

# **Better Factories Cambodia: Garment Industry 32<sup>nd</sup> Compliance Synthesis Report**

Produced in June 2015

Reporting period: May 2014 – April 2015  
Number of factory assessments in this report: 393  
Country: Cambodia



International  
Labour  
Organization



**IFC** | **International  
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## Executive summary

The Better Factories Cambodia programme is a partnership of the International Labour Organization and the International Finance Corporation. The programme, began conducting independent assessments of working conditions in Cambodian apparel factories in 2001. Each assessment consists of four on-site person days and includes management, union and worker interviews, document reviews, and factory observations. The goal of these assessments is to establish a baseline of performance against which participating factories can work with Better Factories Cambodia to make ongoing improvements to their working conditions.

Better Factories Cambodia, and the other Better Work programmes produce public synthesis reports on an annual basis. The goal of these reports is to provide transparent information for all programme stakeholders regarding working conditions in the factories where the programme operates. Independent research commissioned by Better Work provides evidence that public reporting like this contributes significantly to continuous improvements in factory compliance levels.

This 32<sup>nd</sup> synthesis report which covers assessments done in 393 factories. The main findings are presented below:

- Following a downward trend during the period 2010 – 2013, the overall compliance levels have gone up slightly during the reporting period;
- The top ten non compliance issues remain the same as those of previous years and include, amongst others overtime and issues around Occupational Safety and Health. Although resolving some of these issues requires significant capital investments, many can be addressed through the development of comprehensive OSH management systems.
- Non compliance on overtime, both overtime being an exception as well as ensuring that overtime does not exceed 2 hours per day, remain high, respectively 94% and 76%. Non-compliance on this issue is primarily due to both factory practices as well as pressure from actors along the supply chain.
- One year of public reporting has demonstrated important improvements, amongst others on severance payments, emergency preparedness and around payment of bonuses. Not all the 21 critical issues that are part of the public reporting demonstrate improvements and thus the programme will continue to measure change and work with its partners to ensure impact.
- Although overall compliance levels show a slight increase, there are areas with positive as well as negative change. Positive changes are most commonly due to greater commitment on the part of the employer to address working conditions, increased worker-management cooperation at the factory level and greater commitment or pressure from the buyer with the factory to make change. Negative changes can be due to a decline in the factory's business, leading them to deprioritize working conditions, change in management or not sustainably addressing working conditions.

This report also shows how compliance levels have gone up since the start of the programme. Not only overall compliance levels have gone up since 2001, the levels of factory level compliance during first visits have also gone up considerably, which suggest that over time, the awareness of factories on working conditions has gone up.

## 1. Introduction

The Better Factories Cambodia programme is a partnership of the International Labour Organization and the International Finance Corporation. The programme, began conducting independent assessments of working conditions in Cambodian apparel factories in 2001. Each assessment consists of four on-site person days and includes management, union and worker interviews, document reviews, and factory observations. The goal of these assessments is to establish a baseline of performance against which participating factories can work with Better Factories Cambodia to make ongoing improvements to their working conditions.

This is the 32nd Better Factories Cambodia synthesis report and covers the period May 2014 – April 2015. During this period, the programme carried out 399 assessment visits and produced 393 reports. The purpose of the Better Factories Cambodia Synthesis Report is to provide an overview of working conditions in the Cambodian garment and footwear industry<sup>1</sup>. As the programme has been operational for 15 years, this synthesis report places the current status of working conditions in a historical context. In addition to an overview of the Compliance Status in the industry, the report summarizes how compliance has developed since the start of the programme. It also summarizes the main results of studies on the impact of Better Factories Cambodia on firm performance.

## 2. Better Factories Cambodia: history

The Better Factories Cambodia (BFC) programme started operating in Cambodia in 2001. It was linked to an innovative trade agreement between the Royal Government of Cambodia (RGC) and the United States (USA). The U.S.–Cambodia Bilateral Textile Agreement, initially covering 2000 and 2001 and later extended until 2004, provided an incentive to increase the quota for Cambodian garment export to the US linked to ongoing improvements in labour conditions in garment factories.

BFC was a result of a request for the ILO to verify and monitor compliance with international labour standards and national labour law in the garment exporting factories. In response, the ILO developed BFC and started assessing working conditions in garment factories. The program was initially voluntary but the RGC soon made these assessments mandatory for all garment exporting factories and this, in combination with BFC's aggregated public reports on compliance levels, created a strong push for factories to improve their working conditions.

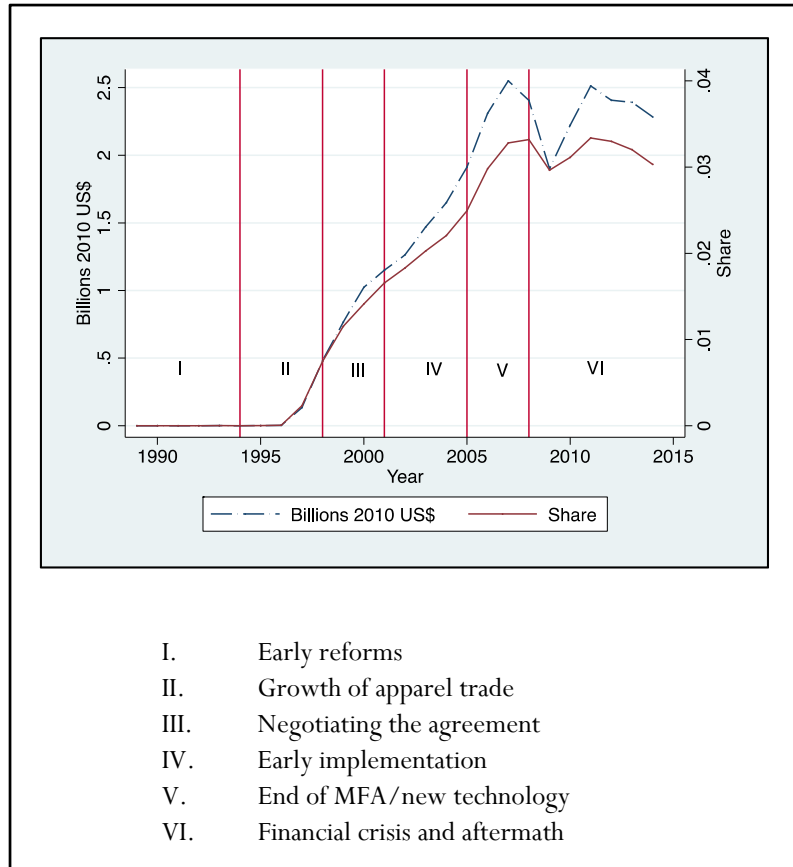
Although, the quota incentive ended with the expiration of the Multi Fibre Agreement in 2004, the government asked the ILO to continue to assess compliance with labour law of all exporting factories to demonstrate and realise the country's commitment to uphold the reputation of its garment industry as an ethical sourcing destination. Since then, BFC has remained mandatory for all garment exporting factories under government regulation (PRAKAS).

Despite expectations that the garment export from Cambodia to the US would drop after the end of the MFA, exports continued to increase, which shows that attention to improving labour standards can go hand in hand with increased exports, see Graph 1: Evolution of Cambodian Garment Export to the US.

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<sup>1</sup> Footwear factories join Better Factories Cambodia on voluntary basis for the bundled services of assessment and advisory services. BFC expanded its services to footwear factories based on the Footwear Pilot Program in 2012 and began registering footwear factories from 2013.

