policy reform is ongoing and several innovative pilot programmes have been carried out over the past years by a range of agencies to improve the employment and working conditions of informal economy workers, and involve them in consultations and policy dialogues on issues that directly concern them.

This chapter provides a summary profile of the informal economy and highlights good practices and recommendations to extend labour and social protection to these workers and provide them with skills training and business development services. These recommendations reflect the experience of national and international practitioners, and were validated at a Policy Dialogue Meeting on the Gender Dimension of the Informal Economy, held in late 2005 in Phnom Penh.

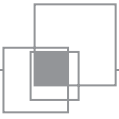
3.1 Majority of men and women in informal employment

Estimates of the informal employment fluctuate from 80 to 95 per cent. Informal economy workers in Cambodia share the same constraints faced by most workers in informal employment worldwide. Despite the variety in occupations, economic sectors, status of employment, permanency of employment (either permanent, seasonal, temporary or casual workers), location (rural or urban) and the gender differences in these categories, most workers in the informal economy lack formal recognition, social and legal protection¹²⁸. This prevents them from earning sufficient income to overcome poverty, feed their families and work in conditions of freedom, security and human dignity.

In Cambodia, there are increasing job opportunities for young women at the lower levels in the job hierarchy. They are the preferred workers in the formal sector garment industry. However, public administration and supervisory positions in the private sector, as well as a wide range of occupations in the technical trades and in the transport industry are mainly reserved for men. While roughly equal numbers of women and men are found in informal employment in agriculture, this study notes that women are pushed into and predominate jobs in informal employment in manufacturing and services where 3 of every 5 workers were found to be women. Reasons include: increasing need to earn income to feed the family, more limited skills and education, and lack of access to higher status (even if not well-paying) jobs in public administration.

Women in the informal economy are more vulnerable than men since many of the occupations in which they predominate are associated with high risks of poor employment and working conditions, and harassment such as sexual, verbal and physical abuse at their workplace and on their way to and from work. At their homes, they are burdened with the overall responsibility for household duties and family care. Even though women increasingly generate income for and continue to take care of their households, they are not considered as breadwinners and decision makers in their family, community and society. Occupational segregation by sex is widespread resulting not only in a more limited range of occupational choices for women but also in considerable wage inequities between male and female occupations and for women in male occupations.

128 Alter-Chen, Martha, *Rethinking the informal economy*, see at Seminar Wel-Edition. Accessible online at <http://www.india-seminar.com/2003/531.htm>



3.2 Gender mainstreaming: From policies to practical action

As emphasized in its National Strategic Development Plan, the Government of Cambodia is firmly committed to enhancing the social status of women by implementing an explicit gender strategy both through gender mainstreaming into public policies and programmes at all levels and in budgeting processes and through gender-specific action to counteract inequalities. The intent of the Government is in line with international experience and agreements as laid down in many international standards. This dual track strategy is not yet understood in many agencies, where it is thought that it is sufficient to prohibit direct discrimination without addressing the effects of indirect discrimination. However, the provision of equal access and treatment by law and in policy statements is a necessary first step but not sufficient by itself to ensure equal outcomes for women at home, at work and in the governance of organizations in society.

Another common problem is that development organizations try to accommodate the practical needs of women in poverty who face difficulties in meeting the basic needs of their families without addressing the underlying power imbalances which give rise to these difficulties. For example, many of the constraints faced by men and women in informal employment are similar. However, overall women in poverty have to cope with a heavier workload due to their “double burden” of combining work for income with household and family care duties. In addition, they have less choices and opportunities for decision making in life and at work, compared to their male counterparts. Therefore, strategic action for women in informal employment often requires measures to achieve better balances in the division of work load and decision making between women and men.

Successful examples of addressing inequalities between men and women in informal employment that have been described in the previous chapter and the good practices and recommendations that are further explained in the sections below have been initiated by gender-specific projects and agencies, such as the Ministry of Women’s Affairs. Such gender-specific projects have an important role to play at the pilot stage. The challenge, however, is to integrate these models into the mainstream of larger development programmes, institutional mechanisms and practices.

