

# Better Work Global Programme Manager Ms Ros Harvey returns to Cambodia



Ros Harvey, Better Work Global Programme Manager, talks about the alignment of Better Factories with global Better Work

Ms Ros Harvey, former manager of the International Labour Organization *Better Factories Cambodia* programme, returned to Cambodia in December to lend a hand in developing the programme's transition strategy for the expansion of industry services.

Ms Harvey spent three years in Cambodia and helped develop the programme approach to include a holistic capacity building and training programme. She also led efforts to computerize and systematize the monitoring work, which resulted in the development of *Better Factories* information management system (IMS), which acts as the intermediary between manufacturers and buyers in terms of access to monitoring information. Ms Harvey is currently in charge of the global *Better Work* programme based on

the work of *Better Factories*. The *Better Work* programme is a collaboration between the ILO and the International Finance Corporation (IFC).

The *Better Work* programme is based on a comprehensive and holistic approach to addressing working conditions and competitiveness in global supply chains. The enterprise assessments and the advisory service are inherently linked, and based on a unified global enterprise assessment standard that has been developed around the ILO's international labour standards and best available industry standards on remediation and enterprise upgrading.

The development of the standards has entailed international buyers' groups working together with the *Better Work* programme, so as to ensure that they will be in line with the business and compliance needs of buyer organizations. Similarly, inputs have been sought and received from international workers' and employers' groups, to strike a good balance between workers' protection and industry competitiveness.

*Better Factories* is in the process of aligning its operations with the global *Better Work* programme so that it can avail itself of access to the best available technical support while it continues to improve and expand its services to the Cambodian garment industry.

*Better Factories* interviewed Ms Harvey during her visit in order to see where the programme is going and what the benefits are for *Better Factories* in being a member of the group of *Better Work* country programmes.

**Better Factories:** In your opinion, will stakeholders maintain their trust in *Better Factories Cambodia* in terms of its independence, transparency and high quality of work when it aligns with the *Better Work* programme?

**Ros Harvey:** I think trust will become stronger, because *Better Work* is a global programme with strong support from both the ILO and the IFC. Cambodia will always have a special place in *Better Work* because it is like the oldest sibling in the family. Many of the ideas for *Better Work* have come from *Better Factories*. Cambodia has long experience and expertise in this field, and I think it will continue to be a global leader. The advantage of having the larger global programme is that we have capacity to invest in systems and staff training and to ensure a high level of support.

**Better Factories:** How can programmes such as *Better Factories* and *Better Work* help alleviate the impacts of the global financial crisis?

**Ros Harvey:** The global financial crisis is impacting on many countries in the world, not just Cambodia. People are losing their jobs and factories are facing troubles. *Better Factories* has a global reputation for following a practical path towards improving labour standards and competitiveness, and Cambodia still has an opportunity to use its branding of good labour standards. What we are hearing from the international buyers is that Cambodia has a very bright future. The biggest risk is of a lack of strong support for *Better Factories*, particularly from suppliers. Cambodian buyers, in a survey on their opinions about the future of the industry, identified the biggest risk for Cambodia as the suppliers not supporting the *Better Factories* initiative strongly enough. I think that buyers have a big role to play with regard to making commitments to Cambodia and the programme and continuing to source there, even in the bad times.



## Global financial crisis impacts heavily on Cambodia's garment industry workers



A young garment worker checking cloth quality at her workplace.

global integration and strengthened macroeconomic policy.

However, the country's lack of diversification and reliance on garments, tourism and construction are putting pressure on this growth. The three industries, garments in particular, which makes up three-quarters of Cambodia's exports, are now at risk of tumbling from their high positions of just a few years ago. Developed countries, particularly the US, have slid into recession, and external demand has weakened. Cambodia depends heavily on foreign capital flows, and this will now jeopardize its position, given the economic crises in its market countries.

Cambodia's economy is expected to contract, with GDP growth projected

at -1.0% in 2009, according to Stéphane Guibert, Senior Economist at the World Bank in Cambodia, who also led the team producing the Bank report on sustaining rapid growth in a challenging environment. Garment exports dropped nearly 20% during the first two months of 2009 compared with the same period in 2008, according to figures from the Ministry of Commerce. Exports to the US fell nearly 30%, to \$240.16 million. Exports to the European Union (EU) declined around 12.28%, to \$89.18 million. Exports to Canada declined 6.57%, to \$30.86 million. However, exports to other markets have grown nearly 60%, to \$40.86 million.