**Graph 1: Evolution of Cambodian Garment Export to the US<sup>2</sup>**



To complement the monitoring activities, BFC also began to offer support to factories in their improvement processes. The programme started to provide training at factories on specific workplace issues, such as Human Resource Management, Occupational Health and Safety, productivity and also training of workers and managers to jointly improve working conditions, such as training on workers’ rights and responsibilities, negotiation skills for managers and workers, and workplace cooperation.

Later, the programme also started delivering factory specific advisory services aimed at creating sustainable bipartite committees responsible for improving working conditions at the factory floor. In those factories that receive advisory services, BFC helps set up bipartite committees where they don’t exist and then supports these committees to start tackling the root causes of non-compliance.

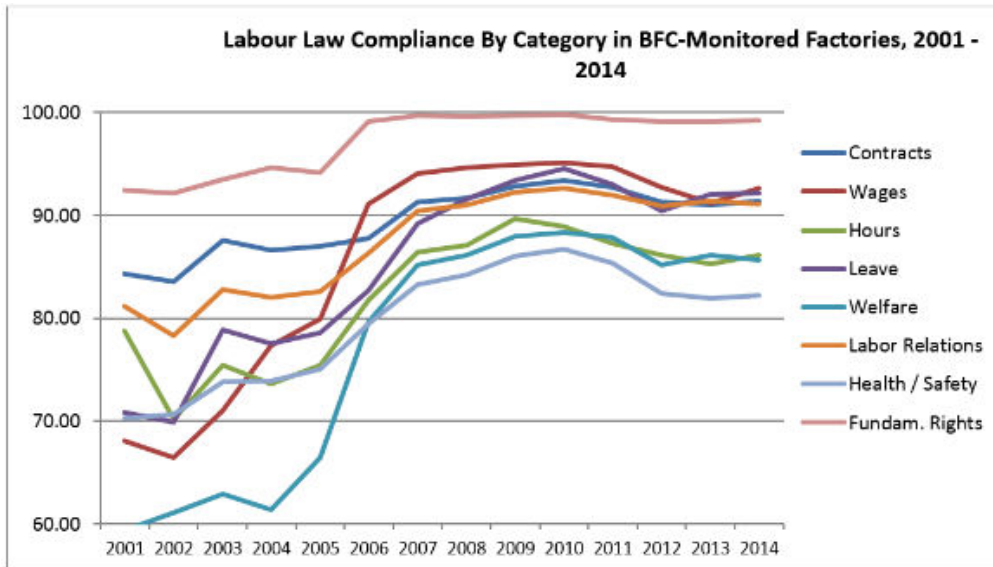
Both training and advisory have been important complimentary services to BFC’s assessments and have helped to drive more change at the factory level.

### 3. Compliance Results since 2001

The last 14 years have been characterized by significant improvements in working conditions in all 8 areas measured by BFC. Graph 2 below demonstrates the progress that the Cambodian garment industry has made since the start of BFC.

<sup>2</sup> Quality of Employment for the poor, the role of the BW program in improving workers’ lives, World Bank, 2015 not published

**Graph 2: Changes in compliance 2001 – 2014**

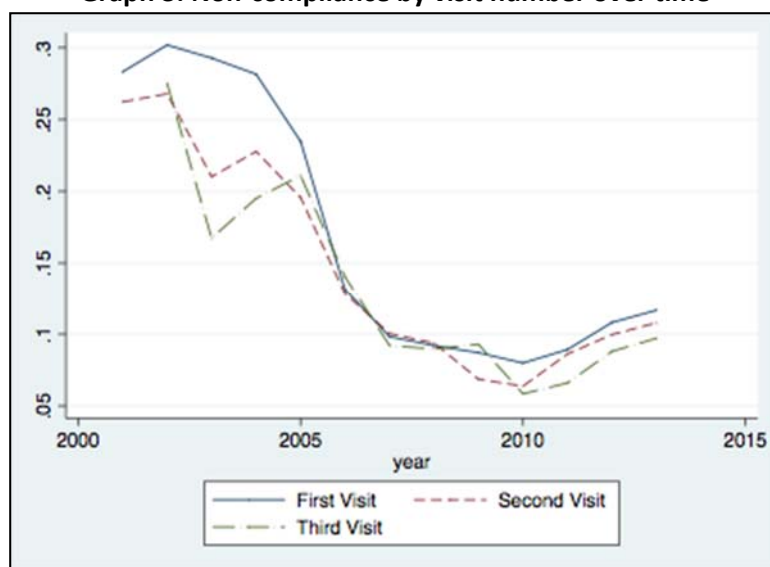


In addition, BFC factory report data shows that once garment factories have improved working conditions, it is not very likely that they fall back again. However, a thorough research of BFC data also shows that the discontinuation of the programme’s public reporting in 2006 had a negative impact on overall compliance rates. Factories with “reputation sensitive” buyers still continued to improve compliance, but this trend was not maintained across the entire factory base.

BFC compliance data also shows that on average, compliance increases across visits. This is supported by a recent study on BFC/Better Work by the World Bank which looked at spillover effects of the programme on the industry.<sup>3</sup>

The figure below demonstrates changes in compliance by visit number. Despite the slight upward trend in non-compliance after 2010 (associated with an overall decrease of compliance across the industry), the overall trend is a strong decrease in non-compliance, suggesting a growing “culture of compliance” that may allow new factories to be in compliance more quickly.

**Graph 3: Non-compliance by visit number over time**



<sup>3</sup> Quality of Employment for the poor, the role of the BW program in improving workers’ lives, World Bank, 2015 not published



## **Business case of compliance in BFC**

BFC provides important lessons on the business case for improved working conditions. Data from the programme demonstrates that improved compliance can go hand in hand with better business outcomes for factories.

Improved labour standards compliance can increase market access for firms. For instance, BFC factories that are in compliance with fundamental rights are 56% more likely to retain buyers than those in non-compliance<sup>4</sup> Additionally, factories that are in compliance with occupational safety and health standards are even more likely to retain buyers.

Compliance attracts new (and better) buyers. BFC factories with higher compliance on working hours and leave regulations attract more reputation-sensitive buyers, including higher value-add buyers. In addition, specialty retailers, who value longer-term relationships and provide larger margins – tend to buy from factories with higher compliance levels.

Factories with improved labour compliance prior to the 2008 financial crisis were more likely to survive the economic downturn<sup>5</sup>. Those factories that improved labour management practices through their participation in BFC became more efficient and better prepared to face the drop in orders due the crisis. Better practices enabled factories to continue to pay worker compensation (paying wages as promised, social security, leave payments and contracts), and maintain communication and workplace systems, discipline and termination regulations, all of which were strongly correlated with a higher probability of survival during the 2008 financial crisis. A greater ability to survive economic fluctuations contributes to longer-standing business relationships in garment supply chains, benefiting both suppliers and buyers.

## **4. Institutional context**

The garment and footwear industry continued to perform well throughout 2014 and the first months of 2015. Exports reached a fresh record high of US\$ 5,817 million in 2014, 9.3 per cent higher than in 2013<sup>6</sup>. Although footwear exports are gaining in importance (US\$ 438 million, +23.9 per cent), garments still dominate the sector with exports worth US\$ 5,379 million (+8.3 per cent). In the first quarter of 2015, the industry exported garments and footwear worth US\$ 1,484 million (garments: US\$ 1,347 million, footwear: US\$ 137 million), an increase of 10.6 per cent over the first quarter of 2014.

Meanwhile, the number of garment and footwear factories has grown steadily and reached 626 at the end of 2014 (garments: 558 factories; footwear: 68 factories). This is compared to 528 at the end of 2013, an increase of almost one hundred factories over a single year. According to the Ministry of Commerce, the growth continued in the first quarter of 2015, with 640 factories effectively operating at the end of March 2015. According to the same source, these factories employed a total of 605,100 workers as of March 2015 (garments: 507,400 workers; footwear: 97,700 workers).

