

KINGDOM OF CAMBODIA
INTERNATIONAL LABOUR ORGANIZATION
BETTER FACTORIES CAMBODIA

**TWENTY-SECOND SYNTHESIS REPORT ON
WORKING CONDITIONS
IN CAMBODIA'S GARMENT SECTOR**



30 April 2009



Synthesis Report

01/11/2008 - 30/04/2009

175 Factories Monitored

1. About Better Factories Cambodia

Better Factories Cambodia aims to improve working conditions in Cambodia's export garment factories. It combines independent monitoring with finding solutions, through suggestions to management, training, advice and information.

2. Information Management System

Better Factories Cambodia has now developed a world-first information management system (IMS) for monitoring and reporting on working conditions. The IMS is a totally computerized system for collecting, storing and analyzing data. It enables the generation of reports tailored to user needs, and provides enhanced security, easy access to information, and greater transparency.

The IMS streamlines and integrates the data collected during factory monitoring visits on working conditions. By compiling this information electronically, Better Factories Cambodia now automatically generates reports for individual factories that show their current compliance as well as suggestions for improvement. Because of its electronic database, the IMS also provides reports on groups of factories or on the entire industry. It can compare performance across different types of factories, rank major issues, and detail different combinations of information that may be required for analysis.

The IMS makes it possible for Better Factories Cambodia to produce reports in Khmer, English and Chinese. Reports are more user-friendly. Because the system is web-based, accessing information is quick and easy.

Factories can grant buyers, vendors or other users access to their monitoring visit reports by submitting a Third Party Access Form. An authorized third party gains access to the IMS by submitting a completed Application for Subscription to the ILO and paying a fee. Once these forms are submitted, Better Factories Cambodia issues a username and password to the authorized user to view the factory's data online.

3. About this Report

This report summarizes information about working conditions and labour standards in Cambodian garment factories that are registered with Better Factories Cambodia. Electronic versions can be viewed at <http://www.betterfactories.org/ilo/>.

Better Factories Cambodia is transitioning to a new system for collecting, analyzing and reporting on factory monitoring data. This new system (called STAR) currently is being developed by the ILO through a program known as Better Work (see www.betterwork.org). STAR will refine the way in which aggregate compliance values are measured and reported. For example, STAR will incorporate data on the numbers of workers affected in calculating aggregated compliance levels. (This type of "severity index" currently is not accounted for when aggregated compliance values are calculated using the IMS). In anticipation of the transition to the STAR system, Better Factories Cambodia has streamlined the Synthesis Report to focus on the information that is most likely to be produced through STAR.

3.1 Factory Data Reflected in this Report

Most of the graphs and charts in this report reflect current monitoring data from factory reports posted during the past six months. If a factory has two monitoring reports posted during that time, only the most recent monitoring data is included. Conversely, if a factory did not have a monitoring report posted during the past six months, no data for that factory is included in this report. The graphs and charts that reflect this set of monitoring data are labeled "6 Months to Date".

Other graphs and charts display industry-wide information. They draw data from the most recent report for every active factory (not closed or suspended) with monitoring data in the IMS. The graphs and charts designed in this way are labeled "Industry-Wide".

All percentage figures shown in this report are rounded to the nearest whole number.

4. Industry Update

4.1 Number of Active Factories and Workers (Ministry of Commerce Data)

| | 30-Apr-2009 | 01-Nov-2008 |
|----------------------------|-------------|-------------|
| Number of Active Factories | 261 | 313 |
| Number of Workers | 290,439 | 348,118 |

Note: These figures are based on data provided by the Ministry of Commerce. The number of active factories includes all factories that the ministry has indicated are effectively operating.

There is a discrepancy between the November 2008 figures provided at the time of the last synthesis report and those provided more recently. The figures shown above are the most current figures provided for November 2008.

4.2 Number of Visits to Factories

During the previous six months, 175 factories were monitored. The data from those monitoring visits is reflected in this report. Better Factories Cambodia visits factories as they register with the project. Some factories have been registered for a number of years and have had multiple visits. The table below shows the number of factories grouped according to the visit number that took place in the last 6 months.

