

## Collective bargaining benefits all sides in the garment industry

In 2007, Cambodia celebrated the 10<sup>th</sup> anniversary of the promulgation of its labour law. Back in 1997, the situation in the garment industry was very different from what it is now, with very few employers and virtually no union activity. According to Mr Ath Thorn, President of the Coalition of Cambodia Apparel Workers Democratic Union (CCAWDU), the situation was bad: 'workers saw only force, as there were no union representatives.'

Things have changed greatly since then. Cambodia has seen widespread economic growth and a return to a more stable and secure environment. The garment industry has expanded massively and so has its workforce. Alongside this, union growth has been exponential. However, up till now, management has often been inexperienced in dealing with workplace issues through unions. The fledgling unions have lacked the capacity to deal with disputes beyond implementing 'wildcat' strikes. In 2007, 80 strikes took place, representing a loss of 290,000 workdays, or nearly one day per worker per year. Such a situation has contributed to a loss of

productivity; it has also meant that the uncertainty caused by strikes creates a higher risk for buyers. This threatens the investment climate and potential economic growth for the whole country.

This is now changing. Mr Ath Thorn says: 'now employers, government and workers all demand negotiation rather than dispute.' The International Labour Organization (ILO) is highlighting Collective Bargaining Agreements (CBAs) as the most secure and mutually beneficial method of preventing disputes and addressing the respective concerns of both workers and employers.

Collective bargaining is different from the kinds of negotiations that unions and management are used to, which have typically taken the form of resolving ad hoc disputes and wildcat strikes. Management and unions have lurched from one dispute to the next, without any long-term vision or tools to deal with all relevant matters in a decisive way, in order to prevent disputes from arising in the first place. A CBA is precisely such a tool.

To promote their broader use, the ILO, along with its partners, is carrying out intensive training and awareness raising on CBAs for both management and unions at both federation and enterprise level, focusing on unions that have Most Representative Status (MRS).

An MRS union is one with 51% of the workforce as members and with 33% of those members paying dues. A union applies to the Ministry of Labour and Vocational Training for MRS certification; if the application is challenged, the applying union may then request elections. Once certified, the MRS status lasts at least two years; it can continue indefinitely after that period until challenged by another union.

According to Mr John Ritchotte, Chief Technical Advisor of the ILO's Labour Dispute Resolution Project (LDRP), 'the precursor to effective bargaining is union representativity. Management has to know who they are negotiating with and whom they represent. You don't want to bargain with a set of different people with different demands.'

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## Winning creations of 'I am Precious' competition to be part of travelling exhibition

The 'I am Precious' design and songwriting campaign and competition, launched in August, drew to a close on 16 December 2007.

The campaign aimed to build the self-worth and showcase the talent of factory workers, as well as to promote positive social messages for entrants and the population at large. A major objective was to publicize and give value to the contribution of garment factory workers to Cambodian economic development.

Most of the workers in the garment factories are young, female, lacking in education, and originally come from poor rural communities. Dress design and songwriting (on the subject of life and work) were seen as key areas where garment factory workers would be able to put forward something expressing their own backgrounds and talents. The nail-biting finale was presided over by H.E. Dr. Ing Kantha Phavi, Minister of Women's Affairs, and H.E. Othsman Hassan, Secretary of State for the Ministry of Labour and Vocational Training. The event was televised so as to reach the widest possible audience.

Initially, over 400 people working in the garment industry entered the competition (270 dress designers and 170 lyricists). A shortlist was compiled, producing 10 dress design and five songwriting finalists. The all-out winners were chosen from among these finalists at the ceremony on 16 December by two judging panels, which included representatives of government, manufacturers, unions and buyers (Gap and H&M) as well as fashion and music specialists.

The formal dresses were made up and modelled for the judges. First prize was awarded to 18-year-old Ms Sem Sokny, who created a shimmering blue evening gown with an open collar. Second prize went to Ms Pol Kunthea, 35 years old, and third prize went to Ms Kim Khhun Kongkea, 24 years old.