Garment and footwear exports continue to account for roughly one third of Cambodia's GDP. The sector's workforce represents nearly 4% of Cambodia's population, and indirectly supports many millions more family members.

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<sup>4</sup> (Oka, Chikako (2012) "Does Better Labour Standard Compliance Pay? Linking Labour Standard Compliance and Supplier Competitiveness" ILO - Better Work discussion paper No.5).

<sup>5</sup> (Brown, Drusilla; Dehejia, Rajeev; Robertson, Raymond (2011) "Working Conditions and Factory Survival: Evidence from Better Factories Cambodia" ILO -Better Work discussion paper No. 4.)

<sup>6</sup> Data from the Ministry of Commerce

Table 1: Growth in Cambodian garment and footwear sector (year-end) <sup>7</sup>

	2012	2013	2014
Exports (US\$ bn)	4.76	5.32	5.82
Factories	436	528	626
Workers	447,852	533,486	580,692

The somewhat slower growth of Cambodia’s garment and footwear sector in 2014 can be attributed to rising local production costs, the ongoing impact of labour unrest in early 2014, as well as strengthened competition from regional neighbors Bangladesh, Burma and Vietnam. Importantly, the EU overtook the US as Cambodia’s largest garment and footwear export market in 2014—the share of garment and footwear exports to the EU was 42% (up from 36% in 2013) whereas the share of exports to the US was 33% (down from 39% in 2013).

After a tumultuous start of the year, the number of strikes fell by more than 25% in 2014, down from a record of 147 strikes in 2013. The number of lost workdays fell even more, by about 40%. Although strike activity was also well below 2013 levels, it still represented a significant increase from the period 2009–2011.

Table 2: Strike activity reported by GMAC members (year-end) <sup>8</sup>

	2012	2013	2014
Strikes	121	147	108
Lost Workdays	542,827	888,527	513,444

The Arbitration Council registered 355 cases during the reporting period, of which 301 were garment or footwear factory-related. Of these, one third were resolved through mediation before going to arbitration. The most common issues referred to the Arbitration Council during this period were:

1. Disputes over wages and other benefits;
2. Reinstatement of union leaders or activists; and
3. Women's rights (such as the right to take paid maternity leave)

A number of significant developments, both for the Cambodian economy and for the garment and footwear sector in particular, marked the period covered by this report.

First, the yearlong dead lock ended when Cambodia parliament was established in July 2014. Following an agreement between the parties, the opposition party finally took its seats in the National Assembly.

Second, in 2014, the ILO supported the Royal Government of Cambodia (RGC) in creating an institutional framework for minimum wage fixing based on tripartite negotiation. This framework allows for yearly minimum wage adjustment, win-win bargaining processes and the balanced use of social and economic criteria. In October 2014, the RGC announced a new minimum wage of US\$ 128 per month for regular

<sup>7</sup> Industry-wide data is provided by the Ministry of Commerce.

<sup>8</sup> Industry-wide strike data is provided by GMAC. [The ‘Compliance with Fundamental Rights’ section differs as it contains strike data specific to the group of factories assessed during the period covered by this report.]

workers and US\$ 123 per month for probationary workers. This followed lengthy deliberations by the Labour Advisory Committee, a tripartite body consisting of representatives from the Ministry of Labour, employer associations and trade unions. While the Garment Manufacturers Association in Cambodia (GMAC) had proposed a new minimum wage for regular workers of US\$ 100 per month, and while trade unions had pushed for an increase to US\$ 177 per month, the announcement did not provoke the sort of unrest seen in the sector in December 2013 and January 2014.

The new minimum wage of US\$ 128 per month came into effect on 1 January 2015, representing a 28 per cent increase over the 2014 rate. The ILO called on global brands that source their products from Cambodia to help the industry to absorb the associated cost increases. Specifically, the ILO estimated that global brands would need to increase their FOB prices<sup>9</sup> by between 2.4 and 3.0 per cent to cover the shortfall between factories' likely productivity gains and the projected increase in labour costs (assuming other costs remained the same).

This institutional framework for wage fixing agreed upon by the Labour Advisory Committee in June 2014 foresees regular, annual reviews of the minimum wage in forthcoming years, based on negotiations and analysis of relevant social and economic criteria. The ILO will continue to support this process, among others by assisting the Committee's Secretariat in updating data to inform the negotiations on the minimum wage for 2016.

Third, building safety and the lack of adequate building standards remained a cause of apprehension for all sector stakeholders. In October 2014, several workers were injured when the floor of a garment factory collapsed during working hours. Eight hundred workers were inside the building in Takeo province when the collapse occurred. The incident once again raised concerns about building standards in the sector, coming 17 months after two workers were killed and seven seriously injured when the ceiling of a footwear factory collapsed in Kompong Speu province.

In early 2015, the RGC proposed a number of measures aimed at curbing cost-of-living pressures. The state energy provider announced that it would fix a lower price per kilowatt for garment workers living in Phnom Penh, after allegations that landlords were charging workers inflated electricity rates. A similar discount was proposed for state water connections. In addition, Cambodia's two main political parties started negotiations on a bipartisan plan for rent control that would tie rents to inflation, preventing landlords from raising rents every time there is a wage increase. It is worth noting that, also on 1 January 2015, Cambodia raised the income tax-free threshold from US\$ 125 per month to US\$ 200 per month. This change should reduce the income tax burden on workers earning under US\$ 200 per month by approximately US\$ 3.75 per month.

One development that had been anticipated during the reporting period was the passing of a new trade union law. The RGC had indicated that the law has gone through inter-ministerial consultation and waiting to be submitted to parliament.

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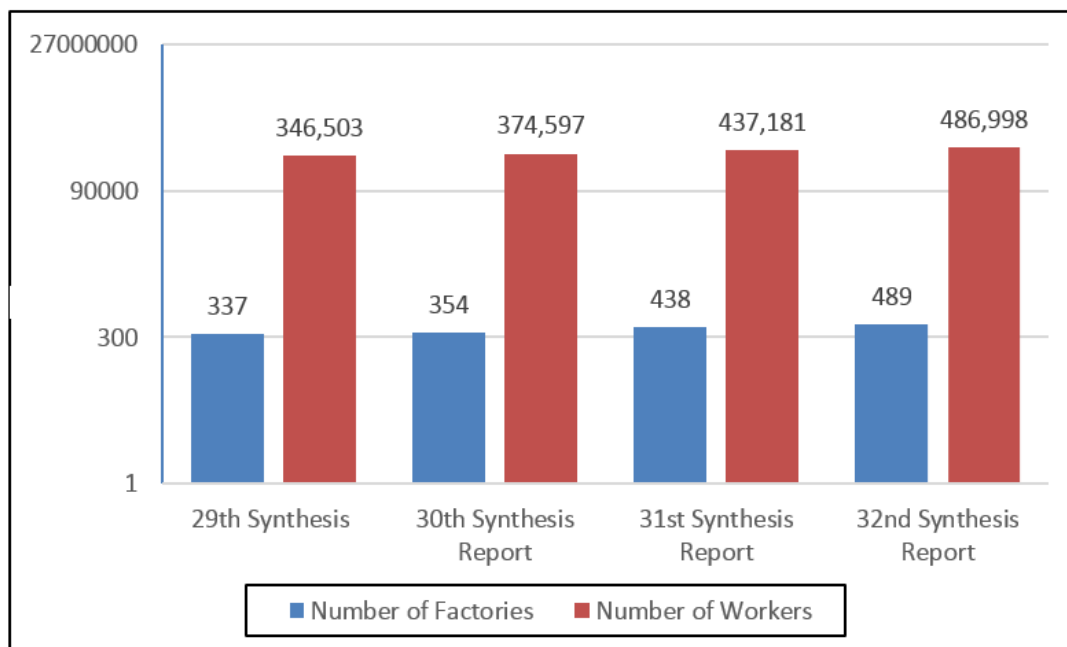
<sup>9</sup> FOB stands for 'Free on Board'. It refers to export prices excluding shipping charges

## 5. BFC from May 2014 – April 2015: highlights

### Industry coverage

The following graph presents the number of workers and factories covered by the BFC programme.

