

Better Factories Cambodia - Moving beyond monitoring?



H.E. Cham Prasidh, Senior Minister, Minister of Commerce and Mr. Tuomo Poutiainen, Chief Technical Advisor, Better Factories Cambodia viewing a new photo exhibition showing garment workers in private moments at home and work (see article below).

Mr Tuomo Poutiainen, Better Factories Cambodia Chief Technical Advisor discusses the important role of factory monitoring as a tool to help the Cambodian garment industry meet the challenge of growing international competition.

The Cambodian garment industry now faces increasing worldwide competition, and the big challenge is to lift quality, productivity and profitability in ways that build on Cambodia's reputation for good working conditions. It is here that the role of *Better Factories'* monitoring will be crucial, not just because it helps maintain good working conditions and protects Cambodia's competitive advantage, but also because it is a vital information source that can generate factory and industry level improvement.

Better Factories Cambodia monitoring

It is often said that factory monitoring is easy to explain and incredibly hard to do. Since 2001, when *Better Factories Cambodia* monitoring began, it has proven very successful, and is widely said to have spurred much of the industry and working conditions improvements that have contributed to the strong growth of the Cambodian garment industry.

The effectiveness of *Better Factories* monitoring owes much to the rigorous process it uses. A team of highly trained monitors aims to make at least two unannounced monitoring visits to every exporting garment factory per year. Each of these visits is structured to ensure that monitors make a consistent, fair and accurate

assessment of each factory. Visits involve document review, workplace observation, and discussions with employers, workers and unions. Individual factory reports are then prepared based on a 485-item checklist of issues such as wages, leave, occupational safety and health, freedom of association, discrimination, and child labour.

Monitoring is about generating improvement

Monitoring has a very simple purpose which is to encourage garment manufacturers to comply with the Cambodian labour law and core international labour standards, such as those prohibiting child labour or forced labour.

Contrary to a widespread perception, *Better Factories Cambodia* does not have any enforcement power. Instead, *Better Factories'* mandate is simply to monitor and report, and to do so in the spirit of promoting improvements to working conditions and productivity. Only the government of Cambodia has power to enforce the law.

Despite its lack of enforcement power, factory and industry level monitoring has proven crucial to generating improvement in the Cambodian garment sector. At the factory level improvement is encouraged because a good monitoring report represents impartial proof that a factory is meeting its legal obligations. This reassures buyers, and often generates higher sales and profitability. At the industry level, *Better Factories'* bi-annual Synthesis Reports, which summarise factory level findings, have helped build Cambodia's reputation for sound garment sector working conditions.

International buyers have played an important role in this process. Buyers are able to see factory monitoring information through third party access granted by a manufacturer. This system provides buyers with important compliance information that they can factor into their sourcing decisions. Monitoring reports also provide a measure against which buyers can check to see improvement over time. Buyers with close relationships with their suppliers can encourage improvement by promoting different types of training and capacity building services.

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Wearing hearts on sleeves - New photo exhibition reveals a hidden side of garment workers

A new exhibition of photos of garment workers at home and work sheds light on the busy and challenging working lives of women in the garment industry. The exhibition, 'People behind the products - Garment workers of Cambodia', was launched by ILO *Better Factories Cambodia* and *Bophana Audiovisual Resource Center* at a ceremony chaired by H.E. Cham Prasidh, Senior Minister, Minister of Commerce on Friday, May 25.

Better Factories hopes this revealing photographic exhibition will help the community to understand a little of the lives of these women who make such a valuable contribution to their families and to Cambodia. The photos, by Australian photographer Livingston Arnytage, capture moments at work and home and the

mutual support and companionship women from different parts of Cambodia offer each other.

According to H.E. Cham Prasidh, 'These photos reflect the real lives of garment workers, and we should all express our appreciation for the hard work that garment workers do. These photos will contribute to attracting buyers, and they say to the world that Cambodia doesn't have sweatshop factories'.

Also launched the same night by H.E. Cham Prasidh were four new episodes of *Better Factories Cambodia's* soap opera 'At the Factory Gates', starring popular Cambodian actors and singers. This innovative soap opera continues to educate and enhance the



One of the photos from the exhibition 'People behind the products - Garment workers of Cambodia'.

understanding of garment workers and factory management on common challenges facing Cambodia's garment factories and workforce.

Moving beyond monitoring?

