



CAMBODIA

**Contribution to the
2015 United Nations Economic and Social Council
(ECOSOC)
Integration Segment**

Guidance Questions on "2015 ECOSOC Integration Segment: Achieving sustainable development through employment creation and decent work for all"

Q1: How has your government used labour market policies, including wage policies, to help reduce economic and social inequalities?

Cambodia has experienced remarkable socio-economic progress, and accompanied by impressive average annual growth rate of 7% and notable achievements in poverty alleviation during the Rectangular Strategy (RS) Phase II (2008-2013). The percentage of workers engaged in agriculture in the total employment has been reducing rapidly, and correspondingly, the share of employment in the non-farm sectors have been rising. This implies that (relatively more productive) jobs are being created outside the non-farm sectors, to which surplus workers in agriculture are migrating. Through the success of RS Phase II, the Royal Government of Cambodia (RGC) launched its RS Phase III (2014-2018) in September 2013. Within the framework of this strategy, employment is an integral theme of rectangle III on "Private Sector Development and Employment", and rectangle IV on "Capacity Building and Human Resource Development" in areas that allows Cambodian people to be employable, productive and competitive. In addition to this, National Strategy Development Plan (NSDP) 2014-18 was implemented as the key medium term national development plan, and served as the main tool for the operationalization of the government's RS.

Respective to this high priority agenda of the government policy platform, Ministry of Labour and Vocational Training (MoLVT) has drafted the National Employment Policy, which will be finalized in 2015. One of the underlying intentions of this policy is to bring together the current policies and institutions that matter for the labour market into a single coherent framework and to continue with the development of relevant labour market institutions in order to promote decent work and to improve outcomes in the labour market.

The RGC has also considered the minimum wage as a tool to protect workers against unduly low wage and to help reduce economic and social inequalities. Hence, in line with Minimum Wage Fixing Recommendation of ILO 1970 (No. 135), the Cambodia's labour law of 1997 reflects the balance between social and economic criteria when setting the level of minimum wage. For instance in 2015, five social and economic criteria, which have been considered as matters of priority for minimum wage adjustment in garment sector, include: (1) need of workers and their families (2) the cost of living and changes in prices [inflation] (3) impact on enterprise by considering labour productivity, enterprises' revenue and their ability to pay (4) impact on the competitiveness of Cambodia compared to other countries in the region (5) impact on the labour market and employment. As the result, the minimum wage (exclude other fringe benefits) in garment sector increases by 28% from USD100 dollars per month in 2014 to USD128 dollars in 2015.

Q3: What kind of trade offs has your government encountered in the promotion of full employment and decent work for all? What can be done to enhance synergies between respect to international labour standards and to environmental safeguards, productivity, competitiveness and economics growth?

The RGC has trade-offs to be made within public policy priorities to promote full employment and decent work for all. Such trade-offs are to bring the key aspects of the labor

market to close alignment, in particular, skill availability, labor productivity, the quality and relevancy of training in both tertiary and vocational training, high labor mobility, the protection of worker rights and labor conditions for local and overseas workers, the industrial relations between workers, employees and employers, and the continuing need for improvement in wage setting mechanism, and to strengthen and refine policy and regulatory framework, institutional capacity and coordination.

There is a positive relationship between promoting international labour standards and improving productivity and competitiveness. The RGC has increased onsite labor inspections and interventions in labor dispute resolution, and provided support to the Better Factory Program of ILO in order to promote worker rights, acceptable working conditions and harmonious industrial relations between workers, employees and employers. This directly links to workers' commitment to enterprise, reducing in turnover, and raising their motivation and productivity. Reducing in turnover means that workers are able to learn more on the job and are more likely to accept the productivity raising, while employers are encouraged to find ways to increase efficiency and competitiveness.

Q4: Is youth employment a major issue in your country? What is the proportion of the youth labour force [aged between 15-24] that is unemployed in your country? Does your government have specific programmes targeted at youth employment?

According to the last updated data from Cambodia labour force survey 2012, 22.9% of total population is youth (age 15-24). The youth participation ratio is about 63.1%, in which an estimated 3.8% of them were unemployed. In addition to this, given more than 200,000 new workers enter the labour force every year, Cambodia is and will be facing the challenges of generating more decent jobs for young people.

Within this context, skills development and upgrading, and youth employment have been placed on the high priority agenda of the government policy platform. For instance, The RGC implemented the National Policy on Cambodian Youth Development in 2011 as an essential planning tool guiding the country on its approach to youth development. In this policy document are inherent commitments by government on interventions and services that would have to be rolled out to ensure effective and efficient mainstreaming of youth development such as their capacities, sense of responsibility, vocational skills, science competency, information technology competency and positive attitudes and so on. The RGC is making efforts to increase decent and productive employment opportunities through promoting rural employment (agricultural and non-agricultural sector development in the rural areas and strengthening the linkages between the two sectors in the rural areas), and link youth to these employment opportunities.

In addition to this, the RGC set up the National Employment Agency (NEA) in the 2009 was a key moment in providing employment, LMI and career guidance services. The key functions of NEA are to:

- deliver information services to job seekers, employees, employers, skill training providers and the public to allow them to effectively interchange information openly and provide them the opportunities to meet one another.
- provide new graduates, out-of-school youth and the unemployed with labour market information and training information.
- offer job placement, services, career guidance, employment counseling, technical and vocational training counseling, information about occupational health, workplace safety, and skills retraining.