Sem Sokny, from Kandal province, who completed her education at grade 9, has worked in Maxlin Garment Factory for two years. She says she spent around seven days designing her dress and that she was completely taken aback that she had even made it to the finals. She did not believe the news when she heard it and almost did not go to the finals at all. Fortunately, she did go and the end result was fantastic: as she herself says: 'I almost flew up to the stage when it was announced.' She now feels happy and proud and keen to continue designing, as well as saving some of the prize money to study Chinese. Sem Sokny eventually would like to become a translator. Then, she says, she'll be better able to support her family to finish their studies.

In the songwriting category, professional artists performed the lyrics composed by the five finalists. Ms Touch Sreynith, aged 24, stormed the boards with her song about her life in the countryside and her subsequent work in a garment factory in Phnom Penh. In second place was Mr Reach Sarath, 29, with Mr Penh Rotha, 28, coming in third.

Touch Sreynith works in Hung Wah Garment Factory and spends her free time writing stories, poems and songs. Her dream of becoming a writer clearly has a good chance of coming true. She has been working since she was 14, with the past seven years spent in Hung Wah. Touch Sreynith learned about the competition from her administration office. She wrote



*The ten finalists dresses on stage.*

a song about leaving the countryside to work in a factory. Winning was a great surprise: 'I never thought that I was going to win the contest. I just wanted to listen to my song that I wrote; it would be enough for me.' She is proud that she won as a result of her own abilities and hopes to study English and continue writing in the future.

The campaign and competition were jointly organized by the International Labour Organization's *Better Factories Cambodia* programme (BFC), the Ministry of Women's Affairs (MoWA), the Garment Manufacturers Association in Cambodia (GMAC), Agence Française de Développement (AFD), the Garment Industry Productivity Center (GIPC), the United Nations Development Fund for Women (UNIFEM), the International Finance Corporation (IFC) and Precious Girl Magazine.

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# Better Factories Cambodia Buyers' Forum held in Hong Kong

The first of 2008's two Buyers' Forums was held in Hong Kong on 27 and 28 February. The meeting discussed the focus and future strategy of the ILO *Better Factories Cambodia* (BFC) programme, as well as broader garment industry issues such as competitiveness, productivity and industrial relations.

The forum was organized by the International Finance Corporation Mekong Private Sector Development Facility (IFC-MPDF) in conjunction with BFC and facilitated by Business for Social Responsibility (BSR) a San-Francisco based corporate social responsibility organization.

The first day, limited to buyer representatives only, was hosted by the Walt Disney Company. The second day's events took place at the IFC offices in Hong Kong and saw the participation of representatives of the Garment Manufacturers Association in Cambodia (GMAC) and IFC staff.

Among the participants were compliance and sourcing stakeholders, representing 14 buyers currently working with the programme. There are in total 29 buyers working with BFC, 14 of which are using the BFC monitoring reports exclusively for their compliance needs.

At the International Buyers' Forum held in Phnom Penh in September 2007, the 29 leading garment brands committed to continuing sourcing from factories in Cambodia. In Hong Kong, discussing the drop in orders at the end of 2007, buyers again indicated that they would continue to invest in and source from Cambodia. Discussions also dealt with the Cambodian competitive advantage in the worldwide garment industry. Buyers

felt that, aside from being strong in compliance, Cambodia had the capacity to handle large volumes and was consistent in terms of product quality: they saw these as the key factors behind their companies continuing to place orders.

The challenges continue to be low productivity, lack of vertical integration and problems related to access to raw materials, which hamper efforts to cut down on delivery times.

Buyers also indicated that they would continue to follow closely the evolution of the industrial relations situation in Cambodia, and encouraged their suppliers to play a meaningful role in collective bargaining and to address gaps in working conditions.

In discussing the industry outlook, the GMAC representative highlighted key areas of improvement, notably a reduction in bureaucracy. In addition, GMAC has initiated various training services aimed at building industry capacity. The representative mentioned that GMAC was continuing to work on the rationalization and reduction of customs fees; the high cost of electricity was underlined as a major constraint for the industry.