Recommendations

- It is vital to design and implement gender-specific measures in all strategic programme areas that lead to decent work: rights and representation, productive jobs and income, and social protection.
- In the experience of the ILO, the provision of maternity protection and the better sharing of family responsibilities are vital to achieve gender equality between men and women in the family, the labour market and society.
- Gender awareness raising and capacity building is called for to commit male and female policy makers and staff in organizations to promote gender equality and decent work.

3.3 Labour protection for informal economy workers

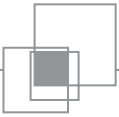
A start has been made with the enforcement of existing labour legislation in the formal sector and its application in practice. The fundamental rights of women and men in informal employment are not yet recognized by the legal system even though their products and services significantly contribute to the development of the country. In principle, the 1997 Labour Code applies to a wide range of workers in employer-employee relationships, but in practice it protects a limited number of workers governed by employer-employee relationships in the formal economy, most notably larger establishments in the garment and hotel industries and protective legislation also exists for civil servants in public administration.

Overall, the self-employed and workers in household and micro enterprises are excluded from labour protection. This negatively affects both men and women in the informal economy. However, women workers in poverty are especially disadvantaged because of the combination of social attitudes that discriminate against them and the economic need to fulfil the basic needs of their families.

Large groups of workers such as domestic workers are not covered by the Code even if clear employer-employee relationships exist. Other vulnerable occupations in which women employees predominate are beer and cigarette promotion as well as sex work. The employers of beer promoters are often beer companies while the workers operate on the premises of restaurants and hotels and this leads to a *laissez-faire* attitude among managers at actual workplaces. Beer promoters often do not engage voluntarily in the provision of sexual services. Nevertheless, they are often referred to as ‘bad’ or ‘spoiled’ women and addressed with derogatory terms, such as “Lang Sey”¹²⁹ girls which has sexual connotations. Even women garment factory workers are often treated with disdain as ‘good’ women stay at home so there must be something wrong. Combined with the high levels of gender violence in Cambodia, female beer promoters, and waitresses in entertainment places are extremely vulnerable. The same is valid for women in sex work but their situation is even more difficult, because their employers and managers operate outside the law.

This study also gives a first indication of the problems faced by workers and employers in small scale informal subcontracting arrangements in the garment industry. The measurement of the extent of this problem fell beyond the scope of this study. However, the EIC findings gained from just a few visits and interviews with workers and managers engaged in this type of work were sobering. Informal arrangements exist to avoid bureaucracy and adherence to labour protection to cover demand in peak periods and cater to the market for cheaper and lower quality products, with everybody in this market niche—employers, managers and workers—in precarious conditions. Young women workers who are often migrants and/or come from broken homes and may have not even reached the legal age for working, earn some income by working

129 Lang Sei comes from the French “lancer: to launch”. It is used by some to describe women who promote alcoholic beverages or cigarettes, implicating that they promote not products but themselves and their sexuality. A campaign on “We are selling beer, not sex” is currently being carried out with Care Cambodia support because beer promoters do not want to be associated with sex work.



very long working hours in unsuitable conditions, because they need to earn a living often also for their family back home.

Recommendations

More human, technical and financial resources as well as good governance and management of these assets are needed to improve and strengthen mechanisms for the enforcement of labour legislation in the formal economy and its extension to the informal economy. Specific recommendations are:

- Provisions in the existing labour laws should be gradually extended to provide decent work to men and women in informal economy occupations rather than developing separate laws for workers in informal employment.
- Agricultural occupations, such as plantation work, should be covered by the labour law. Large scale operations such as plantations should be obliged to register and observe key provisions of the labour law. In addition, all households engaged in agriculture require basic knowledge on the main rights and responsibilities associated with decent work. This will require large scale awareness-raising and the provision of basic protective services.