Graph 4: Number of workers and factories covered by BFC



The number of factories shown includes all active factories (not closed or suspended) that have registered with BFC. The employment figures are drawn from the most recent monitoring report for every active factory. Newly registered factories are not reflected in these figures until after they have been monitored and a report has been issued.

The figures may not line up precisely with those reflected in previous reports due to factory closings and re-openings that were discovered outside of the Synthesis Report period. The figures also differ from the Ministry of Commerce figures, primarily due to differences in the time at which information becomes available to each, and the fact that the figures above only include active factories that have been monitored.

### Core Services

Throughout the period covered by this report, BFC has continued to support industry stakeholders in improving working conditions and compliance with labour standards in Cambodia. The below overview of key delivery indicators of the programme demonstrate a substantial increase in demand for all BFC services:

Table 3: BFC key delivery indicators for synthesis report 31 and 32

	Synth Report 31	Synth Report 32	Change
<b>Factories assessed</b>	371	399	+ 7,5%
<b>Number of workers covered</b>	437,181	486,998	+ 11,4%
<b>Factories with advisory services</b>	54	83	+ 53,7%
<b>Factory participation in training</b>	300	443	+ 47.7%
<b>Number of training participants</b>	611	1120	+ 83,3%
<b>Number of reports purchased by buyers</b>	299	381	+27.4%

<b>Number of factories from which buyers purchased reports</b>	213	257	+ 20,6%
<b>Number of brands purchasing reports</b>	27	39	+ 44,4%

The topics for the different training courses are presented below:

- |                                    |   |
|------------------------------------|---|
| 1. Gender Awareness                | 10. Induction Kits                          |
| 2. Human Resource Management       | 11. Benefits of Employing Male Workers      |
| 3. Methods to Prevent Child Labour | 12. Managerial Behavior                     |
| 4. Occupational Health and Safety  | 13. Industrial Relation                     |
| 5. Negotiation Skills              | 14. Supervisory Skills- Training of Trainer |
| 6. Supervisory Skills              | 15. Compensation and Benefits               |
| 7. Labour Law                      | 16. Chemical Management                     |
| 8. Risk Management                 | 17. Sexual Harassment                       |
| 9. Trade Union                     | 18. Employment Contract                     |

## Public Reporting

The reporting period also followed the re-introduction of public reporting of factory-level working conditions. It is important to note that BFC previously publicly reported factory names and compliance information from 2001 – 2006. In 2006, following the elimination of garment quotas, the practice of public disclosure was discontinued<sup>10</sup>.

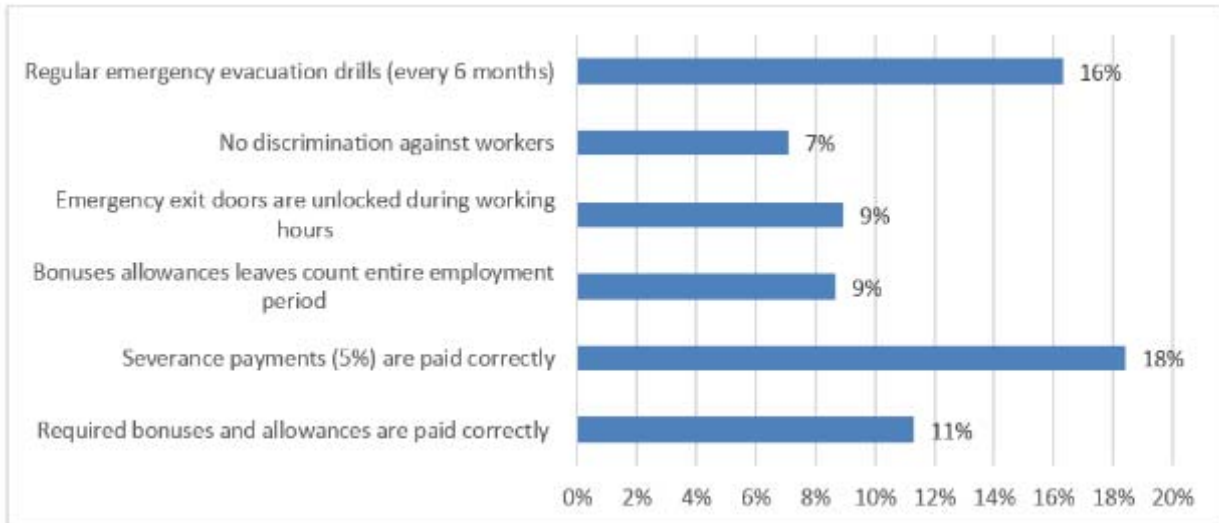
In BFC's early years, key factory-level improvements were made in areas such as correct wage payments and occupational safety and health. Initial success helped to cement Cambodia's reputation as a place where garments were produced in non-exploitative conditions. However, starting in 2010, when Cambodia's industry began to grow at a rapid pace after the global financial crisis, the speed of improvements in Cambodian factories slowed. By 2011, BFC found that the impact of its monitoring was diminishing.

Following consultation and agreement with national stakeholders, BFC returned to its practice of publicly reporting on compliance information attached to factory names in 2014. The public reporting program seeks to accelerate industry progress by reporting factory performance on compliance in a transparent manner. In this way good practices are highlighted while low performers are under pressure to improve. Public reporting also facilitates follow-up actions by government and strengthens Cambodia's reputation as an ethical sourcing destination.

There is growing evidence that public reporting has created the intended dynamic: factories are making changes and, in the aggregate, improvements are being made in key areas of non-compliance. The online Transparency Database has now published four summary reports. Three hundred and nine factories, more than half of Cambodia's export garment factories, are covered in the database. Following the roll out of public reporting, there have been important improvements on several issues, ranging from occupational health and safety and emergency preparedness, to discrimination and payment, see Graph 5.

<sup>10</sup> Furthermore, the Better Work Haiti project also discloses factory-level findings, [and all other Better Work projects are expected to initiate transparency programmes in 2015].

**Graph 5: Compliance improvements after public reporting**



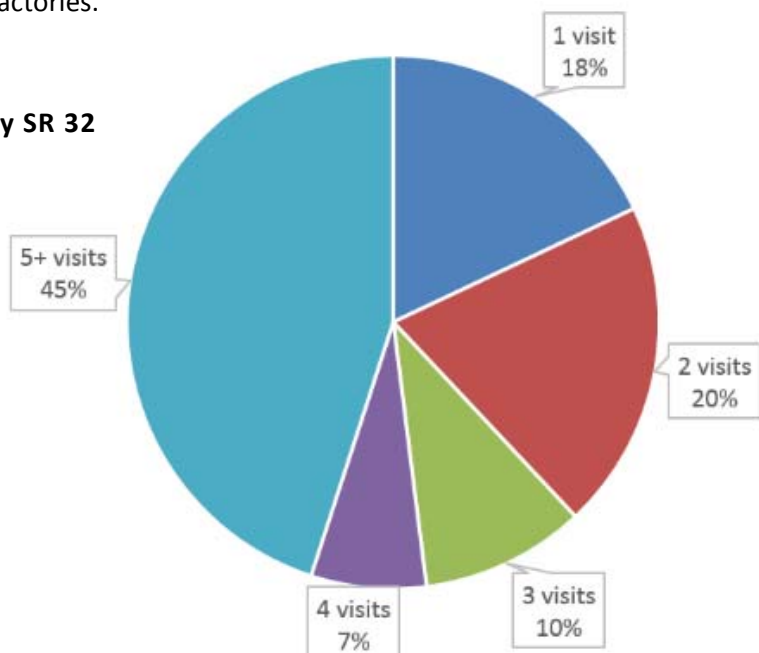
Public reporting has not impacted all 21 critical issues as can be learned from the complete overview presented in the annex. Therefore, BFC will continue to monitor the effectiveness of transparency and will work with the tripartite constituents and other stakeholders to ensure that public reporting continues to drive change in the sector. In 2015-16, Transparency Database summary reports will be published biannually.