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Industry benefits go beyond monitoring

Better Factories understands that it takes successful businesses to generate employment and provide good jobs with sound working conditions. Monitoring can make a great difference here, because it indicates where improvement needs to occur, and underpins constructive solutions that help build better and more profitable businesses.

Better Factories' strong emphasis on training and building sustainable improvement also recognises that it is not enough just to identify a problem. It is crucial to understand why a problem occurred in the first place and to cure the causes, not just the symptoms.

Better Factories aims to support change for the better by helping workers and employers address problems through dialogue, workplace cooperation and sharing best practices. Unions, employers, the government and buyers all play an important part in this process. The goal is to help foster a management approach that recognises that productivity and profit can be maximised when human and social capital are core values.

Moving beyond monitoring

In the past, just having a programme like *Better Factories Cambodia* helped to distinguish the Cambodian garment industry from others. Today, there is a need to find new ways to use the wealth of *Better Factories'* information and experience to benefit the garment industry. For the industry to maintain its strong growth all parties must acknowledge the benefits to the enterprise that come from positive changes in working conditions, and accept a responsibility for making these changes happen.

2008 and beyond

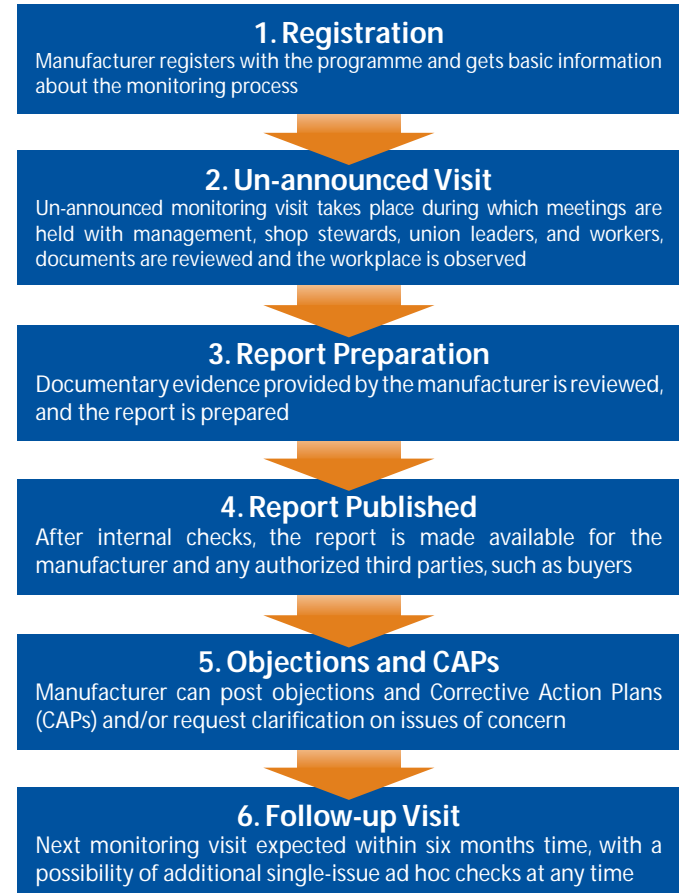
Cambodia's reputation for good labour standards helped build the country's reputation and protect its market share. But in the future that will not be enough. In the aftermath of the global Multi-Fibre Arrangement and the abolition of import quotas, the Cambodian garment industry has become much more susceptible to the pressures of global competition. Continued success requires the Cambodian garment industry to have competitive pricing, good quality, sound lead times and high productivity.

There are many good reasons to continue the type of monitoring work *Better Factories Cambodia* does, and it will always be necessary to ensure that certain minimum standards are maintained in the relationship between workers and employers.

However, to really build on the value of monitoring it needs to be the base from which stronger factory growth and improvement can be built. To do this monitoring needs to link to training and factory level assistance in practical, service oriented ways. For *Better Factories Cambodia* this is the crucial challenge of its transition strategy as it moves towards becoming a fully independent entity after 2008.

Better Factories Cambodia has always been a multi-stakeholder initiative in which government, manufacturers, unions and buyers have explicit roles to play. As *Better Factories* enters its new phase it is important that all *Better Factories'* partners reflect on learning so far and work together to develop a way forward so that *Better Factories Cambodia* can continue to serve and contribute to the growth and success of the Cambodian garment industry.