The Government's gender policy and gender mainstreaming strategies give high priority on improving the role and status of women¹³⁰ and the substantive participation of women at all levels in all institutions of governance. A start has been made with the provision of gender training to enable governmental and non-governmental agencies to carry out gender mainstreaming strategies and address inequalities between men and women. However, in most labour institutions, awareness and/or capacity are lacking to effectively tackle gender inequities. Recommendations are as follows:

- Explicit references need to be made to prohibit discrimination on the grounds of sex in existing and future protective labour legislative development and in implementing regulations to change social attitudes that discriminate against women and ensure equality between women and men at home, at work and in society.
- Further capacity building on gender equality promotion in the world of work is called for in all labour institutions through awareness raising and training. There is also a need to include more women at the decision making levels in these organizations to ensure that the perspectives and needs of women workers are included in labour laws, policies and programmes.
- Priority should be given to extend labour protection to female-dominated sectors and occupations. Issues of immediate concern include:
 - Governments, employers, workers and their organizations should develop an agreement on minimum wages and basic protection for key female-dominated occupational groups, such as beer promoters and waitresses.
 - There is a need to identify the scope and extent of subcontracting in the garment industry to informal work places, and to design measures and mechanisms to extend labour protection to this type of employment.

130 RGC, 2004: *The rectangular strategy: Economic policy agenda of the Royal Government of Cambodia*

3.4 Organizing and capacity building in the informal economy

In Cambodia, efforts are being made to establish a sound and transparent industrial relations system where employers and workers can identify common interests and seek peaceful solutions to problems and labour disputes in a bipartite setting and through tripartite mechanisms. These initiatives are recent and require further strengthening.

The 1997 Labour Code enables freedom of association and successful organizing among employers and workers in the formal economy. In contrast, associations which aim to defend the interests of their members are hampered by ambiguity in the laws that regulate their operations. In addition, the lack of time-bound regulations in accepting the registration of an association means bribes need to be paid in practice to allow for registration.

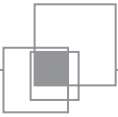
Good practices on organization, representation and voice

Both USG and CAID seek to provide protection to specific occupational groups of informal economy workers, most notably street and market vendors and transport operators, and promote self-organization among these groups. New initiatives are emerging, such as the Independent Democratic Informal Economy Association (IDIEA) which is organizing transport workers and beer promoters. Similar efforts by trade union federations have been documented in this report. These initiatives, geared at increasing the voice, bargaining power and representation of vulnerable groups of workers should be promoted and further strengthened, because it enables these workers to negotiate with public authorities and private companies, to reduce the payment of exorbitant fees, protect their interests and improve their employment and working conditions. In the end, the success of a strong and vibrant civil society depends on the existence of representative membership-based organizations of all in society.

Street and market vending are female-dominated occupations, and for this reason, both organizations aim explicitly to strengthen women's participation in leading and managing the Vending Committees themselves, and to increase their negotiating skills in consultations with local authorities. The implementation of this strategy is not always easy as women are used to the traditional pattern of men taking the lead in decision making in the public sphere. This empowers these women to respond to their real needs and aspirations, and at the same time contributes to the broader aim of increasing women's participation in decision making.

Recommendations

The right to freedom of association is a fundamental labour right for all workers and employers, irrespective of whether they are in formal or informal employment. Workers in the informal economy do enjoy freedom of association, but effective legal arrangements in existing labour legislation need to be extended to enable large groups of informal economy workers to exercise these rights.



Further recommendations include:

- Existing trade unions should reach out and establish specific branches for workers in informal economy occupations.
- Associations for workers in specific informal economy occupations should be strengthened, and new associations established, including women's associations.
- Organizations and associations working for and with women need to be explicit on the representation and capacity building of (potential, young) women leaders.
- Informal economy workers need information on fundamental rights at work. Trade unions, other associations and NGOs should provide further awareness raising and training on legal rights and responsibilities to workers. Donors are requested to support these efforts.
- Organizations working on labour rights should ensure these rights are applied in their own organizations, and develop organizational policies to implement these rights.