Table 1
Factories Grouped by Visit Number

(6 Months to Date)

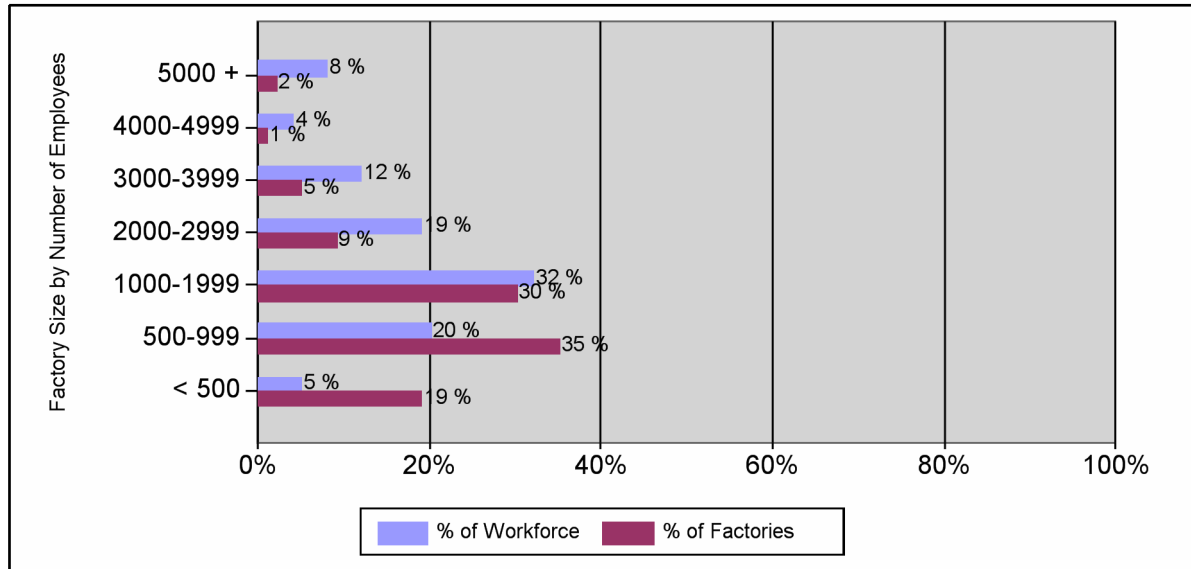
| Visit Number | Number of Factories | % of Factories Visited |
|--------------|---------------------|------------------------|
| 1st Visit | 21 | 12% |
| 2nd Visit | 11 | 6% |
| 3rd Visit | 15 | 9% |
| 4th Visit | 8 | 5% |
| 5th Visit | 31 | 18% |
| 6th Visit | 14 | 8% |
| 7th Visit | 22 | 13% |
| 8th Visit | 30 | 17% |
| 9th Visit | 20 | 11% |
| 10th Visit | 3 | 2% |
| Total | 175 | 100% |

Fewer factories have been monitored during this period than during recent reporting periods. As Better Factories Cambodia works to become self-sustainable and to align itself with the ILO's Better Work program, monitoring targets have been revisited to allow for improvements in program services.

4.3 Factory Size

Graph 1

Comparison of the percentage of Factories and Workforce by Factory size (number of employees)
(6 Months to Date)