Better Factories' monitoring process



Fighting corruption: How *Better Factories* prevents bribery

Corruption is a well recognised problem in Cambodia, but to prevent it affecting *Better Factories Cambodia* many safeguards are built into the monitoring programme. Although the number of attempts to compromise *Better Factories Cambodia* staff has fallen since *Better Factories* was first established, the very nature of *Better Factories'* work demands constant vigilance to prevent corruption.

Better Factories Cambodia uses multiple anti-corruption approaches, from rules and internal control systems to an internal code of conduct, including two-person rotating monitoring teams, ethics training under the UN system, system controls on anomalies in compliance levels, and checks and balances in the report approval process.

Better Factories Cambodia also tries to discourage attempts to corrupt its staff by using a transparent monitoring process, and through advocacy and communication about the high level of integrity of *Better Factories'* staff.

In the past there have been attempts to bribe monitors. In some cases, those who have unsuccessfully attempted to deliver bribes to monitors have themselves pocketed the money, and later insisted to their superiors that they made the bribe payment.

Here are some of the ways monitors have had their integrity challenged:

- Factory managers and staff have tried to hand envelopes to monitors while they were conducting factory walk-throughs;
- Factory management staff have attempted to load boxes into the *Better Factories* car while the monitors were observing the workplace;
- Monitors have been asked to discuss factory matters in restaurants or clubs after hours;
- Management staff have attempted to deliver presents to monitors' homes; and
- Parties to a conciliated dispute have attempted to hand envelopes to the monitors after monitors observed the dispute conciliation.

Fortunately, these types of incidents are now rare. If a monitor is offered a bribe or encounters any other challenges to his or her integrity, *Better Factories'* internal rules require the monitor to report the incident immediately to programme management. *Better Factories Cambodia* also periodically reviews the existing check and balance mechanisms, and continues to be attentive to the threat of corruption in order to ensure that the monitoring programme remains reliable, credible and independent.

An outsider's perspective on *Better Factories* and the garment industry



Ellie Mulder

Better Factories Cambodia recently spoke to two interns, Ms Ellie Mulder and Mr Jan Willem Boezelman of Utrecht University, the Netherlands, about their perceptions of the Cambodian garment industry and the role of *Better Factories*.

Better Factories: Before you came to Cambodia, what was your perception of the garment industry here?

Ellie: I had the perception that Cambodia was a special case when it comes to the garment industry compared to other garment producing countries. I also thought that all factories would be very dedicated to maintaining high labour standards because they are dependent on this for their orders.

Jan Willem: My perspective was a little different to Ellie's. To be quite honest, my view of the Cambodian garment sector was not very good. I associated Cambodia with rather bad working conditions. I was surprised to see many factories with relatively good working conditions.

Better Factories: Now that you have worked in Cambodia, how have your perceptions about the garment industry changed? Have your perceptions about *Better Factories* changed?

Ellie: My perception of the garment industry's dedication to maintaining high labour standards has changed. It turns out that many factories are not interested at all in being socially responsible. Fortunately, some of the factories have proven to be very dedicated and even go beyond the law to keep high standards.

My perception of *Better Factories* has changed in the sense that the programme turns out to be even more important in keeping labour standards up than I previously thought.

Jan Willem: My view is much more positive about the garment sector in general. Working conditions are relatively good, and are improving gradually. Although I think the sector has some important challenges to overcome (overtime, labour relations and productivity), the sector is performing well in the post-MFA era.

Better Factories: Now that you have seen it first hand, what surprised you most about the garment industry in Cambodia?

Ellie: What surprised me most was that the women who work in the factories are not as deprived as people often claim. And even though their situation isn't always desirable, they seem content, happy, and proud - and - in most cases are much better off than many Cambodians.

Jan Willem: I had a very negative view of the working conditions and the living conditions of most women workers. During my research I found that most of the women workers are not that negative at all about their situation. They see their work as hard, but also as an opportunity.

Better Factories: Have you got suggestions for areas that *Better Factories Cambodia* or the garment industry need to improve?

Ellie: The garment industry should realise that its market position - as a sweatshop-free country is unique and has to be maintained if the industry wants to stay competitive in the global market. Factories seem to be very aware of how important productivity, efficiency and quality are, but what they do not seem to realise is that an 'enabling environment' can also generate cost savings and improve productivity. For example, investing in health programmes results in healthier, more productive workers, keeps trained and knowledgeable staff from leaving and saves money by reducing worker turnover.