3.5 Occupational safety and health

Informal economy workers, both women and men, are exposed to poor working conditions and income insecurity. Their workplaces are not safe, precarious and often cramped. They are exposed to poor occupational safety and health standards and face risks at work and often at home, putting the whole family in danger when the work is carried out in their home. Informal economy workers need social protection to acquire decent livelihoods, reduce the burden of severe health expenses, and, thereby, prevent them from ending up in debt circles and poverty.

Good practices on safety and health improvements in the informal economy

The training and follow-up services on work improvements have proven to be very popular among urban and rural workers. Work improvements not only lead to the prevention of accidents and illnesses but to increases in productivity and incomes.

The promotion of safe work through awareness raising and capacity building on self-help work improvement practices is, in general, a good entry point for organizations such as trade unions and associations when reaching out to workers in invisible workplaces, because it provides these workers with support services which are of immediate practical use to them, and shows them the benefits of self-reliance and organized action.

Recommendations

The Government is in the process of developing a National OSH programme to implement existing provisions in the Labour Code for adoption in 2006 and it is planned to include reference to the importance of awareness raising on safe work among informal economy urban and rural sector workers in this programme. There is also a call for the adoption of Prakas (Implementing Rules and Regulations) on work hazards and health risks in specific occupations. Other recommendations include:

- OSH should be on the agenda of all governmental, non-governmental and community-based agencies that are engaged in job creation and employment promotion. Pilot programmes to support work improvements by employers and workers in small enterprises and in the informal economy need to become part and parcel of any job promotion or entrepreneurial development programme. In addition, donors funding OSH must ensure this funding is effectively targeted.
- Employers and/or the public authorities need to develop and display health information for specific workplaces, such as markets and vending places.
- Staff of health centers should be trained to recognize, document and advise on OSH related ailments and injuries so that primary health care centers can play a role in detecting work-related injuries and diseases and promoting safe work for informal economy workers.

3.6 Social security and assistance

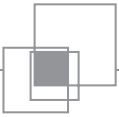
In Cambodia, the Social Security Law, enacted in 2002, reserves its application to those who are covered by the labour law although the law leaves room for informal economy workers to participate in the national security schemes on a voluntary basis (see Art. 4). However, for the time being, there is no social security system in place in Cambodia. The first attempt to implement the Social Security Law will be the development of an employment injury scheme for workers in the formal economy which will be fully financed through employers' contributions.

Social security and assistance are vital for everybody, but especially vital for women. Firstly, traditionally, they are considered to be the main caregivers in Cambodian society, and in practice, they shoulder most of the household duties, including care of children, the sick, the elderly and the disabled. Secondly, women workers are over-represented in occupations which are not covered by social security. Thirdly, the health of women is at risk as evidenced by high levels of anaemia and resulting high level maternal mortality and morbidity levels.

Good practices on health insurance in the informal economy

Expansion of health insurance is a priority for all in Cambodian society. Women especially require this benefit because they are traditionally burdened with taking care of dependent and sick family members. However, currently the vast majority of both informal and formal economy workers in the country can not access health insurance. It is, therefore, important to further support pilot community-based health insurance schemes, such as SKY. The new SKY pilot schemes extend social health insurance to groups of informal economy workers, such as beer promotion girls, motor cycle drivers and market vendors, allowing them to access quality health services by joining a health insurance scheme through payment of an affordable premium.

Informal economy workers in rural areas still have difficulty in accessing or keeping their membership in the SKY health insurance scheme because of their irregular and low incomes (including remittances from workers in urban areas) that limit their ability to make continuous and regular contributions to the scheme. For this reason, SKY allows for flexible payment arrangements on a monthly, quarterly or seasonal basis to enable them to pay when they have the resources to do so.