Q5: How is your government addressing the challenges of education/skills and job mismatch in your country, especially in the context of the transition to a sustainable development? Does your country have successful initiatives that link education and training to the world of work?

In response to the education/skills and labour market challenges, wide ranges of policy responses have been implemented. A holistic policy framework has been put in place to shift the skills distribution away from agricultural production, towards a better trained workforce and higher value added industries. Some of the key pillars of these policy frameworks were:

- Strengthening PPP framework, which plays an important role in endorsing the formal and informal training via:
 - o improving workplace learning by: Legally binding (Apprenticeship) and Informal (Internship)
 - o engaging the private sector and, specifically, employers' representatives, in TVET dialogues
 - o setting up industrial liaison units (ILU) in all provincial training centers to interact with the private sector and to discover the skills demand at the local level.
- Review and development of education and training curricula, training standards and national qualifications frameworks to assist the standardization, recognition and certification of skills. For instance, Industrial Advisory Groups (IAGs) have been constituted (construction, mechanics and ICT/business) in order to review and validate the competence standards, and competency based curriculum.
- *Cambodia National Qualification Framework*, which has been introduced in 2013, allows every individual to acquire some skills from the formal education as well as to continue upgrade his/her skills and move to a higher level of education in different pathways.
- Expanding and enhancing the TVET short term programs at TVET institutions or local communities including post harvest program, national fund for poverty, prime minister's fund programmes, special training programmes, and so on in order to reduce poverty through provisions of basic skills for the rural poor.
- Introducing and expanding demand-side programmes (e.g. conditional cash transfer, vouchers, fee subsidy and scholarship, food and nutrition supplements...) with incentive design to encourage not only school attendance and completion, but also on learning outcomes. These programmes are under "*education for all*" framework, which aim at reducing youth dropout rate before grade 9 years.
- Scaling up the bridging courses and making the TVET system more accessible, which are effective tools for youth skills development and upgrading.
- Expanding employment services to job seekers and a broader dissemination of information on job opportunities in the country and abroad to the public including counseling and support provided to worker recruitment through expansion of job centers under the National Employment Agency of the National Training Board across the country.

- Strengthening the employment forum mechanism coordinated by government, and in which employers, job seekers and education and training providers participated, aimed at improving exchange of labor market information, counseling and responsiveness to changing market conditions.
- Further developing a sound labor market information system especially through strengthening data collection, analysis and dissemination of labor statistics and information on education and technical and vocational training programs, and providing information to the public on wages and the supply and demand of skills.

Q7: What kind of policy initiatives and approaches your government have to facilitate the transition from informal to formal employment and to formalize and increase sustainability of small and micro enterprises, taking into account the economic, social and environmental dimension of sustainable development?

The prevalence of SMEs was stark amongst all developing countries. However, an overwhelming majority of the establishments are not registered with any of the relevant authorities. Skills development in SMEs is undertaken on an opportunistic basis, with recruitment taking place informally amongst friends and family, and training conducted on-the-job. Further, the informal sector is driven by low literacy/numeracy skills, and complex regulatory requirements with poor enforcement and communication. SMEs themselves have low financial and legal literacy, and face difficulties in accessing information, technology and financial support.

In this regards, the strategic objectives of the RGC are to upgrade SMEs especially to improve business climate through enhanced regulatory framework, promotion of innovation and technology, increased access to finance, strengthened and expanded related support services, and integration of SMEs into global value chains. The RCG has promoted the implementation of the SMEs development framework through strengthened governance. The framework is aimed at promoting the business environment through developing industrial standards, adopting accounting and financial report standards to increase SMEs' access to finance, supporting priority activities with tax incentives on inputs, and building institutional capacity particularly with the establishment of "National Productivity Center" and "Industrial Laboratory Center". The implementation of these measures contributes to the expansion of the industrial base including the emergence of a range of industries including machinery assembly, electronics, spare parts manufacture, agro-processing, and other manufacturing industries.

In pursuing this objective, the Royal Government will continue to focus on the following priorities:

- Formulating industrial development policy based on two key approaches: (1) expansion of industrial base supported by increased attractiveness of Cambodia to investors and investment promotion including modernization of SMEs; and (2) improved connectivity with regional production networks to integrate with and move up the global value chains.
- Preparing science and technology policy with the objective to increase research and development capability of Cambodia in responding to the projected needs of national development in the next higher phase, in particular ensuring consistency with the industrial development policy and agricultural development policy as they evolve. *WF*

- Updating the SMEs Development Framework to be consistent with the industrial development policy aimed at enhancing SME's capacity to link with large enterprises and form a cluster while promoting entrepreneurship, productivity, creativity, innovation and specialization through introduction and implementation of a comprehensive package of supporting measures including clustering, enhanced technology transfer, increased access to finance, strengthened technical standards, establishment of business development counseling centers, promotion of "one village one product" movement and improvement of regulatory framework as well as strengthened institutional coordination.
- Aligning private sector development and investment policies with SME and industrial development policy especially by encouraging investment in industrial clusters and industrial parks through promoting the adoption of Law on Special Economic Zones, in order to upgrade management, infrastructure and operations in the industrial sector to international standards.
- Human resource development especially the skill training for industrial sector through enhanced quality of education in all areas and at all levels, especially the reform of tertiary education, technical and vocational training, giving priority to training of engineers, technicians and workers to acquire appropriate skills as demanded by the markets with a pro-active approach using public-private sector partnerships.