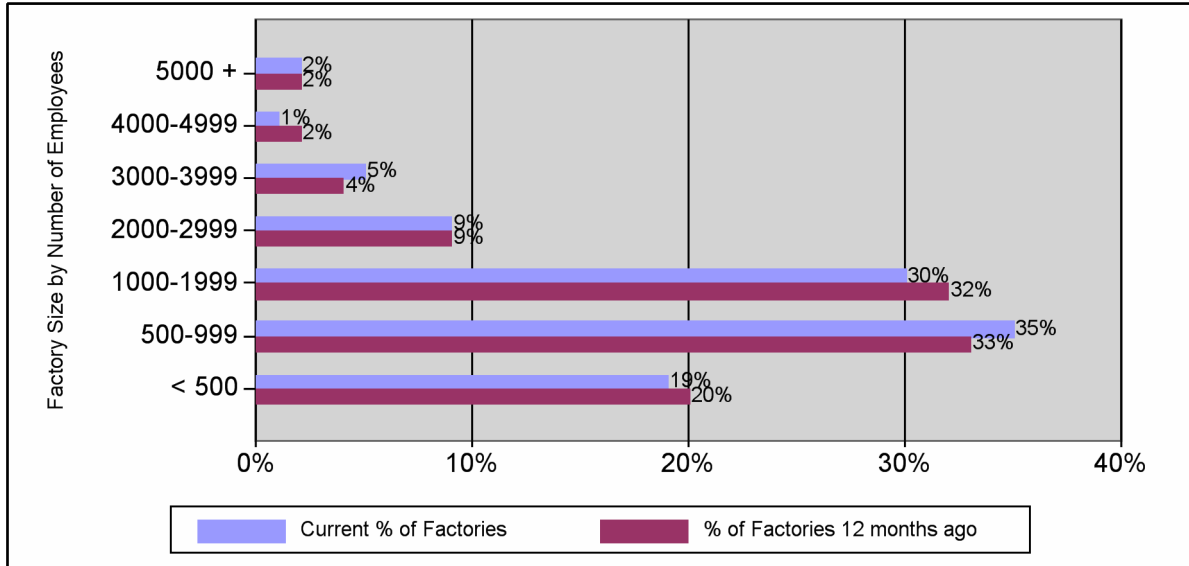


These figures have not changed significantly from those reflected in the 21st Synthesis Report, despite the factory closures that have taken place during the past six months.



4.4 Changes in Factory Size Over Time

Graph 2
(6 Months to Date)

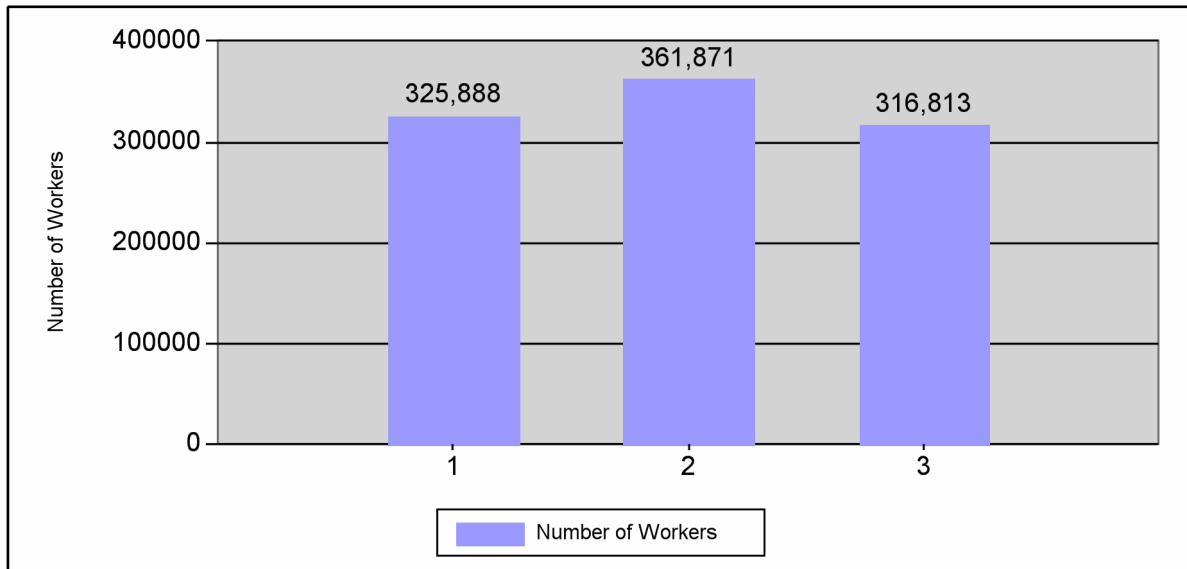


The distribution of factories according to factory size has not changed much over the course of the past year.

4.5 Workers Employed in Factories Monitored by Better Factories Cambodia

This graph shows the number of workers employed currently, one year ago, and two years ago in the factories monitored by Better Factories Cambodia, based on information collected during monitoring visits.