Jan Willem: As my research focused on integrating monitoring and remediation, I think (and this is one of the conclusions of my research) that it would be very good if the monitoring and remediation units could work more closely together. This would enable *Better Factories Cambodia* to work in a more supportive way towards factories.

Better Factories Cambodia releases 18th Synthesis Report



Better Factories Cambodia recently released the 18th Synthesis Report on Working Conditions in Cambodia's Garment Sector. Synthesis Reports assess compliance with Cambodian labour law and international labour standards in garment factories, and this was the second Synthesis Report issued using the automated Information Management System (IMS) for collecting monitoring data.

The 18th Synthesis Report covers monitoring data collected from 223 factories in the period from 1 November 2006 to 30 April 2007, and contains many positive findings. 'The findings from the 18th Synthesis Report are very encouraging, and it shows the whole garment sector is moving in the right direction', said Mr Tuomo Poutiainen, who heads *Better Factories Cambodia*.

Some key findings in the report include:

- Average percentage compliance figures have seen modest improvements across all issues, with wages leading other areas in compliance
- 96% of factories monitored comply with minimum wage requirements for regular workers while 61% of factories employing casual workers pay those workers the correct minimum wage
- 60% of factories now ensure that overtime is voluntary (up from 49% in the previous Synthesis Report)
- There has been a 28% increase in factories that have adopted grievance handling procedures to effectively resolve disputes
- An underage worker was found at one factory. This case has been addressed.

The 18th Synthesis Report is available in Khmer, English and Chinese and can be downloaded from www.betterfactories.org/ilo

Four new episodes of 'At the Factory Gates' soap opera released

Better Factories' innovative soap opera series, 'At the Factory Gates' was produced to help factories with their in-house training, and covers important workplace issues and trains workers on their rights and responsibilities in a way that is easy to understand. Each episode is an enjoyable and captivating drama in its own right but has an underlying theme relevant to garment factories.

The series comes with explanatory comic books to help convey key messages from each episode. Episodes 3 – 6 are new and were recently released.

- Episode 1 - Grievance handling
- Episode 2 - Dispute prevention and resolution
- Episode 3 - Stealing
- Episode 4 - Occupational Safety and Health
- Episode 5 - Working mothers and promoting breast-feeding
- Episode 6 - Underage workers



Disputes and dispute resolution in Cambodia: An overview

By Mr John Ritchotte, Chief Technical Advisor to ILO Labour Dispute Resolution Project

Industrial relations in Cambodia is very different today to what it was just five or ten years ago. Unions are now an integral part of the industrial relations landscape. An Arbitration Council has been established and the type and nature of disputes has also changed. Union-management relationships in Cambodia quite often remain unnecessarily tense but today there are options and examples of constructive ways to improve this relationship provided all parties show the willingness and maturity to do so.

One of the most striking industrial relations changes over the past decade has been Cambodia's impressive union growth. Less than ten years ago there were only a handful of unions. Today unions are found in the garment, tourism, construction, food, beverages and food processing, light manufacturing, services, and other sectors.

Strikes and industrial disputation have occurred in many sectors of the economy, and although they have been more common in the garment industry, they have still been a problem in other industries. The hotel industry in particular faced a series of widespread and crippling strikes in 2002 and 2003, affecting some of Cambodia's largest and best-known hotels.

The garment sector has seen an average of 77 strikes per year between 1999 and 2006, with a high of 92 strikes in 2000 and lows of 55 and 66 in 2003 and 2005, respectively. Over 340,000 work days were lost last year, a significant increase over previous years. This

trend has been reversed recently, with an average of less than 5 strikes per month from February through May.

Strikes occur in the garment industry for many reasons. Many result from employer violations of the labour law. Sometimes this is because employers have an incomplete knowledge of the law and sometime it is because the law itself lacks clarity. Strikes sometimes occur because of organizing drives or union competition at the workplace. Unexpected, or 'wildcat' strikes led by an unhappy worker are also not uncommon, and in such cases the union may be unaware and unprepared for the strike action.

