

Conference spotlights Cambodia's factories

PHNOM PENH – In the wake of quota expiry, multi-lateral agencies and international buyers acclaimed the International Labour Organisation's efforts to improve working conditions, and called for their expansion.

At February's leadership summit, "Seizing the Global Opportunity", in Phnom Penh, Prime Minister Samdech Hun Sen said, "The ILO has championed an innovative approach by supporting Cambodia in monitoring the working conditions in the garment industry, thus providing a tremendous boost to Cambodia's image as a venue for investment with corporate social responsibility."

The February 10-11 conference highlighted key issues facing the private sector in Cambodia. The garment sector, which makes up 80 per cent of exports, was at the centre of discussions. The industry is worth US\$1.9 billion a year to Cambodia and employs 270,000 workers, mostly young women. The ILO has monitored labour standards in Cambodia's garment factories since 2001 and works with factories to improve working conditions, productivity and quality.

The conference drew over 500 international and local participants, including World Bank President James Wolfensohn, former trade commissioner of the European Union Pascal Lamy, and the ILO's Executive Director for Social Dialogue, Sally Paxton. It was organized by Global Fairness, a campaign organization headed by former US President Bill Clinton, with funding from the World Bank group, the United Nations Development Programme, the European Union and AusAID.

The World Bank group's conference document noted that the ILO, with support from the US Department of Labour, the Government of Cambodia, and the Garment Manufacturers Association of Cambodia and unions, "...has virtually eliminated the worst labour abuses with a unique monitoring system that is industry-wide and transparent."



ILO's Executive Director of Social Dialogue Sally Paxton (left) greets Prime Minister Samdech Hun Sen at the opening of Seizing the Global Opportunity conference, watched over by Minister of Commerce H.E. Cham Prasith.

Meanwhile, Global Fairness director Karen Tramontano wrote in the Washington Post, "There is compelling evidence that Cambodia's labour compliance program, verified by the International Labor Organisation, offers a key market advantage."

Despite the expiry of Cambodia's quota privileges at the end of 2004, monitoring and follow-up action are still in demand.

In a recorded interview during the conference, Gap Vice-President Dan Henkle said, "The reason that ILO's initiative has been so successful is you have an organization that really has the respect of all actors in society. You've got all the different players – unions, employers, government, buyers – sitting down at the table." GAP is a major buyer in Cambodia, accounting for one-third of all its clothing exports.

"In the future, you're going to see more of this kind of cooperation, and less of individual actors doing their own thing," said Henkle.

Labour standards, the US and the Cambodian garment industry

1993 | Labour provisions appear in a side agreement to the North American Free Trade agreement (NAFTA). It is the first time the US has linked labour standards to a major agreement between governments.

1999 | US-Cambodia textile agreement signed, allowing Cambodian garment factories quota-free access for three years and sparking a period of intense growth.

2001 | ILO monitoring and training activities begin.

2002 | US-Cambodia trade pact extended for another three years.

2005 | Sustainability strategy for Better Factories Cambodia launched by ILO, Royal Government of Cambodia, Garment Manufacturers Association of Cambodia and unions, aiming to bring labour standards monitoring under a tripartite local body by 2009.

Better training and communications

The French government has provided Better Factories Cambodia with US\$1.1 million over two years to extend its training and remediation services, improve communications activities, and set up an information management system on garment factories that will be the first of its kind. The system will provide industry information based on Better Factories Cambodia's labour standards monitoring.

Minister of Commerce H.E. Cham Prasith signed the funding agreement with Didier Grebert, Deputy Director of Agence Francaise de Developpement (AFD), and Sally Paxton, the ILO's Executive Director of Social Dialogue on February 9. The

funding is part of a special program co-financed by AFD and the French Ministry of Economy and Finance to help least developed countries benefit from international trade.

At the signing ceremony, Didier Grebert said, "The efforts made by the Cambodian garment industry on social compliance in recent years must be confirmed and accompanied, even if factories have also to work on their financial and technical competitiveness. AFD is proud to be a part of it."

Welcoming the expanded programme, Chief Technical Advisor Ros Harvey said, "Better Factories

Cambodia is about more than monitoring working conditions. It is also important we support factories that want to do the right thing through providing training and information."



News and events



Ministry of Commerce, Secretary of State H.E. Sok Siphana (left) at the launch of Better Factories Cambodia with the ILO Executive Director Sally Paxton (right) and Chief Technical Advisor Ros Harvey.