Graph 3
(Industry-Wide)



- 1 - 2 Years Ago
- 2 - 1 Year Ago
- 3 - Current

The current percentage of women workers in the active factories monitored by the project is 92 %

Note: The numbers of workers shown above include workers from all active factories (not closed or suspended) that have been monitored by Better Factories Cambodia. The figures are drawn from the most recent monitoring report for every active factory with monitoring data in the IMS as of the relevant date. This data has been collected over a period of several months. Changes in the number of workers or status of factories (e.g., closure) that occurred after the most recent monitoring visit are not reflected in this graph.

The global financial crisis has significantly impacted Cambodia's garment industry, resulting in lay-offs and a number of factory closures. The impact has been mitigated somewhat by new factories opening. A rapid assessment of the impact of the global economic crisis commissioned by the ILO was completed in March 2009 (see <http://www.betterfactories.org/resourcedet.aspx?z=7&iddoc=114&c=1>). This assessment provides a clearer picture of the impact of the crisis in Cambodia, and has formed the basis of ILO recommendations on policy responses. In consultation with the Royal Government of Cambodia and other stakeholders, the ILO has developed a Plan of Action for Cambodia, which it hopes to implement during the remainder of 2009.



4.6 Number of Active Factories Monitored by Better Factories Cambodia (Industry-Wide)

| | 30-Apr-2009 | 01-Nov-2008 |
|---------------------|-------------|-------------|
| Number of Factories | 286 | 302 |
| Number of Workers | 316,813 | 345,801 |

Note: The number of factories shown above includes all active factories (not closed or suspended) that have registered with and been monitored by Better Factories Cambodia. The employment figures are drawn from the most recent monitoring report for every active factory with monitoring data in the IMS on the relevant date. The data reflected in this table has been collected over a period of several months. Changes in factory size (number of workers) or status (e.g., closure) that occurred after the most recent monitoring visit are not reflected in this table.

A complete list of the active factories monitored by Better Factories Cambodia is available on our website at: <http://www.betterfactories.org/monitoring.aspx?z=5&c=1>

As indicated above, the global economic crisis has resulted in factory closures and lay-offs.



5 Compliance Status

5.1 Findings on Selected Working Conditions (6 Months to Date)

| Legal Requirement | % of Factories in Compliance |
|---|------------------------------|
| Minimum Wage for Regular Workers | 99 % |
| Minimum Wage for Casual Workers (1) | 89 % |
| Minimum Wage for Piece-Rate Workers (1) | 93 % |
| Correct OT Rate for Regular Workers (2) | 99 % |
| Correct OT Rate for Casual Workers (1,2) | 98 % |
| Correct OT Rate for Piece-Rate Workers (1,2) | 93 % |
| 18 Days of Annual Leave | 97 % |
| Payment for Maternity Leave (at least partial compliance) | 72 % |
| - Full Compliance with Maternity Leave (Half Wages plus Benefits) | 67 % |
| Paid Sick Leave | 77 % |
| Voluntary Overtime | 85 % |
| Exceptional Overtime | 10 % |
| Overtime Limited to 2 Hours per day | 35 % |
| Provide Personal Protective Equipment (3) | 56 % |
| Install Needle Guards on Sewing Machines (4) | 57 % |

(1) Compliance figures on minimum wage and overtime rates for casual workers and piece-rate workers are based only upon those factories employing casual workers or piece-rate workers (not upon all factories covered by the report).

(2) Correct OT Rate refers to the payment of overtime work at 150%. Incorrect payment of overtime wages arising solely as a result of incorrect payment of base wages is not reflected in these figures.

(3) Better Factories Cambodia monitors whether management has provided goggles, masks, shields, footwear, earplugs, helmets, gloves, overalls, and other necessary equipment. If workers require any protective equipment (due to the work performed or the working conditions) and the equipment is not provided, the factory is considered to be out of compliance. The provision of personal protective equipment for workers working with hazardous substances is monitored separately, and is not reflected in the figure above. Workers' use of protective equipment and training by management on its use also are not reflected in the figure above.

