



## **ILO Plan of Action for Responding to the Global Economic Crisis in Cambodia: Addressing the Impacts in the Garment Sector**

### **Tracking Study of Cambodian Garment Sector Workers Affected by the Global Economic Crisis**

### **Terms of Reference**

#### **1. Background**

The ILO projects that as a result of the financial and economic crisis, global unemployment could increase by 20 million by the end of 2009 (and possibly as much as 50 million in the worst-case scenario). Moreover, the number of the working poor living on less than two dollars a day could rise by more than 100 million. These projections could worsen dramatically if the effects of the current economic slowdown are not quickly confronted.

Many Asian countries which are heavily export oriented and derive their growth from their rising exports have been indirectly affected by the financial crisis through declining demand in industrialized country markets – especially the United States and the European Union. These include countries such as China, Vietnam, the Philippines and Cambodia, all of which are experiencing a slowdown in their exports and thereby on their growth. Between 2000 and 2007, GDP growth in Cambodia, The Philippines, and Vietnam, for example, averaged 9.5 percent, 5.0 percent and 7.7 percent, respectively.<sup>1</sup> For 2009, these figures are expected to be 1 percent, -0.6 percent and 0.3 percent, respectively. As these indicators continue to fall, labour markets in these countries are being adversely affected –the most visible sign of which is mass layoffs and rising social tensions (linked to unemployment). Potentially, due to its narrow (export and FDI-driven) economic base, Cambodia in particular could deliver the worst economic growth decline in ASEAN in 2009.<sup>2</sup>

In East Asia, as in many regions, several key trends are emerging:

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<sup>1</sup> See ILO (2008) “Labour and Social Trends in ASEAN 2008.” ROAP, Bangkok.

<sup>2</sup> See EIU 2009 Country Reports for Cambodia, The Philippines, and Vietnam, available at [www.eiu.com](http://www.eiu.com).

- *Employment growth is slowing.*
- *The sectors most affected* include garments, electronics and other export sectors, as well as construction and tourism (often driven by FDI in developing Asia).
- *This is having an adverse impact on women's employment -especially young women- in Cambodia as export oriented sectors such as garments are dominated by women.*
- *Wage growth is slowing down.* Wage growth is slowing down everywhere, eroding living standards. Real wages in Cambodia fell in 2008 due to high inflation, but wages typically still comprise 10 percent or more of the cost of labour.
- *Significant job losses* - In Cambodia it seems that the worst hit by closures are the smaller factories (90 units had closed by the end of 2008). According to industry analysts, approximately 70,000 workers have lost their jobs in the sector to date.
- *The numbers entering into vulnerable employment is rising*, such as in the informal economy and in low productivity agricultural work.
- *Labour supply pressure will exacerbate the challenges.* The greatest challenge will be in countries such as Cambodia, the Philippines, and Pakistan that experience a sharp deceleration in economic growth amidst a fast growing labour force.

There is an urgent need to assess the likely impact of the worsening global financial and economic crisis on national labour markets, and ensure that systems and structures are in place to deal with this crisis, if necessary. The ILO has, therefore, called upon national and international authorities, employers, workers and organizations of civil society to engage in rapid and coherent policy action to restore growth and mitigate the social and economic effects of the crisis, particularly for the most vulnerable groups.

To help prompt a stronger and more coherent policy response from national stakeholders as well as the international community in Cambodia, particularly with the view to alleviate the effects on the most vulnerable groups, the ILO commissioned the Cambodia Institute of Development Study (CIDS) to conduct a rapid assessment of the economic, social and labour market impact of the unfolding crisis in January 2009. The objectives of the study were to:

- Help ILO constituents (the government and other social partners) and the ILO to understand better the likely impact of the crisis on the economy and the labour market
- Identify sectors and groups that are most vulnerable to the crisis
- Analyze the possible implications of the impact of the crisis on these vulnerable segments and employment outcomes, by sex and age
- Provide recommendations for possible ILO action

The findings of the CIDS Study, presented in a tripartite workshop on 12 February 2009, indicated that the global financial and economic crisis had slowed GDP growth in Cambodia in 2008 and will further slow real GDP growth in Cambodia to 5.1 percent in 2009 (this, the most optimistic of external estimates, is much higher than some forecasts but still lower than government expectations). It also estimated losses to potential real income (output) as a result of the shock at US\$ 282 million in 2008 and US\$ 677 million in 2009.