Long-term strategy

Better Factories Cambodia will become a local organization by the year 2009, the ILO announced on February 10.

Speaking at the Global Opportunity conference, the ILO's Executive Director Sally Paxton released a joint strategy on behalf of its government, industry and union partners, describing the long-term future of the ILO's current activities in the garment industry.

The strategy announced a three-year transition period from 2006 to 2009 during which the government and industry "will increasingly pick up the costs of monitoring until self-sufficiency has been achieved." Monitoring by Better Factories Cambodia costs less than US\$3 a year per worker, or US\$2,800 per factory.

Training program in full swing

Better Factories Cambodia is providing a full-scale training program for 13 factories this year, following a successful pilot phase in 2004.

The program consists of seven modules held over the course of a year, on topics including workplace cooperation, quality, occupational health and safety, productivity, human resources management and employment conditions.

"This is an action-based training aimed at getting results," says training manager Conor Boyle. Each module is covered in two days, after which participants take practical steps back at the factory. After one month, they meet again for a day to discuss what worked. Sessions are conducted with simultaneous interpretation into Khmer, Chinese and English. Management and union representatives from each factory participate.

The course has been developed in consultation with the ILO's social partners – the Ministry of Labour, employer groups and unions – as well as NGOs and international buyers. A seminar held late last year brought 30 of the partners together to review their experiences and develop the course now offered.

Factories that took part in the pilot phase reported that business performance as well as conditions for workers improved. One such factory was Archid, a Cambodian garment factory that supplies garments

Cambodian garment factories typically have 30 to 60 separate audits a year as different buyers carry out their own checks. The new strategy aims to reduce duplication and save costs.

Chief Technical Advisor of Better Factories Cambodia Ros Harvey said, "Monitoring is needed even after the expiry of the Multi-Fibre Agreement, because buyers and consumers still want this information."

Until 1st January 2009, the ILO will continue to manage Better Factories Cambodia, with financial support from the US Department of Labor, the Agence Francaise de Developpement, the World Bank Group, the Royal Government of Cambodia, the Garment Manufacturers Association of Cambodia and other donors. The two main union confederations are also considering providing financial support.

to global fashion label H&M. During the training programme, Archid's productivity improved by 48 per cent and the number of buyers tripled. Workers earned 15 per cent more, while reducing their work hours. Labour turnover dropped by two-thirds, suggesting greater job satisfaction.



Ly Nita, a team leader responsible for training workers at Archid, said, "We hear back from our customers that the quality of our products has improved dramatically... Of course I'd like the factory to continue to improve, to expand next year which realistically would lead to an increase in wages. If our factories are well-developed and have good quality products, we'll receive lots of orders."

The course is full this year but factories interested in signing up to take part in 2006 are welcome to contact Mr Conor Boyle at Better Factories Cambodia.

Additional single-issue training seminars will be offered later in the year.

New visual identity

On February 9, the ILO launched Better Factories Cambodia, a revamp of the former Garment Sector Project. As of 2005, the ILO is complementing its monitoring activities through in-service seminars, training and follow-up.

Better Factories Cambodia's new visual identity and name introduces its broader role as a locally-owned organization in the making.



The three triangles in the design represent factory roofs. They are also a reminder of the ILO's social partners – government, employers and unions – and the three parts of the Better Factories programme: monitoring, suggestions contained in the reports, and remediation or improvement measures. The colour orange in Cambodia is associated with well-being and prosperity.

Labour solutions

The International Labour Organisation is stepping up its efforts towards resolving labour disputes through new funding provided by the government of New Zealand.

New Zealand Aid is granting half a million US dollars to the ILO to increase dispute resolution activities over the next 12 months. The money will be spent on three areas: training of employers, union representatives, shop stewards, police and judiciary on their rights and responsibilities relating to strikes and labour disputes; management of the 2-year old Arbitration Council; and a review of Cambodia's 7-year old Labour Law.

The training will target different stakeholder groups, through the ILO's Labour Dispute Resolution Project.

The Arbitration Council was established by the Ministry of Labour in December 2002 as an independent body to resolve disputes that could not be resolved by a conciliation process. By the end of 2004, the Arbitration Council had presided over 145 separate labour disputes involving companies employing more than 150,000 staff. Two-thirds of these disputes were resolved successfully.

To learn more about the Arbitration Council, see their website at www.arbitrationcouncil.org

New appointment

Training manager Mr Conor Boyle joined Better Factories Cambodia in February this year. Mr Boyle, a Canadian, comes to the ILO from a background in managing and delivering training programmes in Cambodia. Mr Boyle was formerly Deputy Director at VBNK, a Cambodian training organization. Mr Boyle replaces Ms Mithida Chin, who returned to the USA in February.