(4) When monitoring for needle guards on sewing machines, monitors also check to see whether the guards are functioning properly. In some cases, workers disable needle guards that have been installed. In order for the factory to be found in compliance with this requirement, the guards must be installed and functioning properly.

When compared with the 21st Synthesis Report, compliance levels have improved or remained high for all working conditions shown above except for maternity leave payments, for which full compliance decreased by 15%. Compliance with minimum wage payments to casual workers is up by 12%. There is higher compliance with all three overtime requirements shown above, which may be due in part to reduced orders and a corresponding decrease in overtime work. Compliance with the both of the OSH requirements shown above, providing personal protective equipment and installing needle guards on sewing machines, has improved by 12% and 7%, respectively. It is especially encouraging to note these improvements in working conditions even as factories face increasing pressure due to the economic crisis.



5.2 Compliance with Fundamental Rights at Work

Key Findings on Fundamental Rights (6 Months to Date)

| | |
|--|--|
| Child Labour | 1 factory(ies) had underage workers (1%) 1 under age worker confirmed. |
| Forced Labour | 0 factory(ies) used forced labour (0%) |
| Discrimination (1) | 22 factory(ies) engaged in discrimination (13%) |
| Unions (2) | 147 factory(ies) had at least one union (84%) 284 total unions were present |
| Unionization Rate | 43%, according to 2006 Gender Survey (see below) |
| Freedom of Association | 8 factory(ies) interfered with freedom of association (5%) |
| Anti-union Discrimination | 4 factory(ies) engaged in anti-union discrimination (2%) |
| Strikes (3) | 24 factory(ies) had strikes (14%) 30 strike(s) took place |
| Strikes for which workers failed to comply with one or more legal requirements (4) | 24 factory(ies) 30 strikes (100% of strikes) |

(1) Discrimination typically involves unfair treatment of pregnant workers (for example, dismissal when they become visibly pregnant), or unfair treatment of men (for example, failure to hire men because they are perceived as more likely to lead workers to strike).

(2) The number of unions reflects only unions that are active and registered at the time of the monitoring visit.

(3) The number of strikes shown includes all strikes revealed jointly by management and workers during a monitoring visit, and reflected in a report signed off within the past six months. The strikes may have occurred any time after the previous monitoring visit. Therefore, this figure does not reflect only strikes that took place during the 6 months prior to this report.

(4) When checking whether workers failed to comply with one or more legal requirements before going on strike, monitors consider whether workers went on strike for reasons permitted by law; whether they attempted to settle the dispute using other peaceful methods first; whether union members approved the strike by secret ballot; and whether the union provided 7 working days prior notice to the employer and the ministry in charge of labour. If workers failed to comply with any one (or more) of these requirements, the strike is included in the figure above.

These figures have not changed by more than 2%, except that the percentage of factories with at least one union has increased by 7%.



Limitations in Detecting Underage Workers:

The lack of a universal birth registration system in Cambodia and falsification of age-verifying documents significantly impede the detection of underage workers. In checking for underage workers, monitors perform a visual check for workers in the factory who appear to be under age 15. Monitors also conduct targeted and random checks of employment records to see whether those records indicate that the factory employs underage workers. A similar process is undertaken to determine whether the factory employs workers under age 18, because factories that employ workers under age 18 are subject to additional requirements (e.g., maintaining a register of workers under age 18, getting consent from their guardians for them to work, and protecting workers under age 18 against the worst forms of child labor).

If employment records appear to be reliable (i.e., the documents have not been altered, and they are of a type included in the list of age-verifying documents set forth in Notice 11/03), no further investigation is undertaken. If the employer does not have reliable age-verifying documents, monitors request such documents from workers. If no reliable age-verifying documents are available for workers who appear to be underage, monitors may check available documents in the suspected underage workers' birthplace. It is very difficult for Better Factories Cambodia to detect underage workers who have obtained valid age-verifying documents through corrupt payments or to detect underage workers who impersonate someone of legal age using their valid documents.