Last year's global food and fuel crisis hit the Cambodian population hard, particularly the poor and vulnerable. The massive rise in prices meant that Cambodia's garment factory workers, the lifeblood of the country's economy, faced additional challenges making ends meet. Most are women and most earn less than \$100 a month. Sending money home to support their struggling families in the countryside, trying to find enough to pay for food and rent for themselves in the cities, workers are voicing their concerns about how to survive in such a climate.

On the heels of last year's difficulties, Cambodia is now entering a recession. Prime Minister Hun Sen stated for the first time recently that the country's economy is not proving immune to the global financial and economic crisis.

Impacts are being felt across the industry, with widespread uncertainty and big job losses: 63,000 have been laid off at the latest count, from an industry employing 350,000 people, with 100,000 more jobs under threat. More than 70 factories have closed down, with others running at a fraction of their capacity.

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## Plan of Action for Cambodia: ILO constituents discuss local responses to the crisis



Dr Sukti Dassgupta, the ILO's senior employment specialist, addresses participants on the ILO's Plan of Action.

As part of the celebrations and events surrounding the 90th birthday of the International Labour Organization (ILO) on 28 April 2009, experts and leaders in the field held a session to discuss how the ILO's constituents could respond to the current global crisis in Cambodia. The crisis is currently bringing turmoil to developed countries through its first-round direct effects, and is set to have negative impacts for developing countries such as Cambodia through its second-round effects on export growth and foreign direct investment (FDI).

The ILO's Plan of Action for Cambodia was presented to participants at the session by Mr David Williams, Junior Technical Officer of the ILO. It first gave an overview of the impacts of the financial crisis in Cambodia at the present time, drawing on the recent ILO rapid assessment carried out by the Cambodia Institute of Development Study (CIDS).

Cambodia will not escape from the impacts of the global financial crisis. The main transmission channels will be exports and FDI, both of which have slowed dramatically in recent months. Garment manufacturing and construction, two of Cambodia's four drivers of growth, have been most affected. The garment industry in particular is likely to see heavy losses, leading to job layoffs, with a disproportionate burden on young workers. As exports plunge, so too will economic growth, potentially leading to increased poverty and hardship for the population of Cambodia.

In order to understand and be able to assist in responding to the crisis better, the ILO commissioned the above-mentioned rapid assessment (also launched

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## The World Bank view of the crisis in Cambodia's garment sector

**Interview with Stéphane Guibert, Senior Economist at the World Bank**

**Better Factories:** What has happened in terms of growth in the Cambodian garment industry?

**Stéphane Guibert:** The annual growth of garment exports has decelerated, from double-digit growth until late 2007 to -8% in March 2009. Hence, there is much uncertainty about impacts on the Cambodian garment industry. It is of concern that the rate of growth of imports to the US market from Cambodia is negative, whereas the rate of growth for competitors like Bangladesh and Vietnam is still significantly positive.

**Better Factories:** What have been the impacts on the Cambodian garment industry so far, and on the poor and vulnerable in particular?

**Stéphane Guibert:** The garment sector has already responded with a number of factory closures, layoffs (at least 63,000, net of the new job creations in a few new factories) and reduced overtime payments. The impacts are quite significant, through impacts on the labour market as well as on remittances. There are some 250,000 new entrants to the labour market each year. With jobs lost in the garment and construction industries, this creates a major challenge for employment in 2009.

It is important to note, however, that agriculture – and more broadly the informal sector – will continue to play a safety net role, and can absorb some of the labour. In addition, in Cambodia, like in all developing countries, unemployment is very small – simply because the



Stéphane Guibert, Senior Economist at the World Bank.

unemployed would not be able to survive in the absence of any income. Instead, what is likely to develop is a phenomenon of the 'working poor', people who find an activity for subsistence but remain under the poverty line or have no opportunity to improve their livelihoods.

