

KINGDOM OF CAMBODIA
INTERNATIONAL LABOUR ORGANIZATION
BETTER FACTORIES CAMBODIA

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



31 October 2008



Synthesis Report

01/05/2008 - 31/10/2008

205 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 project 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)

	31-Oct-2008	01-May-2008
Number of Active Factories	285	301
Number of Workers	327,053	339,346

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.

4.2 Number of Visits to Factories

During the previous six months, 205 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

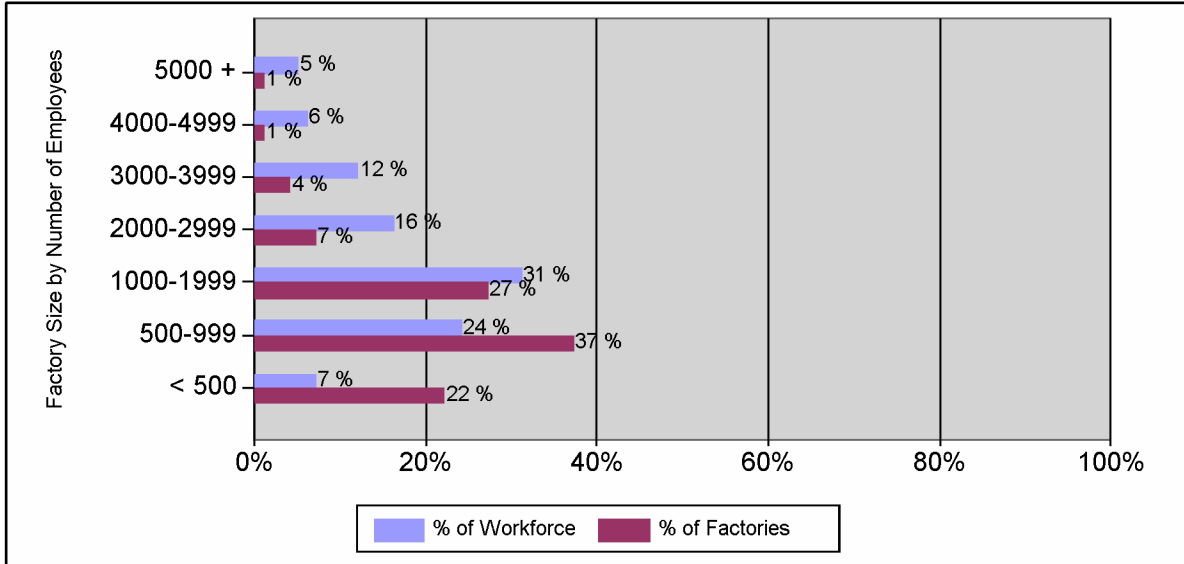
(6 Months to Date)

Visit Number	Number of Factories	% of Factories Visited
1st Visit	10	5%
2nd Visit	15	7%
3rd Visit	8	4%
4th Visit	42	20%
5th Visit	24	12%
6th Visit	22	11%
7th Visit	37	18%
8th Visit	35	17%
9th Visit	12	6%
Total	205	100%

