

# International buyers to fund ILO monitoring

Ten of the world's top clothing brands have pledged financial support for the International Labour Organisation's (ILO's) Better Factories Cambodia monitoring and remediation work.

Ms Ros Harvey, Chief Technical Advisor for the ILO's Better Factories Cambodia, announced the buyers' commitment on 22 July at a conference in Washington DC on Cambodia's industrial competitiveness.

The two-day conference, "Promoting Cambodia's Competitiveness in a Post-MFA World", was organized by the Carnegie Endowment for International Peace, Oxfam America and the Global Fairness Initiative. Over 80 participants attended including US political leaders, global brands, NGOs, international organizations, unions and consumer groups. The Cambodia delegation included Cambodia's Senior Minister for Commerce H.E. Mr Cham Prasidh, President of the Garment Manufacturers Association of Cambodia Mr Van Sou Ieng, trade union representative Ms Chhorn Sokha, and Ms Ros Harvey. The conference was a follow-up to the February 2005 event held in Phnom Penh (see last newsletter for the story).

Brands that will start co-funding Better Factories Cambodia in 2006 are the Adidas Group, The Children's Place Retail Stores Inc, Gap Inc., Hennes & Mauritz (H&M), Levi Strauss & Co., Nike Inc, Reebok International Ltd, Sears Holdings Corp. (Sears, Kmart), Wal-Mart Stores Inc, and The Walt Disney Company. More companies are expected to follow.

Ms Harvey said that the funding from brands is part of a broader strategy under which financial contributions from the Cambodian government, the Garment Manufacturers Association of Cambodia and brands will increase over a three-year period to fully cover the work of Better Factories Cambodia from the year 2009.

Cambodia's Minister for Commerce, H.E. Mr Cham Prasidh, attended the Washington meeting where the announcement was made. The Phnom Penh Post reported his comments on the linkage between trade and labour standards, saying these are "the most efficient internal mechanism for developing countries, and especially a least developed country like Cambodia, to secure that foreign investors are not abusing our... female workers coming from remote impoverished areas, eager to get a job, but [with] a low level of education."

The co-funding announcement shows the increasing engagement of international brands with the ILO's



Effective mechanisms: Senior Minister of Commerce H.E. Mr Cham Prasidh spoke about linking trade and labour rights in the garment industry at a Washington conference on 21-22 July.

Better Factories Cambodia. The industry provides 1.77 per cent of the world's garment output and accounts for around 80 per cent of Cambodia's exports. The annual cost of monitoring and reporting through the ILO is US\$600,000.

One of the main concerns regarding monitoring and reporting activities is the current duplication of efforts by brands in auditing working conditions. Managers of garment factories deal with multiple audit teams, with larger factories experiencing up to 30 audits a year.

Ms Harvey said that ILO Better Factories Cambodia hopes to work with the industry to reduce duplication of monitoring. "Reducing duplication not only saves money for suppliers and brands, it also allows for efforts to be focused on training and working with factory management and unions, to improve productivity and working conditions."

"We will be working together with all stakeholders, including international brands, to improve working conditions in Cambodia's garment factories," she said.

The ILO meanwhile is developing an Information Management System to improve the efficiency and effectiveness of its reporting.

## Labour law guide launched



Cambodia's Minister of Labour and Vocational Training, H.E. Mr Nhep Bunchin, launched the *Guide to Cambodian Labour Law for the Garment Industry* on 11 May in Phnom Penh to an audience of employers, union leaders and media. "Cambodians are moving quickly into the formal workforce and many disputes can be avoided if those involved have access to correct information," said Minister Nhep Bunchin.

The guide, in English, Khmer and Chinese, provides information on Cambodian Labour Law as well as related government decrees.

# Cambodia's exports rise after end of quotas

Garment exports rose in both quantity and value after Cambodia's quota benefits expired at the end of last year, while employment levels and wages have not fallen below 2004 levels.