Other coping strategies will be cuts in consumption – including sometimes to a less nutritive food package, as evidenced by a recent anthropometric

survey in Cambodia – or sale of assets. These are our main concerns, given the impacts that this has, not only immediately, but also for the livelihoods of these Cambodians and their families in the future.

**Better Factories:** What is the World Bank doing to respond to the situation, in the garment industry and in general?

**Stéphane Guibert:** We have been actively working with the government to better understand the situation and support the government's efforts in a number of areas. The government's response is appropriately multi-pronged, from macroeconomic policies to financial sector issues, and from rural infrastructure to business environment issues. Worth noting is the World Bank's support to the response in agriculture and social safety nets through a new \$13 million operation, to be finalized in the coming weeks. We are also supporting the government's efforts in the trade facilitation area, as well as providing support to the garment sector through our financial support to *Better Factories Cambodia*. The International Finance Corporation (IFC) is also providing technical inputs on the medium-term strategy for *Better Factories*.

## In the news

**'Going straight to the source' – The Phnom Penh Post – 6 February 2009**

This interview with Ohio-born author Kelsey Timmerman reviews his experiences when he spent a month in Phnom Penh as part of his global trip to discover the roots of his favourite clothes (including China, Honduras and Bangladesh). According to the author, the Cambodian garment industry is one of the best in the world with regard to labour standards, partly because of the *Better Factories* monitoring programme of the ILO.

**'Reforms needed to tackle crisis, forum told' – The Cambodia Daily – 6 February 2009**

This article gives a brief review of the current status of the economy, in particular the garment industry, drawing on a World Bank report produced for the 3rd Annual Cambodian Economic Forum, which encourages the government to duplicate the experiences of *Better Factories Cambodia* in other sectors.

**'How Better Work betters buyers' – BSR Weekly Vol 12. No. 14 – 13 April 2009**

In this article, *Better Factories Cambodia* and *Better Work Vietnam* are identified and highlighted as key programmes improving factory working conditions and industry competitiveness. The article notes the critical need for buyer-supplier cooperation to continue working on improving labour standards against the current backdrop of crisis in the garment industry sector.

**'Cambodia's garment exports fall as demand drops in US, Europe' – Bloomberg – 18 March 2009**

Bloomberg reports that the growth of Cambodia's garment industry over the past decade has occurred because of the country's reputation for good labour standards, as monitored by *Better Factories Cambodia* of the ILO. [http://www.bloomberg.com/apps/news?pid=20601087&sid=a8a\\_0C6ckTjs&refer=home](http://www.bloomberg.com/apps/news?pid=20601087&sid=a8a_0C6ckTjs&refer=home)

## Economic crisis making initiatives such as *Better Factories* more valuable than ever: International buyers

The *Better Factories Cambodia* and *Better Work Vietnam* joint Buyers Forum was held in Hong Kong on 26 and 27 March 2009. The forum was hosted by Li & Fung Group and the International Finance Corporation Mekong Private Sector Development Facility (IFC-MPDF).

More than 40 buyers and 20 of their major suppliers and vendors met to discuss how to improve factory working conditions and industry competitiveness, with a special emphasis on the effects of the current economic crisis.

The number of buyers participating in the forum has increased many times since *Better Factories* initiated these discussions in 2005. The forum started as a vehicle to obtain buyers' inputs into the further development of the *Better Factories* programme, but has since evolved into a real industry forum, where pertinent industry issues are discussed, ranging from industrial relations to the environment.

A key message from the buyers in Hong Kong this year was that initiatives such as *Better Factories* are increasingly important, as the crisis is clearly showing the significance of positive management of buyer-supplier relationships and the importance of joint industry efforts to improve working conditions, productivity and overall industry performance.

The participation of regional suppliers' representatives was important in this year's forum, as nowadays the decision as to where to place orders rests increasingly

with parent companies. Likewise, it was important to involve buyers' sourcing department representatives, as buyers are increasingly moving towards more integrated sourcing strategies, whereby price, quality, lead times and working conditions are weighted when decisions are made to place orders in a given factory.

A major share of the discussions was focused on stressing the importance of trying to mitigate the financial and social effects of the current crisis. Buyers wanted to send a clear message to all suppliers that they expect factories that need to close their operations to do so in a responsible manner and according to the law.