### 6. Compliance Status

Overall compliance with labour standards and legal requirements covering the period of the report, show a modest increase compared to the downward trend that started in 2010. More specifically, BFC data show a slight increase in compliance of 6 compliance clusters (contracts at 0.5%, wages 1.5%, hours 1%, leave 0.1%, health/safety 0.3%, and fundamental rights 0.1%), but also a slight decline in the clusters related to welfare (-0.6%) and labor relations (-0.3%).

With the introduction of advisory services, the programme increased the frequency of its visits to participating factories, conducting two or more BFC visits to more than 80% of the 393 factories. The slight compliance increase shown in Graph 2: Changes in compliance 2001 – 2014 can be attributed to 2 or more BFC visits to more than 80% of the 393 factories.

**Graph 6:  
Number of assessments per factory SR 32**



## Top non-compliance issues

Table 5 presents the top ten non-compliance issues during the current reporting period. The same issues were also in the top during the previous synthesis report and are persistent issues across the industry.

Table 4: Top ten non-compliance comparison between 31st and 32nd synthesis report

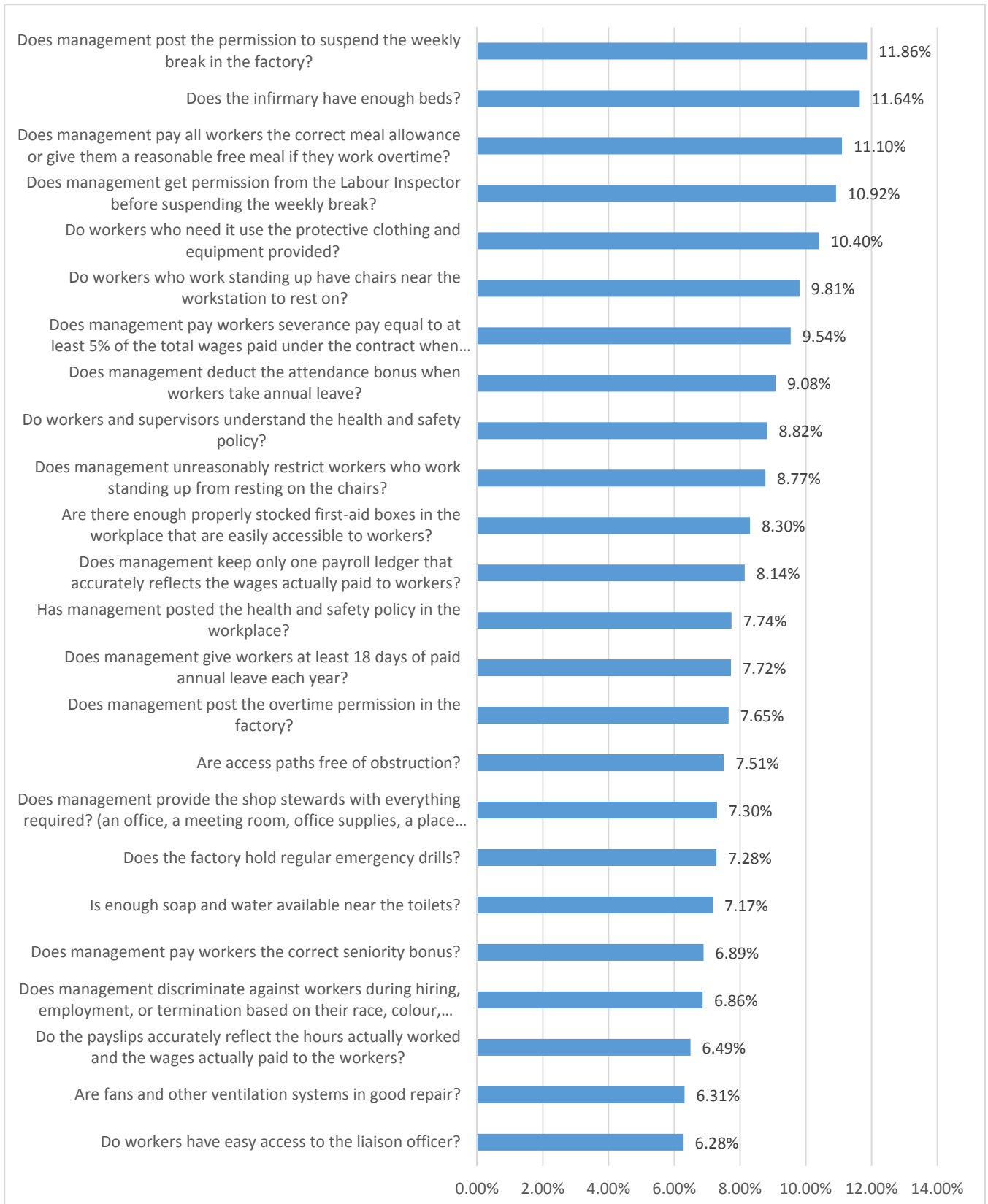
	32 Synth Report	31 Synth report
Overtime is not exception	94% NC	94% NC
Ensure that workplace is well lit	92% NC	95,3% NC
Ensure that workers undergo a medical examination before being employed	82% NC	77.6% NC
Increase the staffing in the infirmary by ensuring that medical staff are on duty during the required number of hours (including OT)	76% NC	74%
Ensure that OT does not exceed 2 hours per day	76% NC	82%
Take the following steps to ensure workers' OHS: consider forming a functioning joint management/worker OSH committee	72% NC	71% NC
Acceptable heat levels in the workplace	69% NC	65% NC
Provide cups or other sanitary means for drinking water	67% NC	68.5% NC
Ensure that workers understand the calculation of wages	64% NC	66.6% NC
Provide workers who work standing up chairs near the workstation to rest on	62% NC	72% NC

## Top Positive Changes

BFC data for the reporting period shows improvement in compliance across. These include areas in public reporting legal requirements such as correct payment 5% severance pay (+10%) moving from 37% compliance in the last synthesis report to 47% compliance in this report, access paths free of obstruction (+9.5%) from 37.8% last year to 47.3% compliance this year, and management keeps one complete and accurate payroll (+8%) moving up from 59% compliance to 67% compliance.

BFC also found positive changes in areas not included in public reporting, for example, posting health and safety policy at the workplace (+7.7%), workers'/supervisors' understanding the health and safety policy (+8.82%), providing enough stocked first-aid boxes at the workplace (+8.3%), and no unreasonable restriction on workers who work standing up from resting on the chairs (+8.77%) moving from just 24.8% compliance in last report to 33.57% compliance in this report.