These surprise findings are based on data from the US Office of Textiles and Apparel in the US Department of Commerce, as well as Cambodian Ministry of Commerce figures. US companies buy 75 per cent of Cambodia's garments. See inside for the full story.



# News and events

## Impacts from end of quotas: exports up, jobs and wage levels steady

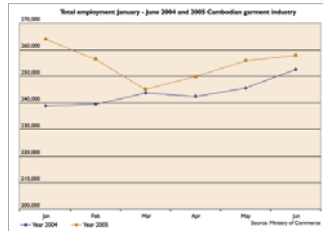
Many people expected Cambodian garment exports to fall after the expiry of the quota system, which restricted the amount of apparel that China could export. It was thought that buyers would focus their attention on China once the quota restrictions expired under World Trade Organisation (WTO) rules on 31 December 2004.

Instead, garment exports to the US in the first four months of 2005 rose by more than 11 per cent in volume compared with the same period in 2004. The value of exports in those months rose by more than 17 per cent. This means that Cambodia is moving up the value chain to produce higher-quality garments. The impacts of the EU and US decisions to impose safeguard action on China are not included in these figures. Most commentators expect the Cambodian industry to strengthen further.

Job numbers appeared to fall in the opening months of the new year, but have started to rise again. Figures from the Ministry of Commerce show that

job numbers did not fall below 2004 levels but rather reflected seasonal fluctuations.

There are important changes occurring within the industry, however. Larger factories are doing well as buyers seek to source from larger and larger suppliers.



The number of factories employing more than 5,000 workers has doubled. Meanwhile smaller factories are closing under the pressure of this competition.

Wage levels appeared to fall earlier in the year, but by June had returned to the average of US\$71 a month.

The US took safeguard action against Chinese exports in May this year, and the European Union (EU) followed suit in June. It is too early to see impacts from these decisions, but the results will probably benefit Cambodia.

In April this year, the International Monetary Fund revised its economic growth forecast for Cambodia from 2.3 per cent to 6 per cent, based on the strength of the industry.

For full details see the "About the industry" page of our website at [www.betterfactories.org/ilo](http://www.betterfactories.org/ilo)

## Disney supports pilot sourcing project in Cambodia

The Walt Disney Company launched a pilot program early this year that supports small-scale sourcing of garments from Cambodia – returning to this market after 8 years' absence.

Disney stopped sourcing its branded products from Cambodia in 1996 due to concern about human rights and labour rights abuses. The decision to return now is based upon recent progress and includes the commitment of several Disney licensees to source Disney-branded product from facilities actively participating in the monitoring and training efforts of the Better Factories Cambodia project.

"Disney's decision to create and support the pilot comes after careful consideration of the significant progress made by the ILO Better Factories Cambodia initiative," said Mark K. Spears, Director of International Labour Standards for The Walt Disney Company. "We're particularly pleased with the ILO's multi-stakeholder approach which facilitates the involvement of the Cambodian government, the Cambodian national garment manufacturers' association, local trade unions and the factories. Disney is also encouraged by the ILO's success with creating and implementing training programs and systems, supporting the creation of an arbitration council, and producing transparent factory monitoring reports."

The company's pilot phase will test production with selected factories and compile data on labour conditions. The pilot will take up to 18 months. After this time Disney will assess the situation and determine whether its broad prohibition on producing Disney-branded products in Cambodia will be lifted.



## Detecting false records

Even lunch boxes in the staff canteen can tell you something.

In labour standards monitoring, small details may provide clues to working conditions – such as whether the numbers on the books match the numbers working on the factory floor (shown by the workers' lunch boxes) and whether payroll figures are "real" or created specially for the auditors.

A five-person team from Better Factories Cambodia visited Guangzhou, China from 17 to 23 April this year as part of staff training in spotting such clues. Compliance specialists from Sears Holdings Corp. (Sears, Kmart) and The Walt Disney Company ran the five-day training, made up of workshop sessions and visits to factories. It was designed to share experiences, and techniques, in detecting where information being presented for a labour audit may differ from the real situation.