4.3 Factory Size

Graph 1

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

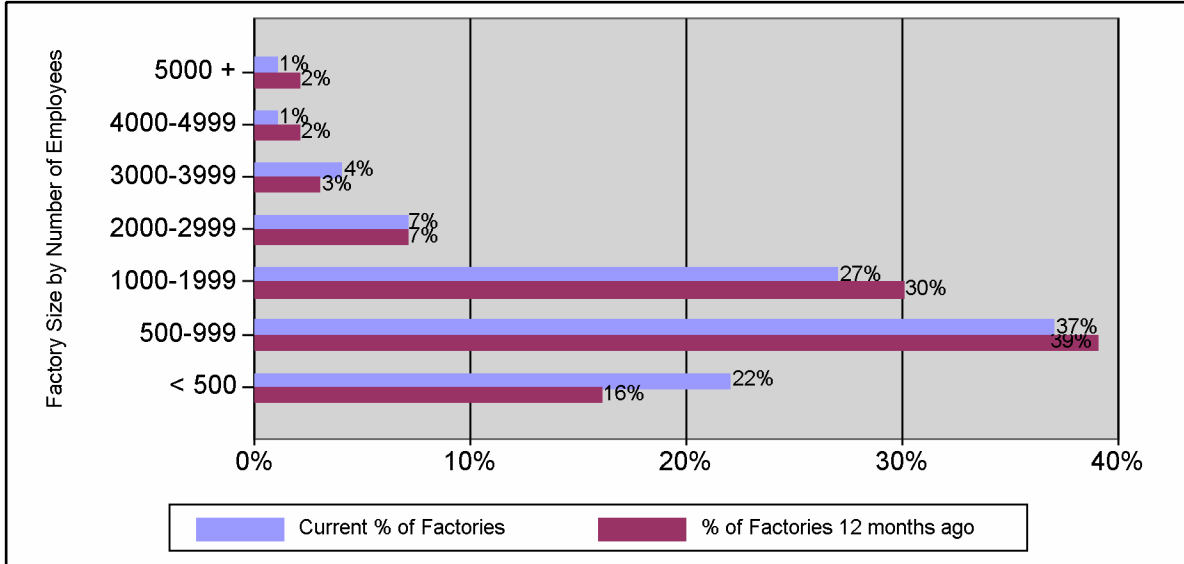


Eighty-six percent of factories monitored have less than 2000 workers.



4.4 Changes in Factory Size Over Time

Graph 2
(6 Months to Date)



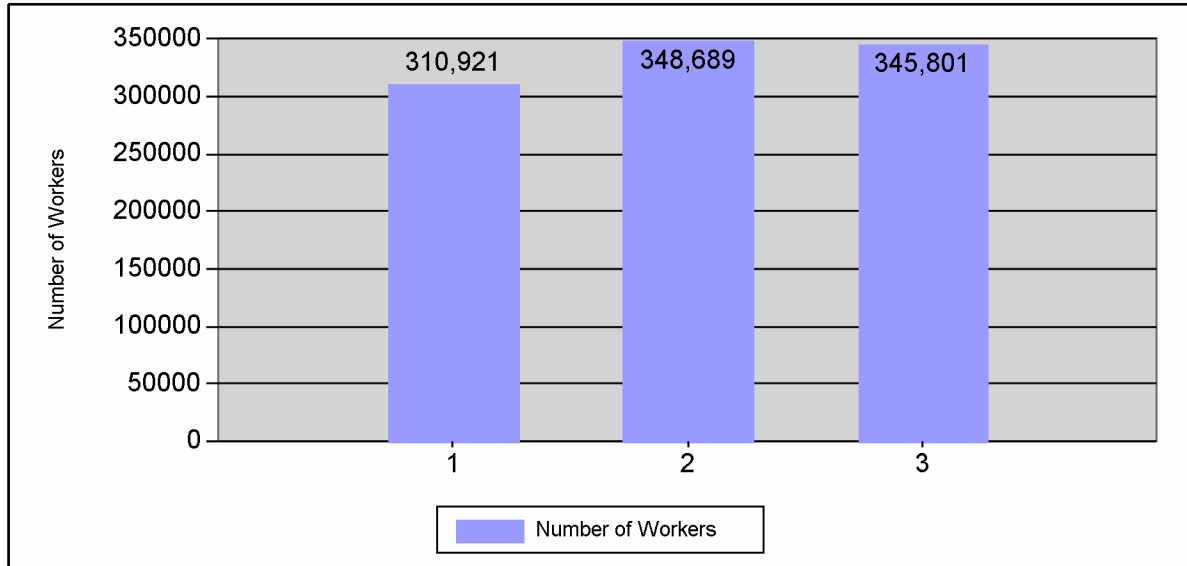
There are no significant changes from the previous synthesis report, although this report has seen a greater percentage increase in the number of small factories over the time period covered.



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 92.1%

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.

There has been a slight reduction in the number of workers over the past year due to factory closures.



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

	31-Oct-2008	01-May-2008
Number of Active Factories	302	305
Number of Workers	345,801	361,871

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>

The number of factory closures has been offset somewhat by newly registered factories being monitored.