Buyers were interested in hearing more on the manufacturers' viewpoints and on the work carried out by government and the private sector to enhance Cambodia's competitiveness. There was also a call to learn more about the industrial relations environment in Cambodia. It was decided that discussions on both issues would be continued in the second 2008 Buyers' Forum in Phnom Penh in September.

## Additional allowance of US\$6 per month to all workers in the garment industry

On 4 April 2008, a meeting of the National Labour Advisory Committee (LAC) agreed to provide an additional allowance of US\$6 per month to all workers in the garment sector, effective from April after consultations with industry unions and manufacturers. The allowance, or bonus, is not considered part of the minimum wage. This deal averts probable strikes over this issue. The government stated that the decision to grant a new allowance was intended to address recent inflation and the subsequent increase in prices of commodities. The Ministry of Labour and Vocational Training is expected to issue a notice soon that will further clarify how the increase is going to be applied.



# Collective bargaining benefits all sides in the garment industry

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A CBA is a voluntary agreement negotiated between the union and factory management which defines terms and conditions of work (usually above what the law provides) and mutual obligations, and is enforceable by law. It is a collective contract between the union and its members, and the management. As with any good contract, a CBA should contain a dispute settlement procedure. In many countries this dispute procedure includes final and binding arbitration. The ILO promotes the use of final and binding arbitration at the Arbitration Council as the best means of preventing disputes from becoming strikes or lockouts. Use of such a mechanism means a party can only resort to these measures if the other party did not implement the arbitral award. Final and binding arbitration, therefore, must go together with a "no strike, no lockout" clause, in which the parties give up their right to strike or lockout for the life of the CBA.

The shift from negotiating to settling wildcat strikes to negotiating a collective agreement requires a large change in attitude on both sides. From the union it requires a long period of preparation and consultation with members. The union side must prioritize and cost their demands; they have to know in dollar terms how much they are asking from the employer. Moreover, the union must understand the employer's ability to pay, which means having a basic understanding of the economics of the garment industry. Finally, the list of demands must be reasonable and achievable.

Management often makes the mistake of refusing to negotiate with the union for a number of reasons: out of fear that other unions will oppose it or that the union will make unreasonable demands; or out of a belief that the employer's only obligation is to follow the labour law and not to negotiate for terms and conditions above what the law provides.

However, a CBA can be a very useful tool for employers as well. Management can, and should, make demands on the union, for example, with regards to defining management prerogatives; work discipline; productivity; and any other matter that it feels is relevant. Moreover, according to Prakas #305, management is required to enter into negotiations with the MRS union, if the MRS union so requests. Finally, the MRS union is mandated by law to represent all workers in the enterprise; while the ILO encourages the MRS union to consult with minority unions as part of the preparation, the minority union has no right to make counterclaims or to request separate bargaining with the employer.

This last point can be enhanced by two additional standard clauses. A 'no further claims' clause means that, once the agreement has been signed, neither party can ask for additional rights and benefits for the life of the agreement. Of course, regular consultations, grievance procedures and other forms of social dialogue should continue, but the formal negotiations must have a definitive end. A "subsequent parties" clause binds any new unions created at the enterprise to the existing agreement.

Negotiations can be problematic when employers feel workers are demanding too much or do not understand the CBA process. For their part, employers might send staff to the negotiating table who are not authorized to reach an agreement. Union rivalry and a generally low level of trust among unions, as well as between unions and management create further complications. Efforts need to be made on all sides: Mr Ly Tek Heng, Manager of the Garment Manufacturers Association in Cambodia (GMAC) says that 'benefits of a CBA will only be experienced if it is fully complied with and any negotiation is conducted in good faith.'

High quality CBAs can reduce disputes, and improve productivity and working conditions. Factories and unions that commit to no strikes in exchange for binding arbitration can guarantee buyers that production will not be interrupted by disputes; this can be an important factor for attracting orders, especially in Cambodia. While there is greater awareness of these potential benefits, the number of high quality CBAs in the garment industry is still relatively low. However, where they do exist, they are respected and implemented by both management and unions. This demonstrates that CBAs can be effective here.