Some buyers went as far as to state that they will not continue to source from factories or vendors that do not follow this principle.

During the second day, *Better Factories* and *Better Work*, together with IFC-MPDF, presented to the buyers' group a new initiative on the development of an environmental compliance and energy efficiency and savings component for the programme. This initiative was widely hailed by the buyers as an excellent direction for the programme to take, as it will further help in general efforts to reduce wasteful multiple audits by providing a new environmental service, one of great interest to international buyers. The International Labour Organization (ILO) and IFC are working together to launch a pilot scheme focusing on energy efficiency and cost savings in the near future.

## Plan of Action for Cambodia: ...

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during this session). The Subregional Office in Bangkok fielded a mission to Cambodia to discuss the situation with the Royal Government, other stakeholders and development partners and to identify areas where the ILO could assist to mitigate the social impacts of the crisis. These discussions produced the ILO Plan of Action for Cambodia, a short-term addition to the ILO's ongoing work under the Decent Work Country Programme for Cambodia. The plan has three main components:

### Addressing the crisis in the garment sector:

This component includes:

- Assessment of the impact of the crisis on garment sector workers;
- Assistance in responsible management of layoffs (through deployment of a 'socially responsible transitions advisor');
- Confidence building on the future of the industry and targeted skills training (including referrals for laid-off workers and image campaigning, for example);
- Reducing the loss of worker investments and livelihood options (through loans and training, for example); and
- Reducing maternal health vulnerability and increasing access to health care.

### Employment-intensive infrastructure projects (EIIP):

Given the importance of the role of employment-intensive work with regard to both creating jobs and developing much needed infrastructure, the ILO will appoint an international EIIP expert in Cambodia to develop strategies to deal with the crisis. The ILO has been working on EIIP in Cambodia since 1992.

### Skills and training:

The ILO has come to an agreement with the Royal Government to provide assistance to the latter's planned programming on skills and training of retrenched workers, which includes the establishment of technical and vocational education and training (TVET) and regional job centres. With regard to this, the ILO will employ a Khmer expert to train a team of assessors to conduct worker needs assessments in various regions and appoint a qualified expert to work with the Ministry of Labour to support the planning and implementation of the job centres.

The Plan of Action also has three smaller components, which will look at the following:

- Impacts on education and child labour;
- Impacts on employment and migration; and
- Labour market statistics (support to the National Institute of Statistics (NIS) to develop a 2009/2010 Labour Force Survey).

The celebrations of 27 and 28 April saw the participation of H.E. Madam Men Sam An, Deputy Prime Minister and Representative of Prime Minister Hun Sen, with high-level speeches by Ms Sachiko Yamamoto, Director of the ILO Regional Office for Asia and the Pacific, and H.E. Mr Vong Sauth, Minister of Labour and Vocational Training. The two days also saw an ongoing dynamic ILO photo exhibition, film archive and showcase for members of the public, including a display of the winning designs and song lyrics from the I Am Precious competition.

## Economist business roundtable with the Royal Government: On the verge of a breakthrough?

Economist Conferences, a business unit of the UK-based The Economist magazine, intrigued by the business prospects of Cambodia, organized a high-level governmental roundtable on business and sustainable development in Siem Reap on 16 February 2009. Cambodia has recorded impressive economic growth in recent years, and the return of social stability has paved the way for an improved sense of political permanence and the emergence of a vibrant civil society. These factors together mean that Cambodia is now an interesting investment and business destination.

The conference was held against the backdrop of the prevailing global financial crisis, and convened a large number of local business representatives, government officials and potential investment partners to discuss challenges and opportunities faced by Cambodia.

The Prime Minister Hun Sen addressed the economic prospects of Cambodia at length, in particular emphasizing that the government intends to continue to promote sustainable and responsible investment and

employment creation. He reiterated that the government would continue to promote a favourable investment climate that would allow for continued growth in existing growth sectors, such as garments and tourism, but also pave the way for diversification of sources of future economic growth. In discussing the garment sector, Prime Minister Hun Sen told the audience that the experience of this key industry provided key lessons for the development of other manufacturing sectors, and that improved working conditions had provided Cambodia with a notable comparative advantage. He emphasized government policy to continue to reduce obstacles to private sector development through further stimuli and the streamlining of administrative processes.