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	97 %
Minimum Wage for Casual Workers (1)	77 %
Minimum Wage for Piece-Rate Workers (1)	93 %
Correct OT Rate for Regular Workers (2)	100 %
Correct OT Rate for Casual Workers (1,2)	96 %
Correct OT Rate for Piece-Rate Workers (1,2)	93 %
18 Days of Annual Leave	96 %
Payment for Maternity Leave (at least partial compliance)	90 %
- Full Compliance with Maternity Leave (Half Wages plus Benefits)	82 %
Paid Sick Leave	77 %
Voluntary Overtime	80 %
Exceptional Overtime	3 %
Overtime Limited to 2 Hours per day	18 %
Provide Personal Protective Equipment (3)	44 %
Install Needle Guards on Sewing Machines (4)	50 %

(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.

Compliance with wage payments has improved or remained the same in all cases but one, when compared with the 20th Synthesis Report (correct OT rate for piece-rate workers is down by 3%). There have been significant improvements in compliance with leave requirements: full compliance with maternity leave payments is up by 8%, and compliance with paid sick leave is up by 11%. Overtime is voluntary in 5% more factories than those monitored for the previous report. However, this is the second consecutive report with reduced compliance with limits on the frequency and duration of overtime. This may be due to the difficulty factories face in finding skilled workers, as well as the need for factories to accept orders during the economic downturn.



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 (0%) 1 under age worker confirmed.
Forced Labour	0 factory(ies) used forced labour (0%)
Discrimination (1)	22 factory(ies) engaged in discrimination (11%)
Unions (2)	159 factory(ies) had at least one union (77%) 286 total unions were present
Unionization Rate	43%, according to 2006 Gender Survey (see next page)
Freedom of Association	11 factory(ies) interfered with freedom of association (5%)
Anti-union Discrimination	3 factory(ies) engaged in anti-union discrimination (1%)
Strikes (3)	31 factory(ies) had strikes (15%) 34 strike(s) took place
Strikes for which workers failed to comply with one or more legal requirements (4)	31 factory(ies) 34 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.

Most figures have not changed significantly from those seen in the 20th Synthesis Report. Fewer factories are engaging in anti-union discrimination (down from 4% in the prior report). However, 2% more factories are engaging in discrimination and interfering with freedom of association. The number of strikes has remained steady (up only 1% from the prior report). Workers failed to comply with one or more legal requirements before going on strike for all strikes monitored in this report (down from 91% of strikes in the 20th Synthesis Report).



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 2006 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:

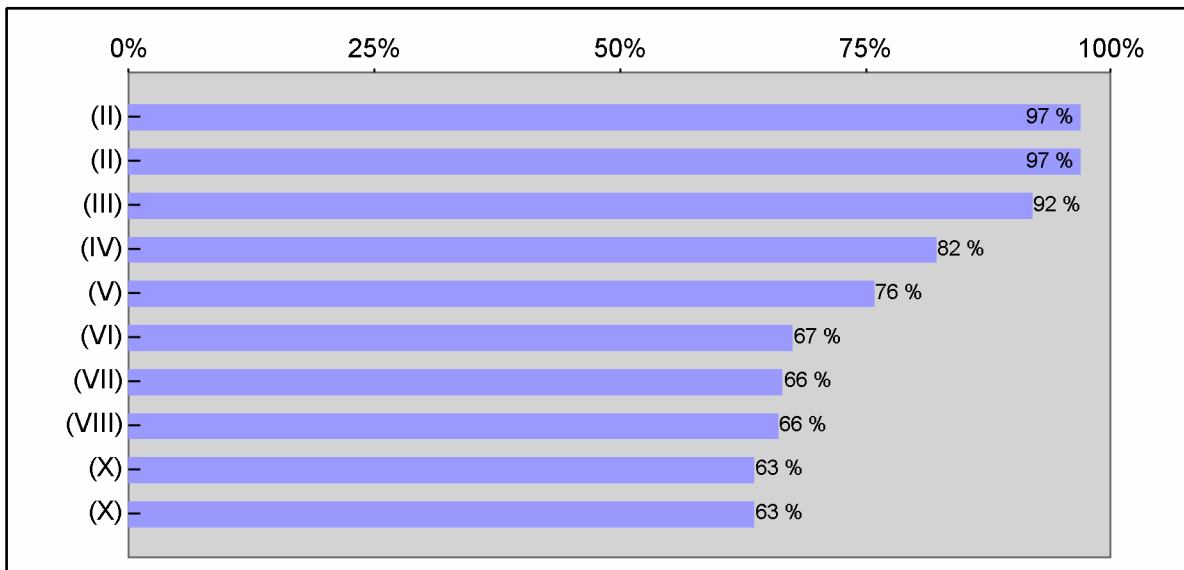
Better Factories Cambodia is aware of allegations of corruption in Cambodian garment factories between some managers and union representatives. This is very difficult to independently verify. Corruption adversely affects the exercise of freedom of association.