"The training did increase our understanding of different monitoring approaches," said Mr Chea Sophal, national programme assistant to Better Factories Cambodia. "However the situation in Cambodia is also quite different from China. Workers do not live in dormitories at the factory sites here, so have greater freedom to speak privately with our monitors if they wish. There is an active union movement in Cambodia, so we receive information about working conditions from many different sources.

"One practice that we have agreed to introduce, based on the training, is for one of the monitors to have a walk-through with management at the end of a monitoring visit. This will help to strengthen the cooperative relationship and may reduce instances of discrepancies or disagreement with reports after a visit."

This practice may also shorten the lead times between ILO monitoring visits and when the reports come out. "Buyer audits are shorter and the reports are more frequent," said Mr Sophal. "We are working to streamline our processes, while maintaining our detailed checklist of items to monitor."

## New appointments

Ms Nou Phary joined Better Factories Cambodia as Remediation Officer. She was formerly a programme officer and legal instructor for an NGO, the Community Legal Education Centre, where she provided training and consultancy services on labour law, marriage and family law, and women and the law. Phary is a law graduate and has also completed a one-year research scholarship at the University of Michigan Law School in the USA. Phary replaces Mr Tuy Sarithya, who migrated to Australia in June.

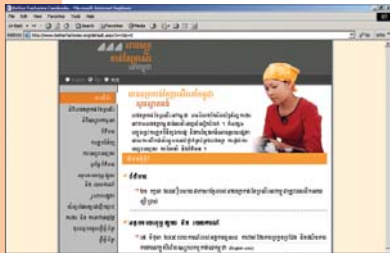
Mr Vuth Lyno joined Better Factories Cambodia as Communications and IT Officer, a new position

funded by Agence Française de Développement to improve public information services and strengthen stakeholder involvement. Lyno previously coordinated information systems at World Vision, an international NGO delivering aid programmes in Cambodia.

Ms Heng Molyaneth and Ms Ok Malika joined the organization as monitors. Molyaneth was formerly a trainer for VBANK, a local NGO specializing in management training. She is experienced in doing social research and delivering training. Malika was previously Senior Secretary to the Chief Technical Advisor of Better Factories Cambodia. She is also a law graduate.



# Information resources



## Better Factories Cambodia website – now in Khmer

The July launch of the Better Factories Cambodia website makes information and research on Cambodia's garment industry available in the local language.

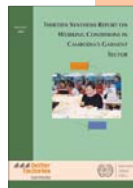
The Khmer website gives easier access for Khmer readers, including factory staff, unions, government partners and domestic audiences who are interested in the Cambodian garment sector. Many of the ILO's resources, such as the guide to Cambodian Labour Law, have been translated into Khmer and can be accessed through the website.

Resources in Khmer at [www.betterfactories.org/ilo](http://www.betterfactories.org/ilo)

## 11th, 12th and 13th Synthesis Reports on Working Conditions in Cambodia's Garment Sector

Better Factories Cambodia released three reports on working conditions in the last quarter covering 136 factories all together, with a total of nearly 140,000 workers.

2005. English and Khmer versions available. Free.



## Good Practice sheets online

This series covers a whole range of good practice in the areas of occupational health and safety, productivity, and human resource management. They can be consulted individually online or downloaded as A4 size handouts.

2005. Available in English and Khmer at [www.betterfactories.org/ilo](http://www.betterfactories.org/ilo)

## Clarifying the Labour Law

More than 40 different organizations have told the Royal Government of Cambodia and the ILO what changes they want to see in the Cambodian Labour Law. Their feedback came through the current process to review the Labour Law, announced by Labour Minister H.E. Mr Nhep Bunchin on 11 May in Phnom Penh and supported by the ILO's sub-regional office in Bangkok.

"All those consulted say that Cambodia's 1997 Law needs to be made clearer", said Mr Dain Bolwell, an ILO consultant working on the review process. The consultations have included discussions with Better Factories Cambodia monitors, Arbitration Council members, judges, lawyers, dispute resolution experts, employer and union groups, community groups and international organisations.

