



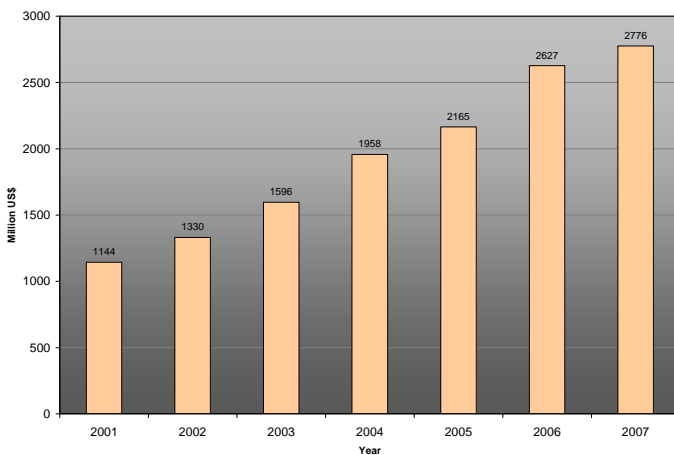
Cambodian Garment Industry: Challenges and Opportunities

In December 2008, the US safeguards on Chinese imports will come to an end. EU quotas have already been removed and the US is going through an economic slowdown – these are all factors that affect the Cambodian garment industry. This fact sheet sets out how the Cambodian export garment industry is managing this increasing pressure.

Are exports still on the rise?

Although growth has slowed, the value of exports has continued to increase. In 2007, the aggregate value of Cambodian garment exports increased to almost \$2.8 billion. In 2006, the value of exports was US\$2.6 billion, which was 21%¹ higher than in 2005. According to the US Apparel import statistics, imports from Cambodia rose 13.5% in 2007.²

Figure 1: Aggregate export value comparison 2001-2007 (millions US\$)



(Source: Ministry of Commerce, 2007)

¹ Ministry of Commerce, 2007

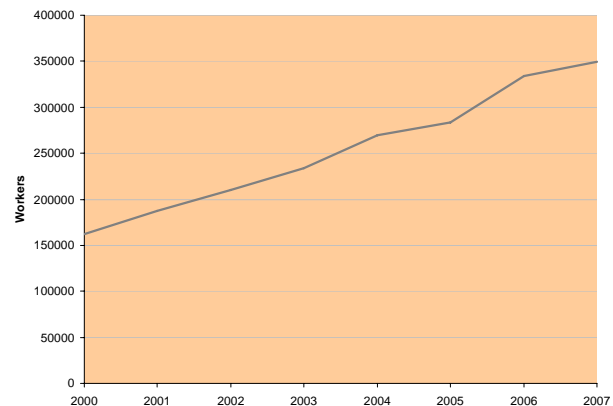
² U.S. Apparel Imports in 2004-2007 Statistical Report

In 2007, the US remained the primary market for Cambodian garment exports. Just over 70% of exports were shipped to the US and 22% went to Europe.³ This has been the pattern for several years. Cambodia depends heavily on the US market, so reduced orders from US retailers do affect exports.

What does it mean for jobs?

Between January 1st 2006 and December 31st 2007, over 62 000 new jobs were created in Cambodia’s garment industry. This represents an 18% growth in employment over two years.⁴ The total number of employees in the industry is now around 350 000. In early 2007, the minimum wage was raised to US\$50 per month and average earnings were US\$77 per month during that year.⁵

Figure 3: Workforce evolution 2000-2007.



(Source: Ministry of Commerce, 2007)

³ Ministry of Commerce, 2007

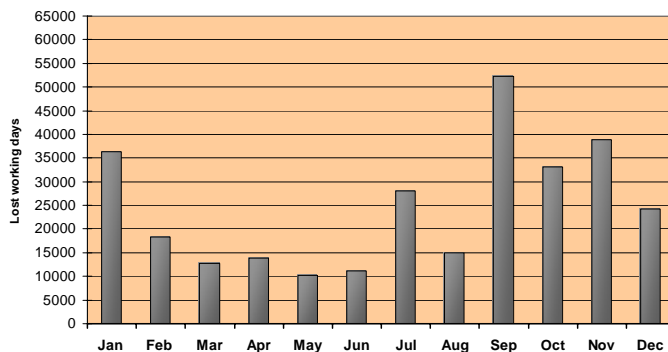
⁴ibid

⁵ibid

Industrial relations

Although the number of strikes and industrial disputes have decreased recently, they remain common in the garment sector. 80 strikes were reported in 2007, resulting in 294 142 lost working days. While this figure is high, it does represent a decrease of 17% in lost working days compared to 2006.⁶ Most disputes during 2007 centered around employment contract and wage issues.⁷

Figure 4: Number of working days lost during 2007 due to strikes.



(Source: GMAC, 2007)

Union status

Among the factories monitored by *Better Factories Cambodia* during 2007, 79% had at least one union, with an average of 1.4 unions per factory.⁸

Prospects for 2008

The US economic slowdown is likely to impact the Cambodian garment industry. There is no sign of factories or buyers leaving Cambodia, but to attract more investment in the face of increasing competition, Cambodia will need to increase productivity and improve industrial relations. The ILO encourages employers and workers to develop grievance procedures and to negotiate collective bargaining agreements in order

to prevent disputes and support competitiveness.

Although competition has increased, Cambodia's export garment industry has maintained high levels of compliance with labour standards. For example, of 227 factories monitored over the course of a 6 month period, nearly all factories complied with minimum wage requirements for regular workers.⁹

Most recent development

In April 2008 a US\$ 6 allowance raise was instituted to compliment minimum salary and other entitlements. The raise took place in response to high inflation and rising commodity prices.

April 2008

⁶ GMAC labour statistics 2007

⁷ GMAC labour statistics 2007

⁸ ILO BFC signed off factory reports 1st Jan – 31st Dec 2007

⁹ ILO BFC Nineteenth Synthesis Report on Working Conditions in Cambodia's Garment Sector.