If an underage worker is detected, the Garment Manufacturers' Association in Cambodia (GMAC) and the ILO have agreed on a process through which the worker is removed from the workplace and referred to vocational training. The factory continues to pay the worker's wages and also bears the cost of the vocational training until the worker reaches age 15. Upon reaching age 15, the worker has the option of returning to work in the factory. If a factory does not comply with this process, the case is referred to the labour ministry's Child Labour Department.

Limitations in Detecting Incidence of Sexual Harassment:

Better Factories Cambodia commissioned CARE International in Cambodia to conduct a survey of 1000 garment factory workers, and 80 HR/admin managers to explore workers' perceptions concerning gender and workplace relations issues that are difficult to monitor and to cross check key monitoring results (the Gender Survey).

Better Factories Cambodia monitoring typically identifies very few isolated instances of sexual harassment in any form in garment factories. 5% of women workers who participated in the Gender Survey experienced sexual harassment in the form of unwanted touching. The Gender Survey found that significant numbers of women workers were subject to derogatory language from management (just over 25%) and also from co-workers (just under 25%).

Monitoring of Freedom of Association and Anti-Union Discrimination:

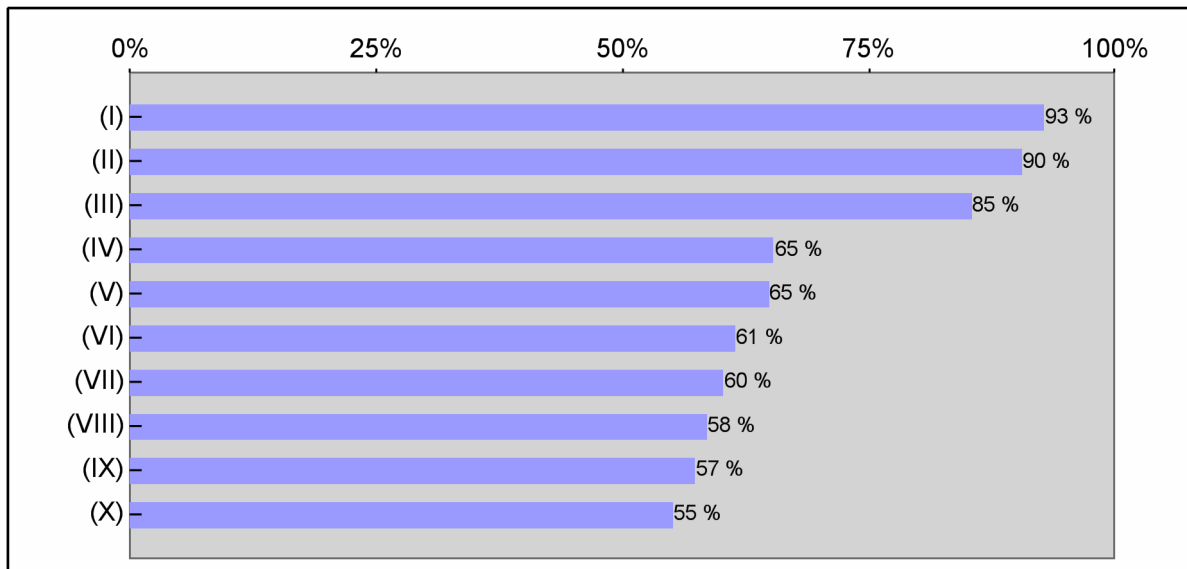
Better Factories Cambodia is aware of allegations of corruption in Cambodian garment factories between some managers and union representatives. This is very difficult to independently verify. Corruption adversely affects the exercise of freedom of association.

5.3 Top 10 Non-Compliance Issues

This graph shows the ten most commonly used suggestions in Cambodian garment factories. These suggestions reflect the top ten non-compliance issues.

Nine out of ten of the top non-compliance issues appeared in the last report (the last report did not include the shop steward issue). However, the percentage non-compliance figures are significantly lower than the levels appearing in the prior report, signaling improvement on all nine of these issues.