Much of Cambodia's current Labour Law was originally translated from French into Khmer. English versions that are now circulated have been translated from both French and Khmer. "The different language versions are often inconsistent, and the authoritative Khmer version is sometimes less clear than in other languages," said Mr Bolwell.

A second issue has to do with fast-changing conditions in the workplace. For example, the law at present presumes that electronic records and Web-based information services do not exist. "Many groups have said that information and communications technology should at least be allowed for in the new law," Mr Bolwell said.

Based on the feedback, the Ministry of Labour and Vocational Training is identifying what changes to the law may be needed. The Ministry has invited interested groups to provide written submissions.

The Cambodian Employer Confederation (CAMEFEBA) ran a workshop in June to develop its submission to the government, with the Garment Manufacturers' Association of Cambodia (GMAC) playing a significant role. Union groups have also made a joint submission, as have others including some government ministries.

Following the round of consultations, the ILO is preparing an easy-to-read issues paper in Khmer, English and Chinese, for debate at a series of meetings planned for later this year.

A guide to the existing Cambodia Labour Law is available from Better Factories Cambodia in English, Khmer and Chinese versions.



## How to order

All hard copies 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 five copies will receive a 20 per cent discount.

To request books and materials, contact:

ILO Better Factories Cambodia  
#9, St 322, Beng Keng Kang 1 - Phnom Penh, Cambodia.  
Tel: (855-23) 212-847 - Fax: (855-23) 212-903 - Email: [betterfactories@ilo.org](mailto:betterfactories@ilo.org)



# Training needed to lift productivity: USAID report



Mauro J. Pereira, one of the authors, on a research visit to a Cambodian factory in 2005.

Training emerged as the greatest need in Cambodian garment factories, said a new USAID-sponsored study released in June.

The Economic Institute of Cambodia in association with three US consultancy firms went to over 80

Cambodian factories this year to measure competitiveness and labour productivity.

They concluded that training would be the "most effective and lowest cost" strategy to increase productivity in the Cambodian garment industry. The results, based on interviews and a comparison of data with other countries, suggest that Cambodian factories could improve their productivity by up to 15 to 20 per cent if the right steps are taken.

In a summary of their research, the authors reported, "The highest priority is to train Cambodians in middle management... Line supervisors and engineering personnel in particular have the greatest effect on efficiency of resource use at the plant."

The report observed that many factories operate machinery inefficiently, losing productivity through machine down-time. Other issues that emerged through the study included a lack of formal standards to assess

quality, and concentration on low-value products that do not require a high level of cutting and sewing skills.

To address these issues, the authors recommend that a garment industry productivity centre be set up to provide training and advisory services to factories, particularly in the weak areas of professional development, production controls and engineering, and organization of work flow.

The study "Measuring Competitiveness and Labour Productivity in Cambodia's Garment Industry" rated the majority of Cambodian factories as medium-level performers. Seven per cent of factories, however, were judged to be world-class manufacturing operations. Cambodia ranked close to China, India and Romania in the benchmarking exercise as having similar labour costs and productivity levels.

The study was published by USAID and Nathan Associates Inc, a US-based consulting firm specializing in trade policy. The full text of the report can be found at [www.tcb-project.com](http://www.tcb-project.com) or through the "About the industry" page of our website at [www.betterfactories.org/ilo](http://www.betterfactories.org/ilo).

## Issue Seminars

Better Factories Cambodia offers seminars on key issues for garment factories and other relevant stakeholders in the industry. The topics have been chosen to address difficult areas identified by Better Factories Cambodia's Monitoring Unit.