There are several measures that workers, employers, government, and the ILO can take to help improve the current situation. First, both workers and employers should accept their responsibility to engage in dialogue at the enterprise and industry level. Dialogue does not necessarily mean negotiation; however, both sides must be willing to have constructive conversations in order to address and resolve small problems before they become larger ones. In instances where enterprise management refuses to meet with unions, the Garment Manufacturers Association in Cambodia (GMAC) could help facilitate a dialogue.

The ILO, as well as almost all human resources experts, encourages the use of grievance procedures for enterprises above a certain size. Properly understood and implemented, these can be an important tool to resolve workplace disputes.

If a dispute should escalate there are also two important services available: Ministry of Labour conciliation and arbitration at the Arbitration Council. Ministry of Labour conciliators are effective at resolving around 70% of the disputes they receive in Phnom Penh and nearby Kandal Province. In the event that a collective dispute (i.e. involving a union leader or a group of workers) cannot be resolved by Ministry conciliation it is forwarded to the Arbitration Council, Cambodia's only national alternative dispute resolution body.

The Arbitration Council has a very good reputation and has a mandate under Cambodian law to reach independent decisions on collective disputes. Since it was established in 2003 it has issued 360 arbitral awards, and successfully resolved around 70% of its cases. Further information, including the text in Khmer and English of every award issued, may be found at www.arbitrationcouncil.org

A constructive and increasingly popular way to improve relations between employers and employees is to negotiate an enterprise level Collective Bargaining Agreement (CBA). This was the approach the hotel industry took following the strikes of 2002 and 2003. While it requires a willingness and capacity to negotiate productively, a successful CBA is the best guarantee for maintaining harmonious relations between workers and management.

Moving from problems to solutions

An innovative new training programme will provide cutting edge solutions to factory improvement needs, according to Mr Conor Boyle, *Better Factories*' Training Manager.

Better Factories is to introduce a new service, 'Fast Track Remediation', to bridge the gap between monitoring and training. The new service which will start in the second half of 2007 is designed to provide responsive, effective and custom-made solutions for individual factories to address problems identified through monitoring.

'This is a natural progression for *Better Factories*', said Conor Boyle, *Better Factories Cambodia's* Training Manager. 'Monitoring allows us to identify problems, but it does not get to the root causes of those problems. This new Fast Track Remediation service will help us to work in partnership with individual factories to find the best solutions'.

The Fast Track Remediation service will be open to all factories that request to participate. After monitoring reveals a problem, or if a factory specifically requests,

Better Factories will do a Needs Assessment using either its own specially trained staff or by referral to a third-party, then help put into place the changes needed to fix the problem. Evaluations, impact assessment and monitoring act as checks to ensure that the solution is properly implemented and working (see diagram).

According to Mr Conor Boyle, 'the new Fast Track Remediation service shows that *Better Factories* is moving beyond monitoring towards true partnerships with manufacturers to find solutions to problems faced within the industry, and to position *Better Factories* to be able to provide practical, responsive and on-going services to individual factories'.

'Current *Better Factories Cambodia* training services are an important way to raise industry standards through focused capacity building', Mr Boyle said. 'But the services offered through the training unit have not been geared towards providing customised services to individual factories. The Modular Training Programme has made a significant impact, but the challenge for *Better Factories* is to facilitate real change at the factory level for the benefit of the whole industry'.

Mr Tuomo Poutiainen, Head of *Better Factories* emphasises that Fast Track Remediation is not intended to be a quick fix to factory non-compliance issues. 'We aim to build long term relationships with enterprises and their staff. We will work on a continuous improvement cycle, and find positive solutions to satisfy both management and workers'.