With regard to its sectoral impact, the CIDS study observed that the crisis had so far only seriously hit workers and firms in the manufacturing sector, notably textiles & clothing and construction, while service businesses such as hotels and restaurants and real estate companies were yet to suffer as much. Garment factory and construction workers have seen a massive increase in layoffs and reductions in overtime of late, which has caused their average effective incomes to decline. The study revealed that since early 2008, around 28,819 garment workers and 15,000 construction workers were retrenched (up to January 2009). Moreover, in 2009 it predicts further job losses for thousands of workers in both sectors, whilst also highlighting a likely rise in the number of households considered “vulnerable.”

**Having identified the garment industry as the hardest hit sector in Cambodia, the CIDS report recommended special attention be given to better understanding the impact of the crisis in this sector –and particularly, on its mostly female workforce.**

The ILO has recently finalized a plan of action for its operational response to the crisis in Cambodia, and this has been done in extensive consultation and discussion with both constituents (i.e. the Royal Government, and representatives of workers and employers) and technical specialists and programme staff in Bangkok and Phnom Penh. Following these discussions, it was agreed that tackling the unfolding difficulties in the garment sector would form one of three major components of this plan (the other two being skills development and training and employment intensive infrastructure promotion). On completion, it is hoped that the proposed study will provide the ILO and other stakeholders valuable insights into the dynamics of the crisis in this most important of sectors –insights that will no doubt be critical for the development of swift, practical and targeted support to those most seriously affected by its contraction. In addition, the study should also provide a rare sectoral analysis of the crisis that can inform the response strategies of a broader array of stakeholders, including the garment industry itself (workers and employers), the Royal Cambodian Government, and the UNCT and wider development community.

## **2. The Crisis and the Cambodian Garment Industry**

Since 2001 the ILO has been involved in a project in Cambodia to improve working conditions in garment factories. The project, *Better Factories Cambodia*, does this by monitoring and reporting on working conditions according to national and international standards and by helping factories improve their productivity through various training opportunities and resources.

The garment sector is Cambodia’s largest industry, accounting for some 12 percent of GDP and 80 percent of total export earnings. US companies buy around 70 percent of Cambodia’s (made-for-

export) garments, while European firms buy most of the remainder. Nearly 350 000 workers –or around 4.3 percent of the labour force- are employed in the export garment sector.<sup>3</sup>

Workers in garment factories are mainly young women from the provinces –perhaps some 90 percent of the total workforce. They come from areas where it is unlikely that they or their families have direct experience in formal employment – for 75 percent the factory is their first full-time job. They migrate to work in the urban centres in order to support families of 4-9 people. Outside the garment industry jobs are scarce so employment in the industry is particularly valued.

For the reasons stated above (its role as a major export earner and single biggest formal employer in the country), the garment sector is understandably crucial to Cambodia's economic and social development. Moreover, it is important for the country's economic stability that this sector remains stable and continues to attract foreign buyers and investors, which allow the industry to provide gainful employment for hundreds of thousands of Cambodian workers and their families.

While there are number of research studies currently underway to examine the impact of the crisis on the Cambodian economy, business environment, competitiveness (both national and sectoral), health indicators and so on, **there does not seem to be a process that allows for following up a considerable number of recently laid-off or vulnerable workers to assess on a continuing basis their concerns and social and labour market behavior**, and from such to identify trends, calibrate ongoing responses and fit future employment policies to the needs of these workers. Hence, it is in this capacity that **the proposed tracking study will provide much value-added to the current research and overall understanding of the crisis in the garment sector.**

**The tracking study itself will form one of three components of a broader ILO study which will also examine (a) how the industry as a whole is coping and how well-placed it is to rebound once the economic outlook improves, and (b) how firms themselves are coping**, particularly in terms of their efforts to rationalize production (and the corresponding impact on workers, industrial relations, and so on).

It is envisaged that the tracking study component will allow for a substantive and accurate situational analysis of garment sector workers affected by the crisis, as well as providing the information necessary for the UN and Royal Government to develop targeted response measures to respond to their employment and welfare needs. To get an indicative and instructive sample, a group of no less than 2000 workers is recommended for this exercise.

For referral purposes, the study team will also aim to obtain information on an additional 8,000 to 10,000 workers in the garment sector beyond the tracking sample of 2000. It may also identify a control group of some 500 workers laid off from the construction sector (mostly male), if this is possible within the resources and the timeframe of the project.

### 3. Objective

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<sup>3</sup> These figures are estimates based on the recent CIDS rapid assessment in Cambodia, which places the combined numbers of employed across agriculture, industry and services in 2008 at 8.1 million.