**Graph 7: Top positive compliance changes**





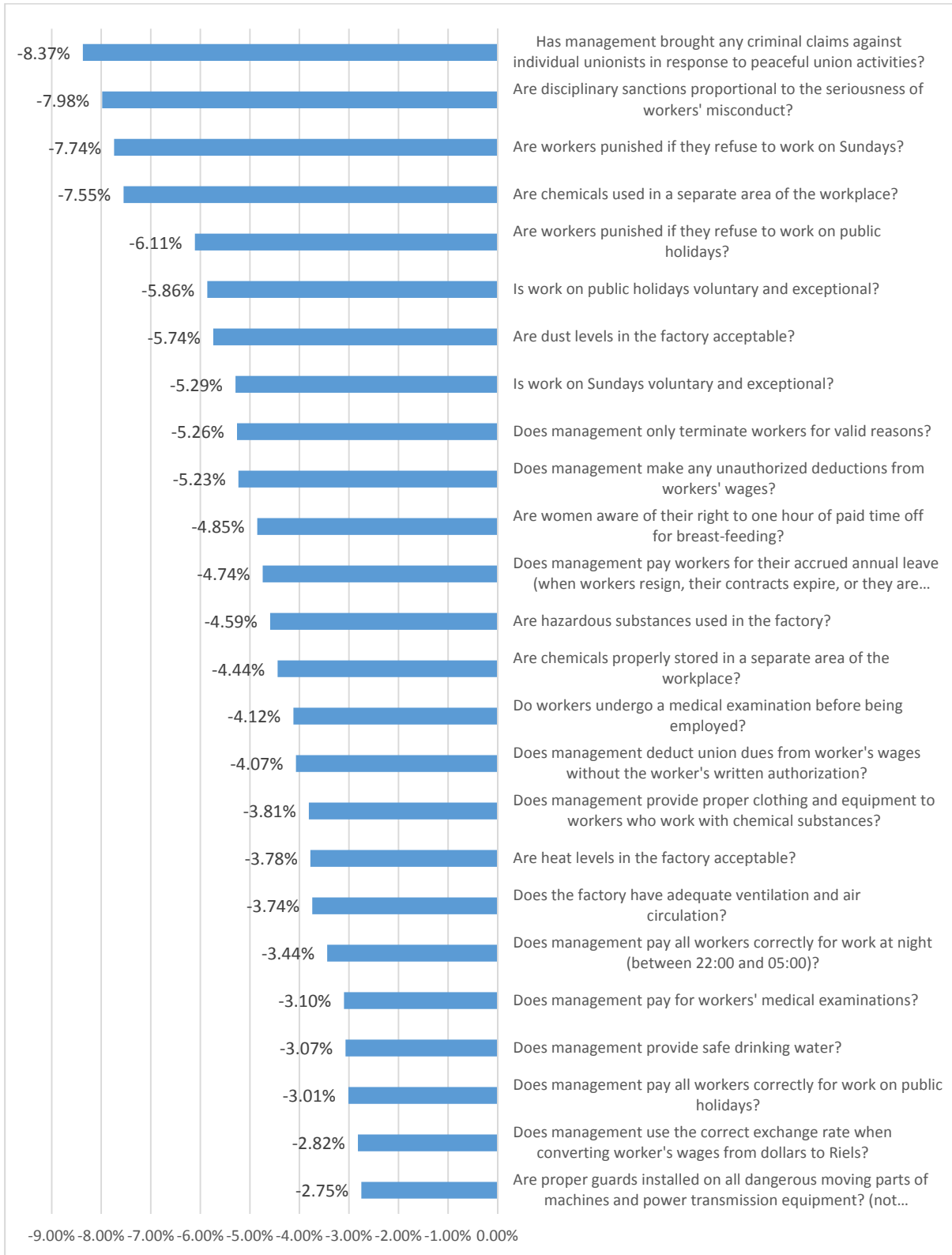
## **Areas of negative change**

The areas of negative change are mostly associated with OSH including chemicals are not used in a separate area of the workplace (-7.55%), workers undergoing medical exams before being employed (-3.10%)<sup>11</sup>, providing proper clothing and equipment to workers who work with chemicals (-3.81%), acceptable dust levels (-5.74%), acceptable heat levels (-3.78%), and chemicals are not properly stored in a separate areas of workplace (-4.44%). The compliance with access paths wide enough to allow two-way traffic, which was previously reported as (-9.9%) negative change is seen as 0.23% change for this report with the compliance rate of 77% for the two synthesis reports. There are also (smaller) negative changes with respect to issues around wages and contracts.

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<sup>11</sup> Factory management voiced their concerns that this legal requirement is difficult to comply with since there are not available doctors to do the medical examinations for their workers in the provinces. Those factories would need to wait for enough number of new workers before they could invite the doctors from Labour Ministry to carry out the medical examinations. In doing so, they could not have every new worker carrying medical check-up before being employed.

**Graph 8: Top negative compliance changes**



## Other areas of changes in compliance

This report also tracks changes in compliance on an additional 31 key issues over the last five reporting cycles<sup>12</sup>. This table is in line with earlier suggestions that overall, compliance levels have gone up over the last reporting period.

Table 5: Changes in compliance selected working conditions (last five reporting cycles)

Legal Requirement	Percentage of factories in compliance				
	SR32	SR31	SR30	SR29	SR28
Payment for maternity leave	82%	76%	75%	77%	83%
Exceptional overtime	6%	6%	5%	4%	3%
Overtime limited to 2 hours per day	24%	18%	15%	12%	14%
Only one payroll ledger that accurately reflects wages paid to workers	67%	60%	52%	55%	61%
Voluntary and exceptional work on Sundays	69%	74%	72%	73%	71%
Payment of \$10 attendance bonus when workers take annual leave	75%	66%	63%	58%	61%
Sufficient soap and water available near the toilets	53%	46%	47%	48%	54%
Written health and safety policy in Khmer	73%	69%	68%	64%	62%
Consultations with workers when developing the health and safety policy	65%	59%	57%	54%	57%
Heat levels in the factory	31%	35%	27%	32%	38%
Minimum wage for regular workers	97%	98%	97%	97%	97%
Minimum wage for casual workers	98%	98%	92%	92%	90%
Minimum wage for piece-rate workers	98%	92%	91%	95%	98%
Correct OT rate for regular workers	98%	97%	97%	97%	100%
Correct OT rate for piece-rate workers	96%	94%	81%	71%	87%
Eighteen (18) days of annual leave	95%	95%	96%	95%	97%
Not unreasonably restricting workers from taking annual leave	84%	80%	74%	77%	76%
Paid sick leave	76%	73%	76%	68%	73%
Voluntary overtime	87%	86%	86%	89%	86%
Provision of personal protective equipment	53%	49%	41%	48%	54%
Needle guards installed on sewing machines	75%	62%	64%	58%	66%
At least 24 consecutive hours off per week	99%	99%	100%	95%	100%
Weekly time off on Sunday	98%	98%	97%	94%	99%
Factory works on Sundays	20%	13%	14%	11%	20%
Not unreasonably restricting workers from taking sick leave	92%	93%	89%	93%	89%
Health and safety policy written in Khmer	72%	69%	68%	64%	62%
Safety and health information in Khmer posted in the workplace	97%	92%	92%	92%	95%

<sup>12</sup> The green columns are those working conditions that demonstrate improvements in compliance compared to the previous synthesis report. The orange columns demonstrate decreases in compliance compared to the previous synthesis report. The white columns don't show any changes between the current and the last report.

First-aid boxes in the workplace	94%	57%	61%	59%	72%
No payment to get a job	99%	99%	99%	98%	99%
Rotating short-term contracts not used to avoid providing workers' entitlements to maternity leave, seniority bonus, and/or annual leave	81%	69%	71%	63%	66%
All workers employed for longer than two years total considered to be employed under an unspecified duration contract <sup>13</sup>	73%	67%	70%	75%	74%

## Compliance with Fundamental Rights at Work

The table below shows the key findings on fundamental rights such as child labour, forced labour, discrimination, unions, freedom of association, anti-union discrimination, strike and strike procedural requirements.