Information resources



10th Synthesis Report on Working Conditions in Cambodia's Garment Sector

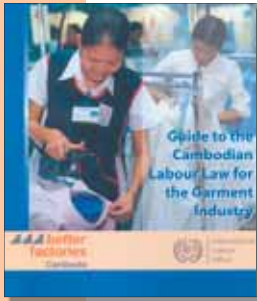
This is the most recent of the ILO's monitoring reports, covering 26 factories. Most of these factories were previously visited and featured in the second and fifth synthesis reports from ILO.

2005. English or Khmer language. Free.

Information kit on Better Factories Cambodia and the Labour Dispute Resolution Project

Contains information on what the ILO is doing to create better factories and better industrial relations in Cambodia. The kit contains project brochures, a booklet on the role of the Arbitration Council, figures on the garment industry in Cambodia, Q&A on trade agreements and a summary of a World Bank buyer survey predicting post-quota impacts.

2005. English or Khmer language. Free.



Guide to Cambodian labour law for the garment industry

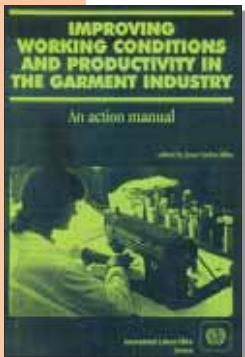
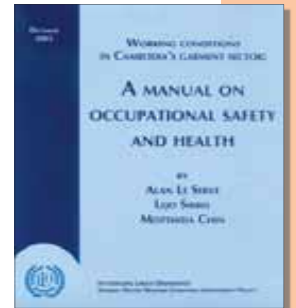
Covers all major areas of Cambodian labour law. It is based on the Labour Law, government regulations, international labour standards ratified by Cambodia, and the Cambodian Constitution. The guide is useful for business owners, managers, human resource personnel, unions and worker representatives as a guide to their obligations under Cambodian labour law. The guide is organized into 12 major topic areas.

2005. 61 pages. Available in English and Khmer. A Chinese language version will be available later in 2005. US\$5.

Working conditions in Cambodia's garment sector: A Manual on Occupational Safety and Health

This manual, presented in a ring binder with 12 tabulated sections, gives practical guidance to factory owners, managers and worker representatives on how to improve health and safety in factories to meet national and international standards.

December 2003. English language. US\$20.



Improving Working Conditions and Productivity in the Garment Industry: An action manual

This publication shows how to take simple, effective, low-cost action to raise productivity while improving conditions at the workplace. Topics include handling and storage of materials, lighting, workstation and product design, safe and efficient machine operation, workplace layout, welfare facilities and work organization. The examples given are drawn from actual situations and experiences of small enterprises.

1998. English language. 165 pages. US\$5 for a photocopy version.

National strategy on Labour Dispute Prevention and Settlement in Cambodia

This paper was prepared for the Ministry for Labour and Vocational Training by the ILO's Labour Dispute Resolution Project, to assist in developing its activities in the field of industrial relations. It presents an overview of the existing situation, legal framework and international conventions, and an analysis of the current issues for Cambodia. Its recommendations for strategic interventions and supporting actions cover human resource development, legal issues, policy and administrative matters.

May 2004. 74 pages. English and Khmer language versions. Free.



The Arbitration Council and the Process for Labour Dispute Resolution in Cambodia

This book, published by the ILO together with the Ministry of Labour and Vocational Training and the Community Legal Education Centre, gives an overview of the Cambodian system of labour dispute resolution, with reference to specific cases from the garment and hotel industries. It has a particular focus on the recently established Arbitration Council. The book describes the conciliation process and the legal limits to industrial action such as strikes and lockouts. The appendices cite articles from Cambodian Labour Law on dispute resolution processes. This is a 2nd edition, produced after the Arbitration Council had heard over 100 cases.

2004. 75 pages. English and Khmer language versions. Free.

How to order

All products can be ordered from the ILO Better Factories Cambodia project. Orders can be delivered free of charge within Phnom Penh. Orders from outside Cambodia must cover their own postage costs. Bulk orders of more than 5 copies will receive a 20 per cent discount.