The objective of this study is to **track a group of 2000 garment factory workers** –both laid off and vulnerable to being laid-off- over a period of six months, so as to develop a clearer picture of what is actually happening at the individual and family level in terms of the new hardships they are facing and the coping mechanisms they adopt to deal with the current economic downturn. With this objective in mind, it is expected that the study will **contribute directly to the development of policy responses and practical interventions** (by both the UN/development partners and Royal Government) to assist these workers in overcoming these hardships and enabling them to find alternative employment, either in the garment sector (when it recovers) or in other occupations like self employment in micro-enterprises, agriculture and agri-based activities, and so on.

## 4. Scope of investigation and Methodology

The investigation will include three distinct parts:

1. **Development of the research and survey methodology** and stakeholder engagement;
2. **Primary surveying/tracking** of laid-off workers for 6 months period that will allow for a proper situational analysis and development of targeted responses;
3. **Report writing, development of recommendations, and presentation at workshop**

### **Note on the methodology:**

*The research and survey methodology is explained in more detail in annex 2, but it will involve an adaptation of an ILO tracking methodology used for assessing the impact of different variables and changes over time. The methodology has been developed by ILO-IPEC for tracking child labour beneficiaries. The chosen research collaborator is expected to modify it to fit the intended use under this TOR.*

*The key steps in the process are:*

- i. Review the Strategic plan, other program documents and other supporting material*
- ii. Identify the target population*
- iii. Decide on timing, intervals and duration*
- iv. Define indicators*
- v. Develop sampling procedures*
- vi. Data collection*
- vii. Data management*
- viii. Analysis and dissemination of results*
- ix. Review the tracking*

### **Part I: Research and Survey methodology Development**

- Review supporting material/methodology note and develop a detailed project plan with identification of the target population, timing, intervals and duration of the tracking and of the best logistical implementation plan to access and collect information

- Define indicators and develop sampling procedures
- Develop and test questionnaire and survey tools
- Establish data collection and management procedures

All draft survey instruments (with two parts: for existing workers and those who have been recently retrenched), will need to be submitted and cleared by ILO, together with a list of data, information sources and references for other parts of the report.

## **Part II: Primary survey/tracking**

- Conduct and/or analyze primary surveys of workers, both those who are still working and those who are retrenched, so as to track a group of workers over a period of time.
- The tracking study would comprise approximately a purposive sample of 2000 respondents. The sample should include recently laid-off workers (i.e. laid off in the last month), as well as employed workers, including "vulnerable" workers, i.e., workers at risk of being laid off or currently suffering from reduced pay, working hours, etc. The laid off workers can be selected in part from the current recruitment lines for factory hiring and followed up for the following 6 months through mobile phone contacts.
- Stratification may be used to identify changes over time concerning special target groups. The group could include men for instance so that gender related differences are captured by the tracking study. This will provide gender differentiated socio-economic impact of retrenchments on workers -information on what laid-off women/men workers are currently doing, in terms of their livelihood and job search strategy, work aspirations and coping mechanisms, as well as what individual enterprises are doing to mitigate the adverse impacts of the crisis on their workforces.
- For these exercises to be undertaken, the following actions are required:
  - Implement a benchmarking survey
  - Put in place tracking mechanisms
  - Implement tracking periodically
  - Process the data and develop an analytical report (periodically and a final report) based on the findings (see below).

## **Part III: Report writing, development of recommendations, and presentation at workshop**

Based on the findings of the tracking exercise, the study team will develop a set of practical policy recommendations for consideration by the Royal Government in both the short and longer term. The core tracking process will include 4 reporting points:

- (1) The benchmark study (this will be a rolling one that accumulates over time);
- (2) First 3 month report;

- (3) Second 3 month report, and;
- (4) A final report at post 3 months of the closing of the tracking process (see tasks below).

The information gathered may be used for referring affected workers to appropriate social and welfare services such as education, skills development and vocational training, and health clinics.

## **6. Collaborator's tasks**

**The study will be overseen by Better Factories Cambodia programme, in collaboration and with technical assistance from the ILO SRO specialists. The collaborator will be responsible for:**

- Developing a complete draft report, including all the aspects of investigation specified in the TOR, and submitting it to the ILO and the ILO constituents for comments.
- Finalizing the report, taking into consideration the comments provided above.
- Presenting findings to the ILO and its stakeholders (Government ministries, employers and workers organizations, buyers, and other organizations, etc) for validation and discussion at a tripartite workshop in Cambodia.
- Presenting recommendations (based on the study and tracking exercise, and subsequent validation discussions) on how to manage the situation, policy responses to be considered and actions to be taken in the short, medium and long run.
- Finalizing the entire study and the workshop report for printing and distribution to ILO constituents and other key stakeholders.