All sides have committed to making this work. Unions, the Ministry of Labour, GMAC and, recently, the Prime Minister, have all voiced their support for collective bargaining as a means of reducing strikes. And Cambodia is on the road towards such a situation. As Mr Ly Tek Heng says, working hand-in-hand on this will prove that the industry has a good working environment and that both employees and employers respect each other. And this, he says, 'will bring lasting evidence for the country, the region and the world that Cambodia is the place to invest.'

Meanwhile, buyers can ask suppliers if they have a MRS union, and can urge them not to obstruct a genuine application for MRS status. Manufacturers should be encouraged to engage in good faith negotiations, although of course the agreement itself is up to the parties. According to Mr Ritchotte, 'a good CBA is successful because everyone has bought in and has a stake in it'.

# Training service providers work towards increasing productivity and improving workplace relations



A joint union management consultative factory improvement meeting

In November last year, the ILO's *Better Factories Cambodia* (BFC) arranged a workshop for Cambodia's garment industry training providers. The intent of the meeting was to gather all stakeholders to plan training strategies for the coming years. The meeting also aimed to enhance understanding of various initiatives on training and identify collaborative opportunities. The development of a training service clearing house was discussed as a model to improve information sharing and cooperation. Outcomes of the meeting were positive and all parties agreed that improved communication and collaboration would better meet the needs of the industry.

Training has long been accepted as a key strategy of the major donors, which have worked to build capacity and skills to ensure that Cambodians can strengthen their own institutions and practices and work in an effective and efficient manner.

The garment industry is vital to Cambodia's long-term socioeconomic development. To maintain its viability and increase its productivity, Mr Conor Boyle, Training Manager at BFC, notes: 'It is crucial that a range of training and capacity-building options is offered to industry stakeholders.'

In general, training provides more of a long-term solution to a factory's ability to improve. Once a staff member or manager has been trained, knowledge can be passed on, assimilated and used as part of a broader strategy towards an efficient working environment.

For the **ILO Workers' Education Project (WEP)**, this long-run effort involves capacity building for those involved in unions active in the garment industry. Mr Noun Veasna, National Project Manager at the WEP, confirms this: 'Training is the long-term solution ... You would expect better industrial relations once people in the industry have got better awareness of their rights, roles and responsibilities.'

Also working on industrial relations is the **Community Legal Education Center (CLEC)** ([www.clec.org.kh](http://www.clec.org.kh)). CLEC's Labour Programme Unit (LPU) has developed and conducted multi-stakeholder training programmes on industrial relations and labour dispute resolution for participants including employers, employees and representatives of unions, the judiciary and government. CLEC supplements this with a number of relevant publications.

In addition to improving industrial relations, training contributes to increased productivity and competitiveness. According to Ms Jenny Pearson, Director of **VBNK** ([www.vbnk.org](http://www.vbnk.org)), an NGO specializing in capacity building, training is key to helping the garment industry obtain 'the knowledge, skills and experience it needs to keep developing and stay at the forefront of global competition.' VBANK is noted for its use of participatory and hands-on methodologies to overcome constraints to learning and change. A partner of BFC since 2005, VBANK delivers the BFC's Modular Training Programme to managers and union or worker representatives of garment factories. VBANK also focuses on the importance of capacity building for young women, so long a marginalized group but of major importance in the garment sector.

Also aiming to maintain Cambodian global competitiveness, the **Garment Manufacturers' Association in Cambodia (GMAC)** ([www.gmac-cambodia.org](http://www.gmac-cambodia.org)), representing export manufacturers, aims to develop factory staff and management, often through technical training at the Cambodia Garment Training Centre (CGTC). GMAC provides training in all areas of the fashion industry, from design to delivery. The **Garment Industry Productivity Center (GIPC)** ([www.gipc.org.kh](http://www.gipc.org.kh)) trains factory leadership on production management and trains trainers in an attempt to ensure future sustainability.