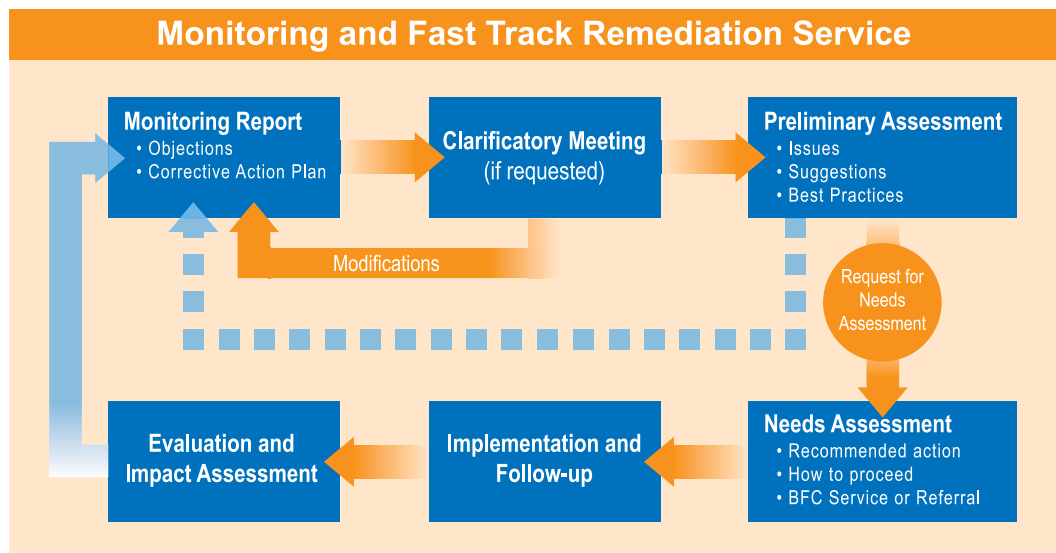
A challenge for *Better Factories* will be to develop the skills of its staff to make the new Fast Track Remediation service truly effective. Monitoring and training unit staff will need to be multi-skilled and to use their knowledge and experience through team work and adopt a more service oriented frame of mind.

'A key aspect of this work will depend on the skills development of our national staff members', said Mr Tuomo Poutiainen. 'We have to invest both time and resources to enhance their skills because this work is not only technically challenging, but also involves a shift in how *Better Factories* approaches its work. We are confident however, that we have the right people in place to take this idea forward'.

Mr Conor Boyle agrees. 'Implementing this new approach to our work will be challenging but our stakeholders understand it is geared towards the needs of the market and should improve working conditions, workplace relations and perhaps most importantly a factory's profitability and ability to generate higher sales'.



Mr Conor Boyle, *Better Factories*' Training Manager, talking with garment workers during a factory improvement follow-up visit.



Single issue seminars July-September

Better Factories Cambodia offers training seminars on important issues for garment factories. The seminar topics are chosen on issues which are likely to benefit both factories and workers. Seminars are highly participatory and usually run from one to three days, depending on the topic.

Human Resources and Working Conditions Training - Sihanoukville (In Khmer)	
About the course	The objectives of this seminar are to provide participants the opportunity to define HR management and discuss its importance for the success of the garment industry. Topics include: Managing HR for high performance, hiring for workforce flexibility, organisational culture, disciplining and dismissing employees, rewarding for opportunity, motivation and ability, maternity leave and breast feeding.
Target Participants	Cambodian Human Resources or Administrative Managers and union/worker representatives.
Dates and Venue	1 Group: 24-25 July 2007 (2 days, plus factory follow-up visit on 26 July) Location: Seaside Hotel, 14 Mithona Street, Ochheuteal Beach, Sangkat 4, Sihanoukville.
First Aid Training (In Khmer)	
About the course	Practical First Aid skills through demonstrations, hands-on practice and simulation exercise. Expert trainers from Cambodian Red Cross (CRC) teach the course. Successful participants receive a First Aid certificate endorsed by the CRC. Topics covered have been chosen for their relevance to garment factories and include: Controlling bleeding; wounds; poisoning; unconsciousness; broken bones; body hygiene.
Target Participants	Cambodian workers, supervisors and union representatives who are working on the production floor with first aid responsibilities. Course available to all interested factories.
Dates and Venue	2 Groups: 13-14 August 2007 or 16-17 August 2007 Location: VBNK Training Centre #28, Street 80, Phnom Penh.
Occupational Safety and Health (OSH) Training - Kampong Cham (In Khmer)	
About the course	Participants receive practical OSH training on how to improve factory safety and health to national and international standards. Course focus is on effective low-cost activities which will improve working conditions and productivity. Specific sessions focus on: Prevention and a preventative approach, general workplace conditions, OSH committees, workplace hazards, accident prevention and risk mapping. Seminar concludes with each participating factory designing a Factory Improvement Plan to implement the training into practice in their own factories.
Target Participants	People with OSH responsibilities – factory union and management representatives
Dates and Venue	1 Group: 11-12 September 2007 (2 days, plus factory follow-up visit on 13 September) Location: Kampong Cham (venue to be determined)

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