The implementation of the Master Plan allows for covering the contributions of poorer families to CBHI schemes, and more flexible mechanisms to link the CBHI schemes and the equity funds are currently being explored. For example, some families can only contribute partly to a CBHI scheme, and the rest of the contribution could be covered by the Equity Funds. This would diminish the dependence of families on equity funds, contribute to gradual awareness raising of social health insurance and lead to better targeting of the equity funds.

Recommendations

All responsible Ministries and donors should contribute to the implementation of the Master Plan for Health Insurance. The Government should pass the required Regulations to implement the Master Plan, adhering to good governance principles and practices. Health insurance schemes and equity funds should not be stand-alone mechanisms but should work together closely to address the full spectrum of health insurance needs of workers in poverty and in informal employment in an optimum manner. Other recommendations include:

- It is crucial to design various mechanisms, programs and policies that help reduce the burdens of women informal economy workers:
 - There is a clear need for legislative developments to better protect women's reproductive rights in employment, because all working women in Cambodia need maternity protection. Women have a right to reasonable health protection from primary, secondary and tertiary health care facilities through insurance schemes. In relation hereto, the Safe Motherhood and Well Baby benefit made available under the SKY scheme should be included in all CBHI schemes
 - In social assistance schemes, benefits should be paid to the actual care givers rather than household heads.
- Women from vulnerable groups need special protection and should be explicitly targeted. These groups are:
 - Female-headed households
 - Female bread winners in poor families with people with disabilities and women with disabilities
 - Young migrant women who predominate the age group of migrants between 15-19 years and can easily enter exploitative occupations.
- Government agencies, donors and NGOs need to raise awareness about the benefits of health insurance and the schemes available. NGOs working on health and social insurance projects should advocate with local people to encourage them to register with the schemes. Men and women should be encouraged to understand the benefits of health insurance, and their rights under the scheme.
- Health services should provide better quality services (hospitals and medical equipment).
- Schemes for income insurance should be developed, including group saving schemes to protect against risks and shocks.

3.7 Skills development

Skills training available in Cambodia is limited in scale and scope. Only a very small number of informal economy workers seem to have had access to formal education and training. Furthermore, after training, many trainees do not have enough capital to initiate their business and apply their skills to generate more income.

There is significant gender inequality in terms of access to education and skills training in the informal economy:

- Women have more limited opportunities to access secondary and tertiary education compared to men
- Many training courses are center-based but women are not expected to leave their homes because of their household and family care duties
- Women tend to receive skills training mainly in traditionally female-dominated occupations
- As a result, women are employed in occupations that are low paid and they need to work long hours, sometimes in several jobs to generate enough income.

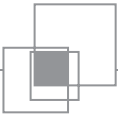
A new National Technical and Vocational Education and Training Development Plan has been approved in early 2006. In the immediate term this Plan focuses on poverty reduction through community-based basic technical education and training. It intends to decentralize responsibilities and resources to provincial, district and commune levels through the set-up of Provincial Training Boards and provision of training in and near rural communities, linked to the provision of micro-credit. It intends to target commune-based training at unemployed youth ensuring a gender balance and respond to “the life long needs of individuals for decent jobs or self-employment by supporting appropriate training”.¹³¹

Recommendations

The above new plan needs to include specific strategies to enable women to access training. Specific recommendations include:

- Skills training should concentrate on skills that lead to employment and income, with a focus on training on how to make local products for local markets which are competitive with similar products imported from neighbouring countries.
- Informal economy workers need market-oriented skills which they can directly apply in their daily life and business:
 - On-the-job skills training rather than long-term formal instruction will solve immediate needs of informal economy workers.
 - Community-based training is called for to respond to the immediate skill needs in the informal economy. Mobile training is particularly helpful in rural communities, especially for women, who face mobility constraints.
- Vocational training needs to be combined with training in basic business management. Vocational training graduates who pursue self-employment require capital, technology, marketing and business counselling.