Covering both competitiveness and industrial relations, **BFC** ([www.betterfactories.org/ilo](http://www.betterfactories.org/ilo)) focuses on working conditions, productivity and quality through workplace cooperation. As well as the Modular Training Programme with VBANK, BFC offers single issue seminars, induction kit training, factory-based training for workers and supervisors' and senior managers' skills training. It also has newly established consultancy services which cater to the needs of individual enterprises. Target participants include both management and union representatives: BFC believes in learning together for mutual understanding. Methodologies are participatory and BFC follows up on trainees, although the ultimate responsibility for improvements in the factories rests with the training participants and enterprise constituents.

Training is not always straightforward, and service providers have met with a variety of challenges. For example, mixing managers and workers' representatives can be difficult, for a number of reasons. In particular, the latter often have no experience of participatory training and are not used to being asked their opinions. As Mr Noun Veasna says, 'we need to train workers more and adjust the training programmes and materials to fit them better.'

Nonetheless, a broad programme of training is now in place. One key issue for continued consideration is the involvement of local stakeholders in training provision. 'It is important that in future we better engage the Royal Government of Cambodia also to provide training services to the garment industry,' says Mr Boyle.

A further emphasis is also necessary to develop local trainers and training institutions. According to BFC, if Cambodia's garment industry is going to be sustainable in the longer term, it is of paramount importance to develop a large pool of locally based training experts.

Further more, it is important that providers collaborate to ensure that each works on its own area of speciality. Mr Boyle feels that service providers need to work together to reduce duplication and to ensure that all training needs are covered. 'Each organisation should identify its own training niche and offer services that it has expertise in. By working together, we can meet the needs of Cambodia's most important industry.'

More information on all of these service providers can be found on the training page of the BFC website or on each organization's own website.

## Winning creations of 'I am Precious' ...

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This positive collaboration among the major donors and stakeholders will be built on in the near future. BFC is now going to use the dresses and songs of all the finalists to make up a travelling exhibition, which will also include video clips and stories about the competition. The exhibition will allow staff of international companies who source from Cambodia and are involved in the BFC programme to learn about the lives of the individuals behind the products. At the same time, links will be built between those who buy and those who make the clothes at the garment factories of Cambodia.

### The winning song: 'I Am Precious' by Ms Touch Sreynith

*The car was heard leaving home, heading for Phnom Penh. I sadly said goodbye to my parents, hoping to return home with money for my mother.*

*I arrived in the city, to a factory owned by foreigners. Working as a factory worker, I gradually saved money for my parents.*

*Oh factory, you relieve my stressful life. I enjoy a good life and bright future. My family is free from suffering.*

*Mother, stay home and don't worry. My life is valuable. Factory work is not shameful; it provides benefits to society.*



Sem Sokny displaying her winning dress design.

# Better Factories to receive close to US\$1.5 million from AFD

In mid-March 2008, Agence Française de Développement (AFD) agreed to grant a sum of US\$1,459,293 towards improving conditions in the garment industry through the ILO's *Better Factories Cambodia* (BFC) programme. The garment industry is one of three beneficiaries, together receiving a total of US\$14.5 million. According to Eric Beugnot, Director of AFD to Cambodia, quoted in *The Mekong Times* on Wednesday 12 March 2008, Cambodia is due to face difficult competition when safeguards on China are removed at the end of 2008. As such, the grant to BFC 'will strengthen the respect of labor laws, improve working conditions for workers and strengthen the competitive capacity.' After the signing of the funds allocated to the BFC component, H.E. Jean-François Desmazières, Ambassador of France to Cambodia, confirmed the importance of this grant from AFD, saying that consumers in the EU were increasingly keen to know about the conditions in which their goods are produced. He went on to say that programmes such as BFC help to create awareness of decent working conditions, an increasingly important aspect of commerce.

## H.E. Keat Chhon, Senior Minister, Minister of Economy and Finance, discusses government funding for *Better Factories* at the 13<sup>th</sup> Government-Private Sector Forum

During the 13<sup>th</sup> Government-Private Sector Forum at the Council for the Development of Cambodia on 23 April 2008, H.E. Keat Chhon, Senior Minister, Minister of Economy and Finance, referred to *Better Factories Cambodia's* (BFC) groundbreaking work in advancing working conditions and to discussions about the programme with Mr Robert Zoellick, President of the World Bank, during his recent visit to Cambodia.