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.

The top 7 non-compliance issues shown below also appeared in the previous two synthesis reports. This highlights the continuing challenges faced by factories in complying with limits on the frequency and duration of overtime work, and in meeting certain OSH requirements.

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



Management should:

- (II) 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) ensure that overtime
 - does not exceed 2 hours per day
- (V) increase the staffing in the infirmary by
 - ensuring that medical staff are on duty during the required number of hours (including overtime)
- (VI) provide cups or other sanitary means for drinking water.
- (VII) take the following steps to ensure workers' occupational health and safety:
 - consider forming a functioning joint management/worker OSH committee
- (VIII) provide workers who work standing up chairs near the workstation to rest on.
- (X) pay workers within 48 hours after they stop working for the factory.
- (X) ensure that sufficient soap and water is available near the toilets.

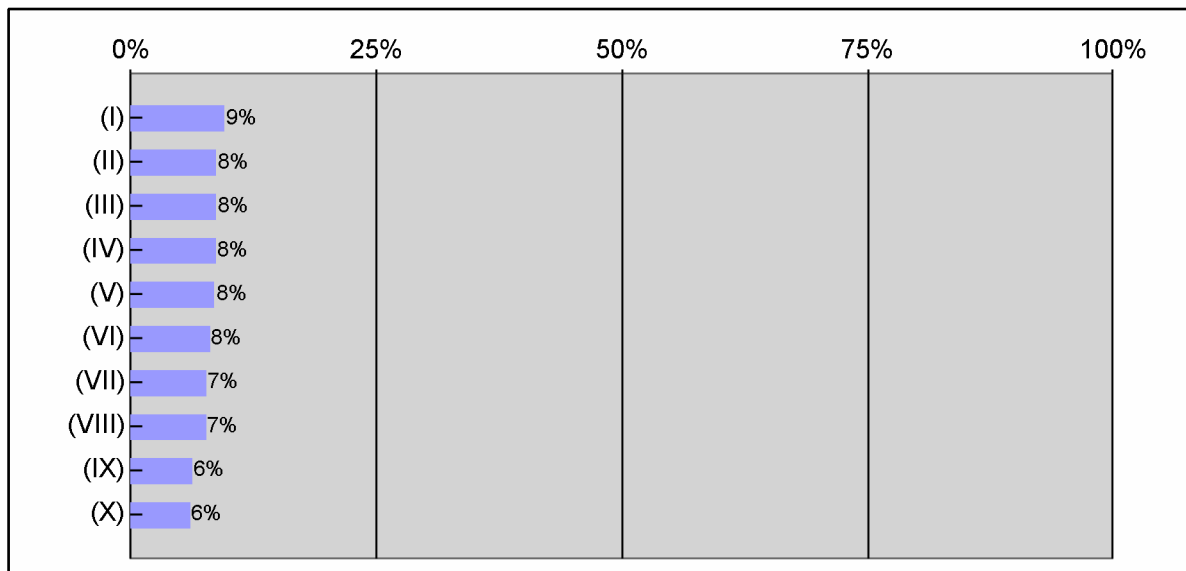
6 Progress

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.

It is encouraging to note that 3 of the issues that have seen the greatest improvement relate to the development of OSH management systems.