Table 6: Non-Compliance with Fundamental Rights, 2011-2015

	Current report	Apr 2014	May 2013	Nov 2012	May 2012	Nov 2011
Child Labour (factories with confirmed underage workers)	3%	4%	2%	1%	7%	9%
Forced Labour (factories used forced labour)	0%	0%	0%	0%	0%	0%
Discrimination (factories engaged in discrimination)	13%	20%	16%	18%	19%	18%
Unions (factories with one or more union)	70%	71%	69%	71%	73%	66%
Freedom of Association (factories interfered with FOA)	11%	9%	7%	9%	6%	5%
Anti-union Discrimination (factories engaged in discrimination)	3%	3%	2%	5%	3%	4%
Strikes (factories with strikes)	28%	22%	19%	20%	11%	8%
Strikes failing to comply with one or more legal requirements	100%	100%	100%	100%	100%	100%

**Child Labour** (under 15 years of age according to national law) is one of the zero tolerance issues that BFC monitors in factories. The table below shows an overview of the number of confirmed child labour cases in factories for the current and previous reporting period. The data demonstrates a strong decrease in number of confirmed under aged workers in the factories suggesting a positive impact of the collaboration between GMAC and BFC to address this issue in the sector.

<sup>13</sup> BFC considers the factory complying with this legal requirement when all workers who have worked more than two years have unspecified duration contracts (UDCs). The factories will be marked as noncompliance when there is no written consent for fixed duration contract (FDCs) from workers or FDCs that do not include seniority benefits.

Table 7: Changes in child labour SR 31 and SR 32

	May 2013 – April 2014	May 2014 – April 2015
	# of confirmed child labour cases (< 15 yrs)	# of confirmed child labour cases (< 15 yrs)
Footwear	9	2
Garment	65	28
Total	74	30

BFC undertakes a sample check in each factory to assess compliance on child labour. As such, BFC conduct investigations on the suspected cases that are a result of this sample and thus the prevalence of child labour in the garment and footwear sectors is likely bigger than the factory-level data in this synthesis report indicates.

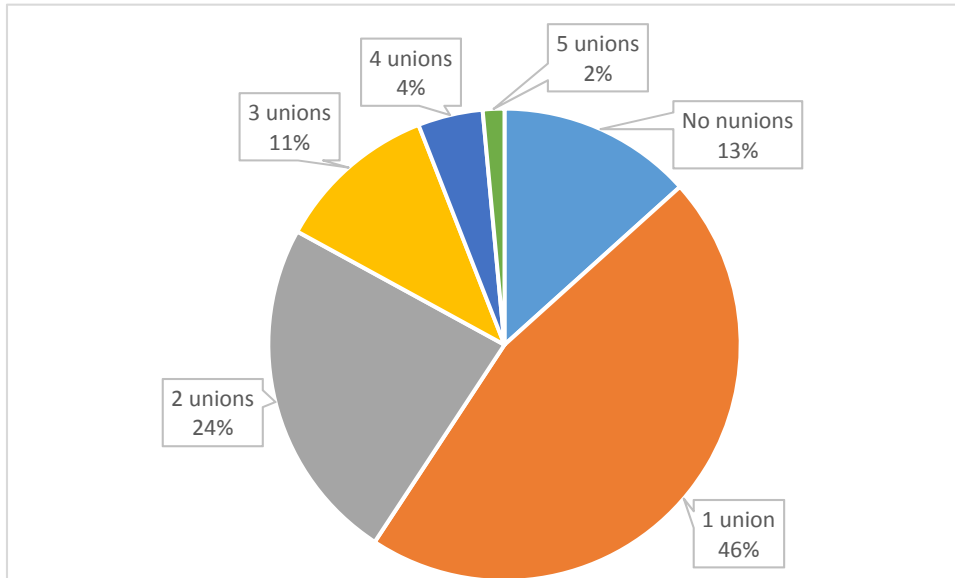
Under **discrimination**, BFC monitors any discriminatory practices against workers during hiring, employment or termination based on their race, colour, sex, or political opinion. The programme also checks whether management dismisses or changes workers’ employment status due to maternity leave, pregnancy or different pay for men and women. In this period, we found 50 factories engaged in different forms of discrimination, including:

- Discrimination during hiring (10,6% of factories is noncompliance)
- Discrimination related to employment and termination based on sex (2,4% of factories noncompliance)
- Discrimination based on union membership (2,4% of the factories noncompliance)
- Discrimination against pregnant workers (1.93%)

**Graph 9: Number of unions in the factories that had strikes** indicates that there were 135 strikes that took place in 112 factories. 16 factories that did not have any unions in the factories had 18 strikes and factories that had one union or more had 117 strikes. The previous synthesis report indicated all strikes recorded failed to meet at least one of the legal requirement for carrying out a strike. In this report, all strikes failed to meet one or more of the legal procedures before going on strikes such as:

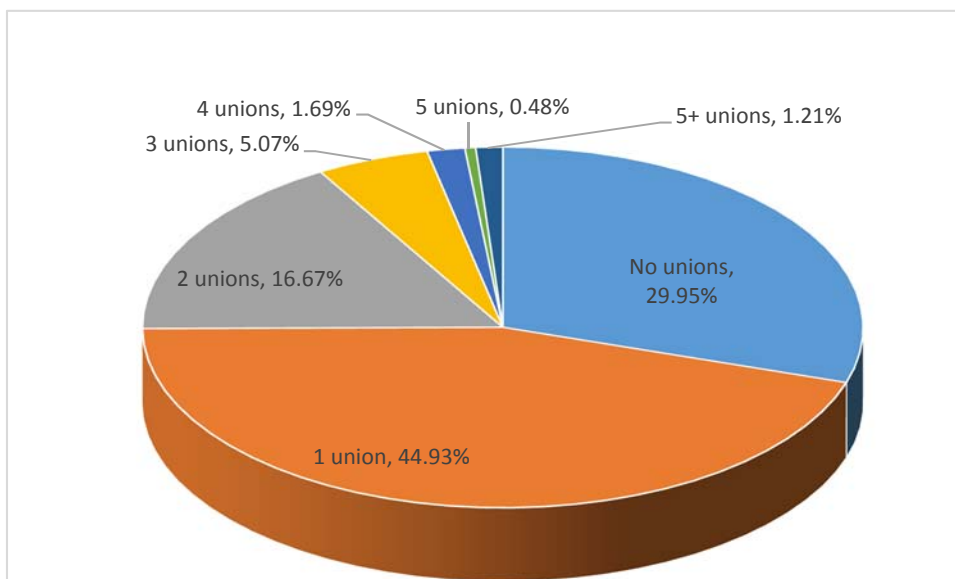
- Workers failed to provide 7 days prior notice to management;
- Workers failed to provide 7 days prior notice to the Labor Ministry;
- Workers failed to approve the strike by secret ballot;
- Workers failed to attempt to settle the dispute using other peaceful methods first; and
- Workers failed to go on strike for reasons permitted by law.

**Graph 9: Number of unions in the factories that had strikes**



With respect to the presence of unions in the factories, out of 393 factories covered in this report, nearly 70% (290 factories) have at least one registered union at their factories. Factories that have two unions have almost the same percentage (16.67%) as last report of 17% and 8.45% had three or more unions.