Seminars are highly participatory so that all learners have opportunity to share their views and build on their own experience. They may run from one to three days, depending on the topic. These are a few of the upcoming seminars.

| Seminar                              | Description   | Language          | Who can participate  | Duration and dates  | Venue   |
|--------------------------------------|---|-------------------|--|---|---|
| First Aid training                   | Practical skills in First Aid through demonstrations, hands-on practice and simulation exercises. Expert trainers from the Cambodian Red Cross (CRC) will teach the course. | Khmer             | Cambodian workers/ supervisors with First Aid responsibilities. This course is only available to factories participating in the Remediation Modular Program. | 2 groups:<br>Group A from 8-9 August<br>Group B from 11-12 August.  | VBK Training Centre #28, Street 80 Phnom Penh |
| Workplace cooperation                | Helps workers and managers resolve issues through consultation and discussion.  | Khmer and English | 3 representatives from management and 3 workers/ union representatives from each participating factory   | Two days from 25-26 August. A follow-up factory visit will take place the week after the training to help participants finalise their own Factory Improvement Plan. | VBK Training Centre #28, Street 80 Phnom Penh |
| Effective management of working time | Analyse working time arrangements in factories, and take practical steps to improve those arrangements.   | Khmer and English | Factory managers and supervisors; worker representatives   | Two separate one-day seminars during the week of 17 October 2005.   | To be determined                              |

For further information on training opportunities, contact the Better Factories Cambodia Training Unit staff at [betterfactories@ilo.org](mailto:betterfactories@ilo.org)

## Path to higher quality

The Better Factories Cambodia modular training program focuses on the strong link between improving working conditions, and improving quality and productivity.

Recent experiences confirmed this approach, when garment industry consultant Teresa Tse visited 13 Cambodian garment factories in May and June this year. Her visit was part of the ILO Better Factories Cambodia training to improve quality, productivity and working conditions. Ms Tse, formerly of the Hong Kong Productivity Centre, recommended more collaborative problem-solving between workers and management.

"There needs to be a stronger approach of preventive action and planning in order to reduce reject rates from poor quality," said Ms Tse. "Many factories adopt a quick-fix approach rather than dealing with the root cause of the problem, such as assigning more spot-cleaning staff rather than finding out how to prevent dirt and oil from staining the clothes."

Mr Conor Boyle, Assistant Program Manager of Better Factories Cambodia, said, "To be successful, factories need to involve both management and union representatives in the process."

Ms Tse's visit, from May 23 to 3 June, covered a wide range of factories, from operations with less than 700 workers, to ones that employ nearly 5,000 staff. The half-day visits, together with two days of classroom-based learning, made up the quality improvement module of Better Factories Cambodia's modular training course for factory management and union representatives.

Ms Tse will return to Cambodia to deliver technical training in September, this time on productivity improvement.

## In the news

*US importers support garment factory monitoring.* Steve Hirsch, *Phnom Penh Post*, July 29 – August 11 2005. Ten of the world's top brands have pledged financial support for the ILO's Better Factories Cambodia effort, as officials reaffirmed their commitment to workers rights.

URL: [www.phnompenhpost.com](http://www.phnompenhpost.com) (full text available to subscribers only)

*US and EU safeguards help Cambodia's textiles rebound.* Samantha Brown, *AFP* 25 July 2005.

Cambodia's threatened garment industry has bounced back, but analysts say more than a sparkling labour image will be needed. The International Labour Organisation says the industry is going through a structural adjustment, and the UN agency is increasingly looking at how to provide industry – both unions and employers – with the support services that will help them improve working conditions.

URL: <http://www.etiwannews.com/World/2005/07/25/1122259608.htm>

*Cambodia's garment makers hold off a vast Chinese challenge.* Elizabeth Becker, *New York Times* 12 May 2005. Cambodia, while still a very cheap place to produce apparel, has chosen to rely on outside inspectors and to foster its unions. Its efforts may point the way for other nations seeking to avoid a race to the bottom as they struggle to establish or sustain footholds in the global economy.

URL: [http://www.truthout.org/issues\\_05/printer\\_051205LB.shtml](http://www.truthout.org/issues_05/printer_051205LB.shtml)

This newsletter is produced quarterly by ILO Better Factories Cambodia with funding from the Agence Française de Développement.  
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