## **7. ILO's role**

The overall study will be supported by ILO GVA Employment Sector, the ILO SRO Bangkok and the ILO BFC programme in Cambodia. For the purposes of professional collaboration, it is envisaged that ILO will sub-contract or associate with a local research institution, as well as with UNDP on at least one component of the overall study (to be confirmed). For this reason, UNDP technical inputs may be provided at various stages of its design and implementation.

The validation meeting in Phnom Penh will be organized by the ILO, in close collaboration with UNDP and its tripartite partners in the country.

Further specification of the assignment will be done in consultation with the BFC management on an on-going and as-needed basis.

## 8. Duration

The project is intended to be implemented in the 12 months between July 1 2009 and June 30 2010.

## 9. Budget

The tracking exercise including all tasks listed above is estimated to cost not more than USD 40,000

Please submit proposals to Anne Ziebarth, Technical Specialist (Legal), [ziebarth@ilo.org](mailto:ziebarth@ilo.org) by **20 June 2009 at 5pm** if you are interested in this work.

### Annex 1.

#### ***Sample indicators for the tracking study***

**Sample questions to be asked of survey participants (with follow-up on a three-monthly basis regarding job status):**

### Annex 2.

**Concept Note on methodology** directly adopted from ILO-IPEC Generic Guidelines for a Tracking Methodology for measuring long term impact on children and families of interventions against child labour.

**Please email Anne Ziebarth, Technical Specialist (Legal), [ziebarth@ilo.org](mailto:ziebarth@ilo.org) to obtain a copy of this Annex.**

*Initial, one-off information (at first contact)*

- 1.1 Name
- 1.2 Contact info
- 1.3 Age
- 1.4 Sex
- 1.5 Education
- 1.6 Skills
- 1.7 Family home
- 1.8 Work home
- 1.9 Dependents (children, parents, etc)

- 2.1 Duration employed in the garment sector
- 2.2 First job in the sector? If not, how many jobs held?
- 2.3 Most recent job position
- 2.4 Name of factory?
- 2.5 Nature of contract?
- 2.6 Salary
- 2.7 Hours worked per week
- 2.8 Money sent home to family? If so, how much (p/m)?

- 3.1 Recently laid-off? If yes, continue; if no, go to Q3.9
- 3.2 Reason for retrenchment (according to employer)
- 3.3 Terminated at end of contract, or no?
- 3.4 Given advance notice of termination?
- 3.5 How notified about termination?
- 3.6 Termination payments?
- 3.7 Were lots of other workers from their factory laid off at the same time?
- 3.8 If so, did management consult with workers, union leaders or shop stewards before terminations?
- 3.9 If not laid-off: have faced any of the following in the last 6 months:
  - Reduced overtime: if so, by how much?
  - Work suspensions: if so, describe?
  - Reduction of salary: if so, by how much?
  - Compulsory leave: paid or unpaid?

Other questions to be decided might include:

Question(s) on possible unrest in the workplace –disputes with employers etc;

Question(s) on attitudes/fears for the future;

Question(s) on changes to living conditions, ability to pay for schooling, healthcare, etc.

*Job status questions for tracking (to be divided between recently laid off and still employed) to be asked every month:*

- 4.1 Have they found new employment?
- 4.2 If yes, in what type of work? *If no, go to Q5.1.*
- 4.3 Where is this employment located?
- 4.4 Salary
- 4.5 Hours worked (p/w)
- 4.6 Money sent home to family? If so, how much (p/m)?

4.7 If salary is lower than before, have they had to cut back on certain expenditures?  
If yes, what (list)?

4.8 Other hardships experienced?

Health – any health problems since termination/ are they able to deal with them?

Nutrition – were they forced to change their eating habits/diet since losing job?

Are they getting enough to eat?

Housing – were they forced to change housing since lost job?

Is current housing adequate?

Open question on hardships

4.9 Satisfied with job?

5.1 If new employment not yet found, what do they plan to do?

Continue looking

Move elsewhere

Borrow money

Return to family home for support

### *The future*

6.1 What type of work does he/she plan to obtain?

6.2 Would they consider returning to the garment sector if jobs were available?

6.3 Would they consider retraining for garment sector jobs, or another type of employment?