**Graph 10: Number of unions per factory (12 months to date)**



## 7. Conclusions

Working conditions in garment factories, including in Cambodia, have received increasing international attention over the last years. Despite the fact that there are still many issues that need to be improved, this report demonstrates that significant improvements have been made with respect to compliance levels in the Cambodian garment industry since the start of BFC. This report also highlights that these improvements have positively impacted business outcome and have had a spillover effect on new factories.

Compliance data for the period May 2014 – April 2015 also suggest that the downward trend in compliance levels that started in 2010 is on the reverse. In collaboration with its tripartite constituents, international buyers and its institutional partners the ILO and the IFC, BFC will continue to focus its effort on increasing compliance levels through providing independent monitoring and increasing factory level support to improvements in working conditions at the factory level.

These efforts can be supported by concrete, measurable actions by industry players to complement individual factory efforts: Specific recommendations include:

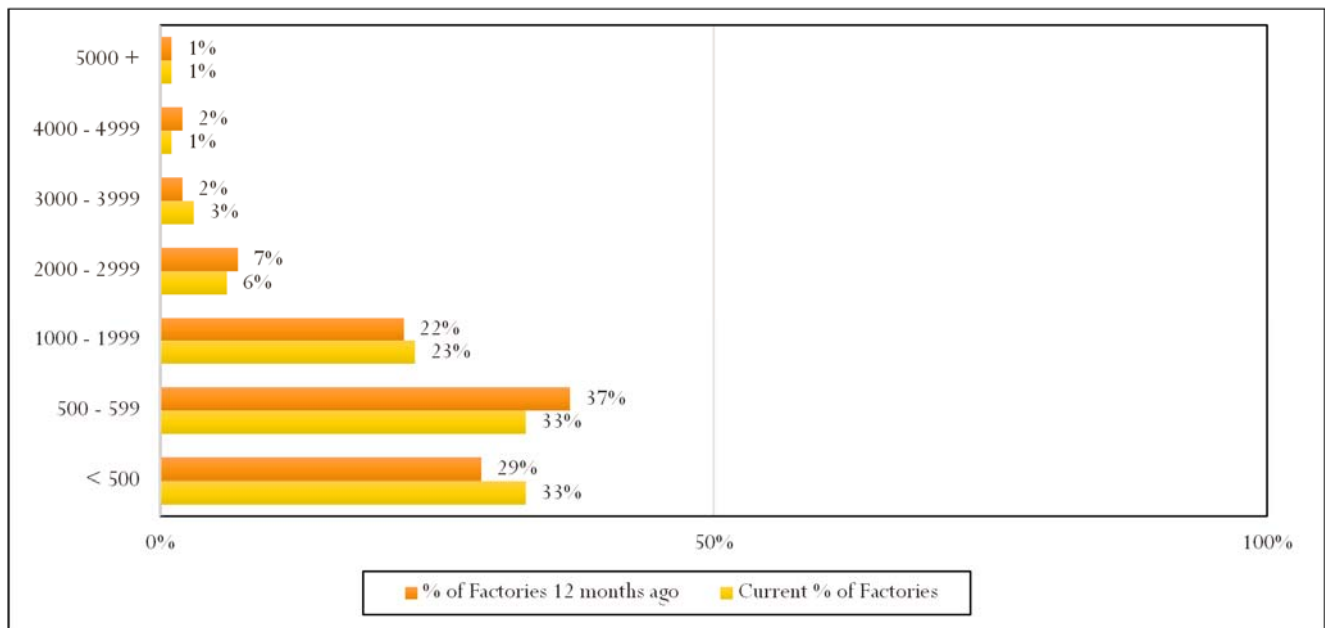
- Royal Government of Cambodia can make effective use of numerous enforcement mechanisms to uphold the provisions in the labour law, especially in factories with low compliance.
- Employers have an obligation to improve working conditions even in the absence of effective enforcement of legal requirements. GMAC can foster a culture of compliance among their members.
- Trade Unions should strengthen their understanding of and commitment to the responsibilities of unions— including following strike procedures. Unions are in a position to use the data in this report as well as the information available through transparent reporting to engage management and/or employer organizations in dialogue and collective bargaining to find solutions to factory- and industry-level problems.
- International buyers sourcing from Cambodia wield considerable influence in the factories in which they source. Their willingness to engage suppliers using this report and data from the project's Transparency database can help drive improvements in factories and thereby improve working conditions and the industry's reputation globally.

In addition, the mechanism for annual minimum wage reviews as agreed on by the Labour Advisory Committee in June 2014, will support stability of the sector. It emphasized the importance of constructive negotiation and sound data as a basis for the process of annual minimum wage adjustment. Major international buyers' earlier commitment to adjust their FoB prices in support of the minimum wage adjustments is essential to support the development of the sector and preserve the jobs that it creates.

For its part and within its mandate, BFC will continue to look for ways to increase collaboration with its partners to deepen impact. In doing so, it will focus on those areas where it can lever most change, such as the delivery of advisory services at factory level and public reporting. In 2015, the programme will evaluate the results of its current strategic phase, which covers 2013 – 2015. In collaboration with the tripartite constituents it will then design a 3 year strategy with the objective to further increase compliance levels in the industry.

## Annexes

### Annex 1: Changes in factory size (last 12 months)



### Annex 2: Changes in Compliance on 21 Critical Issues

all 380 factories	Change in Compliance
Regular emergency evacuation drills (every 6 months)	16%
Emergency exit doors are unlocked during working hours	9%
Bonuses allowances leaves count entire employment period	9%
No discrimination against workers	7%
No unremediated child labour	4%
Correctly paid overtime wages	4%
Emergency exit doors are sufficient	2%
No dismissal of pregnant workers	1%
No discrimination against workers based on union membership	1%
Workers can join and form unions freely	1%
No forced labour	0%
No dismissal of workers during maternity leave	0%
No sexual harassment	0%
Job is not dependent on union membership	0%
Equal pay for men and women	0%
No management interference with union	-1%
Correctly paid minimum wages	-1%
No control of union by employer	-1%
Workers are free not to join a union	-1%
Water for drinking is clean and sufficient	-3%
Dangerous machine parts have safety guards (not needle guards)	-4%



### **Annex 3: Better Factories Cambodia Methodology**

Better Factories Cambodia carries out factory assessments to monitor compliance with core international labour standards and the national labour law. The programme reports these figures to help factories identify areas in need of improvement. Collecting and reporting these data over time will help factories demonstrate their commitment to improving working conditions.

Better Work organizes reporting into eight areas, or clusters, of labour standards. Four of the clusters are based on fundamental rights at work, namely child labour, discrimination, forced labour, and freedom of association and collective bargaining. In 1998, member states, workers, and employer representatives at the International Labour Organization identified fundamental principles and rights at work regarding these four issues based on eight widely ratified International Labour Conventions (29, 87, 98, 105, 100, 111, 138, and 182). These Conventions provide the baseline for compliance with the fundamental rights clusters across all Better Work country programmes. Cambodia has ratified 14 including all core Conventions.<sup>14</sup>

The four other clusters on the BFC assessment tool concern conditions at work, including Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time. The compliance points covered in these clusters are largely consistent across countries, however each compliance point contains specific questions that may vary from country to country due to differences in national legislation. In countries where national law either fails to address or lacks clarity around a relevant issue regarding conditions at work, BFC establishes a benchmark based on international standards and good practices.

The assessments carried out by BFC follow a thorough checklist covering the above-mentioned labour standards. The detailed factory assessment reports are based solely on what was observed, investigated and analysed during the actual assessment. Before the reports become official, factories are given seven days to provide feedback and clarifications on its findings.

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<sup>14</sup> In addition to the core conventions, Cambodia has ratified conventions 4, 6, 13, 100, 122 and 150.