The current economic downturn was also discussed in a panel convening H.E. Pan Sorasak, Under-Secretary of State at the Ministry of Commerce, Mr Jim Leung, Regional Director of the Walt Disney Company, and Mr Van Sou Ieng, Chairman of the Cambodian Federation of Employers and Business Associations (CAMFEBA). The panel looked at future potential and current issues

## Stakeholder profile: Key figures in the garment industry

**In the effort to achieve better industry-wide understanding, *Better Factories* works with different stakeholders to facilitate respectful dialogue and negotiation. This new *Better Factories* series of articles presents profiles of key actors in the garment sector, giving an overview of their backgrounds and also detailing their opinions and aspirations as well as exploring the challenges they face and what motivate them to remain active in the industry.**

### Ly Tekheng, GMAC Operations Manager

Having worked in the garment industry for almost a decade, Ly Tekheng is now Operations Manager at the Garment Manufacturers Association in Cambodia (GMAC). His previous position was Assistant to the Manager, when he was responsible for working closely with foreign garment investors and providing information on investment and the Labour Law and advice to GMAC's Executive Board members, who are mostly from China, Hong Kong, Macau, Malaysia and Singapore.



Mr Ly Tekheng, Operations Manager at GMAC.

Tekheng was born in 1970, into a middle-class family of business persons, and spent his early years as a child in the genocide period. He grew up while Cambodia was still a battlefield, as a result of the prolonged civil war.

After the collapse of the Khmer Rouge regime, Tekheng and his family lived in Battambang province, where he finished his high school education. Soon after graduation, he went to SITE II refugee camp, located along the Cambodian–Thai border, with the hope of furthering his education, accessing free English training classes and obtaining some vocational training skills: the camp was supported by the international community and there were many opportunities for enthusiastic learners like Tekheng to live there and learn from the foreign staff who came to help the refugees. He stayed in the camp until the Paris Peace Accords, which allowed for the repatriation of Cambodian refugees of all political persuasions and for the first democratic elections, which were organized by the UN and took place in 1993.

In 1993, Tekheng received a government scholarship to study English Language at the Foreign Language Center, which is now the Institute of Foreign Languages of the Royal University of Phnom Penh. Four years later, he obtained his Bachelor degree. He then went to work for Northbridge International School for two years.

Tekheng had had no thought of working in the garment industry, as there was a general view that the sector did not pay well, and news on violations of workers' rights, bad working conditions and illegal strikes often appeared

pertaining to the Cambodian manufacturing sector and concluded that, while the effects of the crisis are serious, there are also opportunities for businesses in the medium and long term in Cambodia, and that this is the time for Cambodia to show how it aims to invest in many of the areas that are a prerequisite for further investment, such as infrastructure development and power generation.

Talking about international garment buyers' resolve to continue to source from Cambodia, Mr Leung from Disney expressed his view that one of the reasons why Cambodia has been doing so well in terms of its garment industry is the attention paid to working conditions through the *Better Factories Cambodia* initiative. Many of the brands that have had misgivings about investing in Cambodia are now doing so because of these continued efforts, which has allowed for impressive improvements over time.

Mr Stéphane Guimbert, Senior Economist at the World Bank, Mr Bill Satter, Director of ILO sub-regional office for East Asia and UN Resident Coordinator Mr Douglas Broderick echoed during the conference that advancement of Cambodia's positive economic performance is fragile and that the UN system with the government is continuing to collaborate on a wide range of issues, including access to health education and introduction of social safety nets, so that greater numbers of Cambodian women and children will not be pushed into poverty and hunger.

some money for her family. In 1992, she went to work in a factory, where she worked for seven years cutting and finishing wooden boards. The work was dangerous and the saw was very heavy. During this time, she got married and had her first child.

In 1999, Meas Morokot was hired by a garment factory, where she still works today. When she first arrived, working conditions were very poor, as was the relationship between the employees and the employer. The employer would constantly break the law and force employees to work overtime. He would also sack workers or dock their pay if he felt they looked too sick or weak.