Graph 5
(6 Months to Date)



Management should:

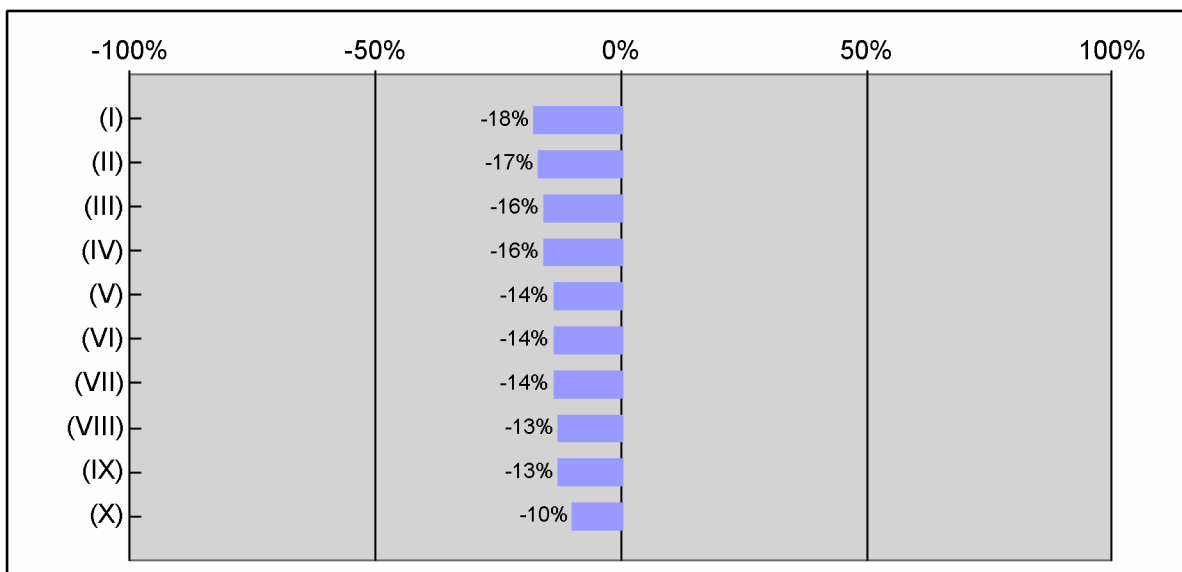
- (I) develop a health and safety policy.
- (II) provide paid sick leave as required by the factory's Internal Regulations.
- (III) consider giving workers 7 days per year of paid special leave for events affecting the worker or the worker's family.
- (IV) increase the staffing in the infirmary by
 - employing one (more) nurse
- (V) not deduct the \$5 attendance bonus by more than an amount proportional to the number of special leave days taken during the month (when workers have not made up their special leave time or had their annual leave deducted).
- (VI) take the following steps to ensure workers' occupational health and safety:
 - provide workers opportunities to express their opinions on OSH matters
- (VII) take the following steps to ensure workers' occupational health and safety:
 - develop specific written safety and health rules and communicate them to workers
- (VIII) appoint a liaison officer.
- (IX) provide shop stewards with:
 - a place to display information
- (X) provide workers with gloves.

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.

The first and third suggestions primarily relate to incorrect payment of the cost of living allowance for regular and probationary workers, respectively. Payment of the cost of living allowance is a new requirement adopted in April of this year.

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 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.
- (II) ensure that the payslips accurately reflect the hours actually worked and the wages actually paid to the workers.
- (III) 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.
- (IV) ensure that the payroll ledger accurately reflects the wages actually paid to the workers.
- (V) get permission from the Labour Inspector before suspending the weekly break
- (VI) (for the next shop steward election):
 - hold a new election at least 15 days before the expiration of the current delegates' terms
- (VII) consider all workers who are employed for longer than two years total to be employed under an unspecified duration contract. (This suggestion takes into account the Cambodian Labour Law; MOLVT Letters No. 2540 and No. 2640; AC Order 10/03; and ILO Recommendation 166 (Termination of Employment Recommendation), 1982. There is a discrepancy in interpretation between MOLVT and the AC. Better Factories Cambodia is adhering to the AC interpretation, which is in accordance with ILO R166.)
- (VIII) ensure that overtime
 - does not exceed 2 hours per day
- (IX) take steps to reduce heat in the workplace.
- (X) provide proper clothing and equipment to workers who work with chemical substances.