Graph 4
% of factories not in compliance (6 Months to Date)



Management should:

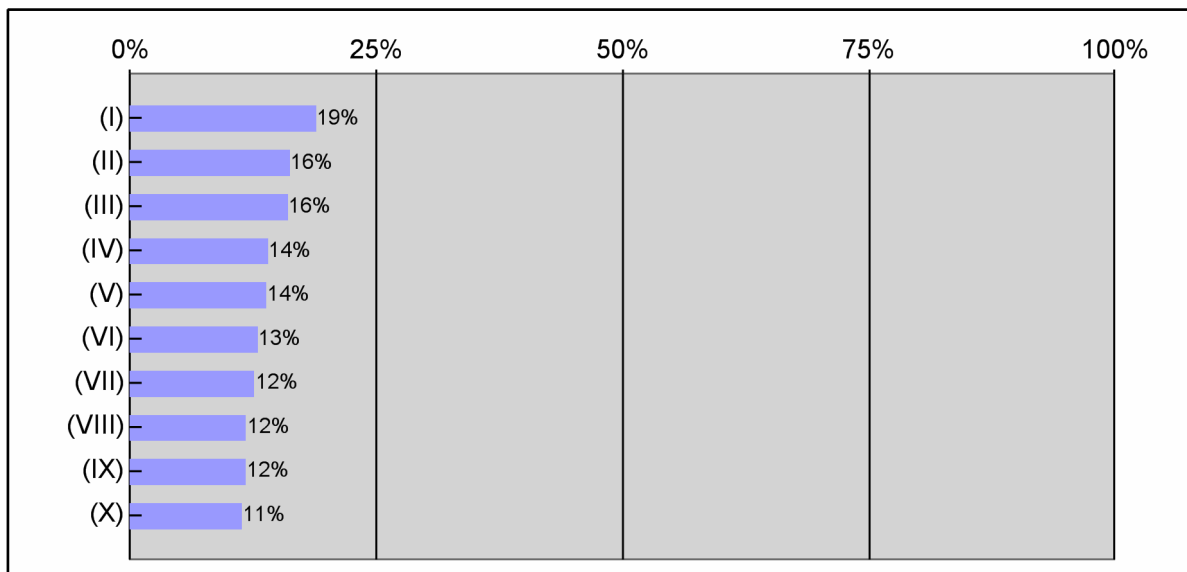
- (I) provide adjustable chairs with backrests for workers who work sitting down.
- (II) ensure that overtime
 - is exceptional
- (III) ensure that the workplace is well lit.
- (IV) increase the staffing in the infirmary by
 - ensuring that medical staff are on duty during the required number of hours (including overtime)
- (V) ensure that overtime
 - does not exceed 2 hours per day
- (VI) provide shop stewards with:
 - an office
- (VII) provide workers who work standing up chairs near the workstation to rest on.
- (VIII) take the following steps to ensure workers' occupational health and safety:
 - consider forming a functioning joint management/worker OSH committee
- (IX) pay workers within 48 hours after they stop working for the factory.
- (X) ensure that sufficient soap and water is available near the toilets.

6 Progress

6.1 Top 10 Areas of Most Improvement

This graph shows the top ten areas of improvement in Cambodian garment factories. The graph compares current data (6 months to date) with data from six months ago (6 months to date). The level of improvement is measured by comparing the current level of compliance (%) with the level of compliance 6 months ago for each individual suggestion. The ten suggestions that saw the greatest positive change in percentage compliance are reflected in the graph.

Graph 5
(6 Months to Date)



Management should:

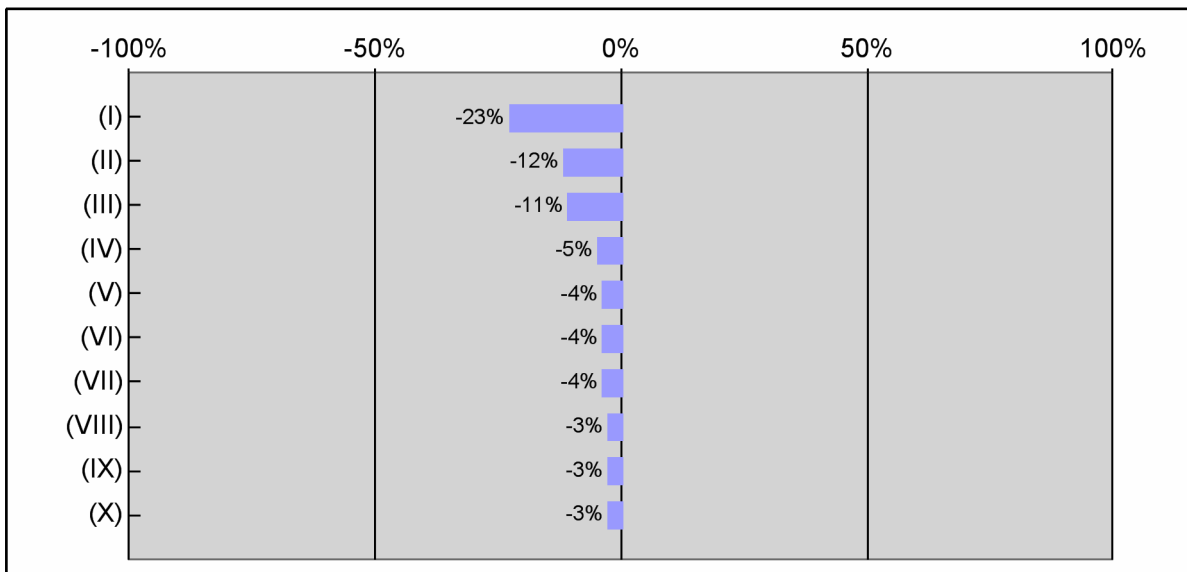
- (I) ensure that overtime
 - does not exceed 2 hours per day
- (II) take steps to reduce heat in the workplace.
- (III) ensure that the payroll ledger accurately reflects the wages actually paid to the workers.
- (IV) provide cups or other sanitary means for drinking water.
- (V) expand the hospitalization capacity of the infirmary.
- (VI) train an appropriate number of workers to use the fire extinguishers, including both men and women workers.
- (VII) get permission from the Labour Inspector before suspending the weekly break
- (VIII) ensure that the payslips accurately reflect the hours actually worked and the wages actually paid to the workers.
- (IX) provide workers with masks.
- (X) increase the staffing in the infirmary by
 - ensuring that medical staff are on duty during the required number of hours (including overtime)

6.2 Top 10 Areas of Least Improvement or Negative Change

This graph shows the ten areas of least improvement in Cambodian garment factories. The graph compares current data (6 months to date) with data from six months ago (6 months to date). The level of improvement (or negative change) is measured by comparing the current level of compliance (%) with the level of compliance 6 months ago for each individual suggestion. The ten suggestions that saw the greatest negative change (or the smallest positive change) in percentage compliance are reflected in the graph.

Two of the issues below relate to payments upon termination (V and VI), and one relates to notification to the ministry before suspending work (VIII). These issues could be arising more frequently as a result of recent factory suspensions and closures brought about by the economic crisis.

Graph 6
(6 Months to Date)



Management should:

(I) pay workers who work regularly the attendance bonus of \$5 per month, and any other mandatory wage supplements, especially Probationary workers. Please note that this suggestion may pertain to incorrect payment of the attendance bonus AND/OR incorrect payment of the Cost of Living Allowance. Please see findings for details.

(II) provide shop stewards with:
- an office

(III) pay workers who work regularly the attendance bonus of \$5 per month, and any other mandatory wage supplements, especially Regular workers. Please note that this suggestion may pertain to incorrect payment of the attendance bonus AND/OR incorrect payment of the Cost of Living Allowance. Please see findings for details.

(IV) train workers to use chemical substances safely.

(V) pay workers severance pay equal to at least 5% of the total wages paid under the contract when workers' fixed-term contracts expire or are terminated.

(VI) pay terminated workers damages equal to at least their wages owed through the end of the fixed-term contract.

(VII) post the internal regulations in the workplace and at the hiring office.

(VIII) notify the labour ministry before suspending workers' employment contracts due to economic, material, or other unusually difficult problems.

(IX) explain the items that make up their wages and the terms of payment to all workers, especially Regular workers before the workers start work, and each time the terms, items, or style changes.

(X) take the following steps to ensure workers' occupational health and safety:
- ensure that managers and supervisors have clear OSH responsibilities