In his speech, H.E. Keat Chhon told the audience that the government would continue to provide funding to the programme for an extended period, from 2009

to 2011, in order to ensure the programme could continue its services to the industry and to help with its transition into a Cambodian institution.

The Government-Private Sector Forum is a twice-yearly nationally broadcast forum where cabinet ministers and representatives of the private sector meet. Stakeholders have the joint goal of improving the business environment and increasing private investment. The International Finance Corporation (IFC) of the World Bank acts as the Forum's Secretariat.

## New appointment



*Better Factories Cambodia* (BFC) has recently appointed Ms Has Minea Lirana as its new IT Assistant. Rana brings experience from the NGO sector to the BFC team. She has responsibility for all of the project's IT needs and in particular has taken the lead to manage the project's innovative Information Management System.

## New resources

### Resource Centre:

The ILO *Better Factories Cambodia* (BFC) programme has recently opened a resource centre containing a significant amount of literature on garment industry-related issues. The centre is open to students and those from the general public who are interested in the garment industry and the ILO's work.


The opening hours are Mondays: 7.30-12.00pm and Wednesdays: 7.30-12.00pm and 1.30-5.00pm.

### Fact sheet:


A new *Better Factories Cambodia* (BFC) fact sheet 'Cambodian Garment Industry: Challenges and Opportunities' has recently been released (April 2008), analyzing how the Cambodian garment sector is managing in the face of increasing global pressure.

In the fact sheet, BFC reviews important Ministry of Commerce and GMAC (Garment Manufacturers' Association in Cambodia) data and figures from the Information Management System (IMS). Important issues related to exports, employment, wages and industrial relations are discussed.

The fact sheet is available online in Khmer, English and Chinese from the BFC website [www.betterfactories.org/ilo](http://www.betterfactories.org/ilo) under the heading 'About the industry'.



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### Cambodian Garment Industry: Challenges and Opportunities

In December 2008, the US safeguards on Chinese imports will come to an end. EU quotas have already been removed and the US is going through an economic slowdown – these are all factors that affect the Cambodian garment industry. This fact sheet sets out how the Cambodian export garment industry is managing this increasing pressure.

In 2007, the US remained the primary market for Cambodian garment exports. Just over 70% of exports were shipped to the US and 22% went to Europe.<sup>1</sup> This has been the pattern for several years. Cambodia depends heavily on the US market, so reduced orders from US retailers do affect exports.

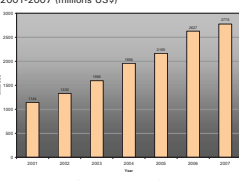
#### What does it mean for jobs?

Between January 1<sup>st</sup> 2006 and December 31<sup>st</sup> 2007, over 62 000 new jobs were created in Cambodia's garment industry. This represents an 18% growth in employment over two years.<sup>2</sup> The total number of employees in the industry is now around 350 000. In early 2007, the minimum wage was raised to US\$50 per month and average earnings were US\$77 per month during that year.<sup>3</sup>

#### Are exports still on the rise?

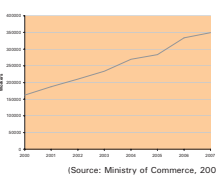
Although growth has slowed, the value of exports has continued to increase. In 2007, the aggregate value of Cambodian garment exports increased to almost \$2.8 billion. In 2006, the value of exports was US\$2.6 billion, which was 21%<sup>4</sup> higher than in 2005. According to the US Apparel import statistics, imports from Cambodia rose 13.5% in 2007.<sup>5</sup>

**Figure 1:** Aggregate export value comparison 2001-2007 (millions US\$)



(Source: Ministry of Commerce, 2007)

**Figure 3:** Workforce evolution 2000-2007.



(Source: Ministry of Commerce, 2007)

<sup>1</sup> Ministry of Commerce, 2007  
<sup>2</sup> Ministry of Commerce, 2007  
<sup>3</sup> U.S. Apparel Imports in 2004-2007 Statistical Report  
<sup>4</sup> Ibid  
<sup>5</sup> Ibid



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