To request books and materials, contact:

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Garment factory wins award for labour practice

A Cambodian garment factory has won a prize for good labour practice, in Cambodia's first corporate citizenship awards. The Mekong Project Development Facility, part of the International Finance Corporation within the World Bank group, provided awards to the value of US\$ 30,000 each in February this year. New Island Clothing Ltd was one of two winners recognised for excellence in the employment and labour practices category.

New Island Clothing, headed by Ulsterman Adrian Ross, turns out 25,000 men's shirts a week for British retailer Marks & Spencer. The factory pays higher salaries than usual in Cambodia – around US\$ 98 a month, compared to the national average of US\$61 – based on its productivity which is estimated at 65 to 70 per cent of the British norm.

New Island's productivity stems from an in-depth training period of up to 12 weeks even for regular production line operators, before they go on to the factory floor. "There is documentation on every step of our production," said Mr Ross. "At no time are workers in any doubt as to what needs to be done."

The company offers its 400-strong workforce long-term opportunities for career advancement, as most supervisory positions are filled through internal promotions. Only five foreigners work at New Island – Adrian Ross, training manager Gladys Ross, and the chief engineer are British, while the production and quality managers come from Mauritius.

Its lean management structure means that many issues are dealt with before they can become serious problems. Ross is a believer in being firm but fair. "We're seeking to create a world-class factory here.

New Island Clothing opened shop in Cambodia in September 2000, when the country's garment industry had yet to take off, based on the US quota privileges granted from 2001.



New Island manager Adrian Ross (left) leads World Bank President James Wolfensohn and a visiting delegation round his garment factory.

Ross has been active over the years in factories in Mauritius, Morocco, India and New Zealand. He chose to move to Cambodia in part because of the challenge it presented. For the company, there were "more favorable labour conditions" – and the fabric in their shirts comes from Thailand, Indonesia and Malaysia, Cambodia's near neighbours. The operation here began in a small way, hiring just 12 people at a time.

Looking back on New Island's Cambodian experience, Ross offers some thoughts on how to reach the high standards seen at New Island. "You have to have the right people in the first place, so get your selection process right. Then, you need a good training and induction process. And then you have to keep control of the factory – maintain the disciplines of production and quality control.

In four and a half years, we have never had a labour dispute. We are a family and the workers appreciate that the good conditions are for them."

"If your foundation is weak, you can build a fortress, but it will fall down."

Adam Sack, member of the judges' panel and general manager of MPDF, commented, "New Island Clothing shows that good corporate citizenship is good for business. The company is a winner because it has committed itself to exceeding government and international employment and labour standards."



In the news

The obstacles may keep compounding, but workers can still pull through. *Bangkok Post opinion page, February 19, 2005.*

Many fear that globalisation will spur a race to the bottom by developing countries like Thailand and Cambodia, as the competition it encourages drives down prices. Based on the ILO's experience, Sally Paxton, the organisation's Executive Director for Social Dialogue, argues that a middle path is possible, based on finding common ground between consumers, buyers and young rural women who need to find decent work.

URL: http://www.bangkokpost.net/190205_News/19Feb2005_news29.php

The price of free trade. *Yale Global Online, October 2004.*

Will a minnow like Cambodia be able to swim in the same pool as the northern giant, China? Journalist Tom Fawthrop examines the challenges facing Cambodia's garment industry in the closing months of the Multi-Fibre Agreement. This in-depth feature article commissioned by Yale Global Online is from a two-part series looking at Cambodia and Bangladesh.

URL: <http://yaleglobal.yale.edu/display.article?id=4627>

Garment makers expand operations in Cambodia. *Taiwan Economic News, 19 March 2005.*

Taiwan's garment manufacturers expand operations in Cambodia, anticipating moves by the European Union and the United States to block Chinese imports.

URL: <http://news.cens.com/php/getnews.php?file=/news/2005/03/18/20050318101.htm&daily=1>

Cambodia's sales pitch: Sweatshop-free products. *USA Today, 4 April 2005.*

Cambodia is seeking to become the rare Third World country to develop economically while treating workers reasonably well. Whether it succeeds might ultimately depend upon whether US consumers demand more than low prices from their clothing stores.

URL: http://www.usatoday.com/money/world/2005-04-04-cambodia-usat_x.htm

Tsunami-triggered trade bill stalls in US Senate. *Phnom Penh Post, 22 April - 5 May 2005.*

A bill that would grant trade preferences to Cambodia and 14 other countries waits to pass the US Senate, while Cambodians and industry leaders continue to hope.

URL: <http://www.phnompenhpost.com/TXT/current/stories/tsunami.htm>



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