131 MoLVT, 2005-06. *Draft National TVET Development Plan*, pp. 6 and 12



- Women working in the informal economy require a range of skills, including:
 - Basic numeracy and literacy skills are a necessary first step for many adult women workers
 - Business management skills, including business planning, financial literacy and marketing skills in addition to vocational skills
 - Legal literacy and confidence building.
- Affirmative action strategies are required to facilitate women's participation in training:
 - Given the large demand for training and the lack of supply, the setting of quotas or targets for the participation of women and men in training will often be called for to ensure equity goals. Targets need to be set carefully, taking into account practical and strategic gender needs of women and men.
 - Male family members need to be encouraged to take responsibility for household tasks so that women can access training opportunities.
 - Training must be conducted at appropriate times to enable women to participate, in locations where they can access training, for example through mobile training units.
- Skills training for women should not be limited to traditional female occupations such as hairdressing or weaving or handicrafts. Women should be encouraged to acquire a broader range of skills that respond to market needs and enable them to generate higher incomes, for example in fields such as food processing, silk production, electronics (air-conditioning, computers, electronic appliance repair), hospitality, housekeeping, agricultural work, construction and interior design and information technology.
- In the education and vocational training system, further action needs to be taken to increase gender awareness and combat gender stereotyping in the selection of type and level of skills training for male and female trainees:
 - Gender awareness training is needed among male and female vocational training policy makers, organizers and trainers to broaden career choices and the range of productive occupations available to women and men and coach young men and women who decide to learn a skill in occupations which are dominated by the other sex.
 - Advocacy is also needed among children, youth and families to encourage skills training for both sexes and enable them to select training in skills at levels which lead to productive incomes.
 - Successful young women and men in non-traditional occupations are good role models for youth.
 - Young women and men who have selected skills training in a non-traditional occupation may require some special assistance to find gainful employment. The more women are employed in traditionally non-female occupations, the more recognition they will get from society.
- Harmonization of donor efforts in the training sector is required so that donors can allocate funding more effectively.
- New employment services for work within Cambodia and overseas need to be developed and linked to training and career advice.

3.8 Enterprise development

The Government's policies mainly focus on SMEs except for the policies designed by the MoWA. More attention needs to be given to target MSEs where the majority of the poor are working. The majority of Cambodian enterprises in urban and rural areas are small in scale and household-based. They operate their business informally. There are many reasons for the vast majority of enterprises to remain informal:

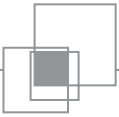
- complicated licensing and time consuming registration procedures
- high costs of registration and licensing, including under-the-table payments to a range of officials from different agencies
- lack of incentives to register due to absence of benefits for small scale enterprises
- tax evasion (why pay if there are no benefits).

While the informal economy contributes to employment growth and poverty reduction, there are constraints to move towards higher productivity, greater income and decent work. One way to provide more and better jobs is to start and improve business environments. This will require a number of changes in policies:

- reducing burdensome, complicated and expensive license procedures
- provision of incentives to informal enterprises to register and pay taxes
- enhancing access to credit, entrepreneurial skills and productive resources.

Recommendations

- In order to make it possible for MSMEs to meet the requirements of the labour law, Prakas (Implementing Regulations) need to be developed to cover these enterprises and enable them to comply. MSMEs require training on the labour law, so that they understand their responsibilities in relation to employment and working conditions of employees, including subcontracting arrangements.
- MSMEs require information about business registration procedures, and where to go to register.
 - Clear policy guidance must be available to companies about the type of registration they need to complete, including adequate and consistent information.
 - A “one window” service should be offered at the preliminary stages of business start-ups. This pilot initiative should become available universally to reduce administrative requirements and business registration expenses.
 - Incentives for businesses to register need to be clearly demonstrated and the benefits of registration must be promoted.
- The Ministry of Commerce and other relevant Ministries should provide market information to SMEs through dissemination at the local levels, in partnership with business associations. Financial and accounting systems must be strengthened within SMEs, including through training. Training in information technologies is required for specific sectors such as handicrafts to improve production methods.