After she had been there about a year, the American Center for International Labor Solidarity (ACILS) visited the factory and asked the employees about the working conditions in the factory. The workers told them that they wanted to form a union, but were afraid to do so. ACILS told them that the law would protect them, so in late 2000 Meas Morokot became very active in organizing and mobilizing her co-workers and they held elections and created a union, part of the Democratic Independent Solidarity Union Federation (DISUF). She was elected President, beating several men; all of the top positions in the union were held by women.

Meas Morokot got involved in the union because she wanted things to change. She wanted to help herself, but her first instinct was to help the workers: she believes that this is why she was elected president. However, the employer refused to recognize the union and did not want to negotiate. He would discriminate against union members and use his power to deter other workers from joining, even firing some union members. The union complained to the Ministry of Labour and took the case to the Arbitration Council. The Council demanded that the employer reinstate the employees and formally recognize the union.

The union decided that going on strike was the only remaining option and the employer agreed to negotiate. The union has had many successes now in creating a better working environment, and the relationship between the workers and the employer has improved greatly.

Meas Morokot is now Vice-President of DISUF, and also works as a union educator. It is very difficult and stressful work, and eventually she would like to train someone else to take over. She has also become Secretary of the Cambodian Women's Movement Organization (CWMO), and Mayor of her community.

Meas Morokot is very proud of her transformation from factory worker to community and union leader. In the future, she would like to see the smaller unions in Cambodia cut their political ties and collectivize to create one large federation. With one united voice, she says, workers will have much more power to create good working conditions and ensure that workers earn a decent wage that allows them to live a good life.

## Global financial crisis impacts heavily on ...

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Factory workers rush to the exit door after long hours of working.

This situation has driven analysts to feel concern that many Cambodians will be driven back under the poverty line. Remittances back to the countryside from garment factory workers are likely to dry up, leaving rural families without resources in times of hardship. Factory workers are now starting to worry. They are concerned that, without the money they send home, their families will not be able to survive. Rumours constantly go around about factory closure and suspended production, leading workers to fear for the future and their employment options. Ath Thorn, President of the Cambodia Labour Confederation, confirms that many workers are losing their jobs, with no or minimal compensation from their employers, and the mood is bleak in general in the industry.

According to Chan Samnang, a 21-year-old garment factory worker in Russei Keo district of Phnom Penh, all the employees in her factory are starting to panic. They hear stories about layoffs without compensation in other factories, and they lack information on the future of their positions.

Agriculture will play a safety net role, says Stéphane Guimbert, although many garment factory workers are reluctant to return to the countryside and would prefer to stay in the cities, where the employment market is contracting and jobs are few. Chan Samnang says that

she will do anything to stay in Phnom Penh: she feels that she can earn more in the capital and life is not so hard. But the alternatives are risky: women who cannot find jobs are often able to work only as beer girls or in the sex trade.

Ath Thorn agrees that some workers will go back into the fields in their home villages, and that others will be able to find employment in small family businesses at home, mainly in petty trading. He believes that it is a priority at this time for the government to encourage such small enterprise and ensure that more workers can find employment in small businesses, to lessen the dangers that rural families will become destitute or that workers will be forced into making risky choices as a result of job losses.

Kang Chandarot, Director of the Cambodia Institute for Development Study (CIDS), notes that things may improve as new markets are sought in countries such as Russia, Japan and the Middle East. But these endeavours will take time, and time is not something that is available in great measure at the current moment.

The Garment Manufacturers Association in Cambodia (GMAC) also feels that difficult times lie ahead if the economic downturn does not come to an end. GMAC's External Affairs Manager, Kaing Monika, said recently to The Phnom Penh Post that things could improve in 2009, and that there have been recently some signs that the economy may be picking up and that order have started to come in again. Many of the buyers dealing with Cambodia that the *Better Factories* has spoken to continue to look confidently at Cambodia as a sourcing destination, and while currently affected by the crisis expect things to improve in the near future.

As the effects of the crisis become more clear, the *Better Factories* programme is involved with its partners in efforts to assist the manufacturers and the workers to mitigate the most negative effects of the down turn and to help to build confidence in the future of the industry.



Ms Meas Morokot, Vice President of DISUF