- As women entrepreneurs face different and more constraints than their male counterparts, specific attention should be given to promote women's enterprise development. This will reduce poverty and generate economic growth in the country at large. Organizations and programmes that promote SMEs and informal enterprises in Cambodia, such as the multi-donor supported MPDF project and AAC should include a gender approach into their programmes and projects in order to economically empower women.
- Associations for women in SMEs are required in each sector, and an alliance of these associations could also be established across local areas. Market information could be channelled through these associations.

3.9 Access to savings and credit

Financial services are crucial to support informal business ventures. There is a large number of Micro-Finance Institutions (MFIs) in Cambodia, but interest rates are high and most MFIs do not offer financial services beyond credit.

Recommendations

The Government and donors need to build capacities among MFIs and NGOs with a view to diversify services, including a variety of savings products and mechanisms and minimize operational costs (and thereby interest rates). Additional relevant issues that need to be addressed are the application and enforcement of the rule of law, a transparent and equitable land titling and registration system and putting a stop to the unofficial fees required by government officials from a variety of agencies.

- These policies should include measures to increase the level of trust of people in the banking sector, reducing the costs of providing micro-finance services to informal economy workers so that the saving interest rates can be higher. In addition, savings-led institutions, such as savings and credit associations should be supported.
- Mechanisms should be established to foster more cooperation between micro-finance institutions with limited resources and commercial banks with surpluses to make more micro-finance funds available. Also, coordination and exchange of information between microfinance providers needs to be improved.

3.10 Further research

Specific primary data collection to obtain a clearer picture of the scope and extent of the informal and formal economy and linkages between them are important. Reliable information is needed to move groups of workers out of precarious employment and income generation and to make the desire for decent work for everybody a reality.

In order to come closer to international standards and comparable data for the informal economy it would be useful to undertake additional research:

- One way is to produce new tabulations from the labour force surveys using the ICLS definition of the informal sector.
- Another is to conduct a sample survey using ICLS definitions of both the informal sector and informal employment to compile additional information for a profile of enterprises, workers and conditions of work.

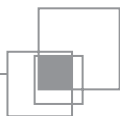
- Future labour force studies could include a specific module to measure informal employment
- Specific sectoral studies should be carried out with key target groups, such as home-based workers, domestic workers, sub-contracted workers in the garment sector and indigenous people.

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33. Ms. G	Worker
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36. Ms. J	Worker

Decent Work for Women and Men in the Informal Economy: Profile and Good Practices in Cambodia

In Cambodia, many entrepreneurs are operating in economic activities that are not registered and are unprotected. Workers in the informal economy earn little and women's incomes tend to be even lower than those of men. This study provides an overview of trends and characteristics of informal economy employment in Cambodia with an explicit gender dimension. It documents that women working in domestic service, beer promotion and entertainment, micro vending and informal subcontracting are extremely vulnerable.

After identifying some of the main challenges faced by women and men in the informal economy, this study reviews the progress made by governmental and non-governmental agencies in extending legal and social protection and promoting a conducive environment for training and enterprise development for rural and urban population groups in poverty.

The study highlights innovation and good practices for policy development and implementation. These examples prove that extending decent work to informal economy workers can be done effectively through strategic action geared at respect for fundamental rights and equity, more and better jobs and social protection, and increased representation and voice for both women and men in Cambodia.

This study is the result of a collaborative effort among the Economic Institute of Cambodia, the United Nations Development Fund for Women and the United Nations Development Programme through their Joint Project on Gender and the Millennium Development Goals and the ILO Subregional Office for East Asia, the ILO-supported Projects on Informal Economy, Poverty and Employment, Expansion of Employment Opportunities for Women and Integrated Support for Small Enterprise Development which have been implemented with the Ministries of Labour and Vocational Training, Women's Affairs and Industries, Mines and Energy, the ILO's social partners and numerous other committed individuals and agencies with resources provided by the Governments of the United Kingdom, Japan and the Netherlands.

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