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Working Paper 18

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Responsibility for the ideas, facts and opinions presented in this research paper rests solely with the authors. Their opinions and interpretations do not necessarily reflect the views of the Cambodia Development Resource Institute.

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Contents

Abstract

This working paper explores the nature and trajectory of Cambodia's labour market, analysing both its structure and recent trends. On this basis, it examines the links between the labour market, poverty reduction and growth, and the impact which recent political and economic crises have had on the conditions of labour.

Cambodia faces the dual and difficult objectives of attempting reconstruction of a society and economy torn by conflict and war, along with transition from a centrally-planned to a free-market economic system. Since 1998, when a coalition government was formed after a general election and mass defection of Khmer Rouge members to the government, the country has enjoyed some peace and stability for the first time in over 20 years. Progress with economic reform, though it has accelerated somewhat in the last two years, is still slow. Nevertheless, the economy grew fast in the first six years of the 1990s (at an annual average rate of around 7 percent) and, while it was interrupted by the internal and external crises of 1997/98, growth resumed in the final year of the century.

Growth has been accompanied by an apparent reduction in poverty. The proportion of Cambodians living in poverty (measured by the headcount index) was estimated to have fallen from 39 to 36 percent between 1993/94 and 1997, according to the socio-economic surveys pertaining to those years. The poverty profile based on the 1999 survey has not yet been released, though unofficial records show that there was no real change between 1997 and 1999, a period that experienced virtual economic stagnation due to the July 1997 fighting.

This paper pays particular attention to the actual and potential links between growth of employment, particularly wage employment, and transformation of the economy as a whole. No attempt had been made to construct a comprehensive poverty profile, but the association between the labour market and poverty is explored. The impact of the crisis was measured by analysis of changes in such indicators as wage employment, real wages, net earnings of self-employed and own-account workers, and the extent of labour migration. The paper attempts to integrate gender into the analysis of the labour market, rather than to treat it as a separate subject. This paper is comprised of ten chapters. Chapter 1 discusses the factor endowment of the country, hence establishing the premise. Chapter 2 analyses the labour market structure, and Chapter 3 studies distortions in the labour market. Chapter 4 looks at the nature and extent of migration. Chapters 5, 6, 7 and 8, respectively, examine recent trends in the labour market; links between the labour market and poverty reduction; links between the labour market and economic growth; and, how the labour market has adjusted to crises. Chapter 9 discusses current policy, with specific reference to labour and poverty alleviation, and the final chapter presents conclusions and recommendations.

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This paper has been prepared under aegis of the Development Analysis Network (DAN), a network of research institutes in four countries in the Southeast Asian region – Cambodia, the Lao People's Democratic Republic, Vietnam and Thailand. The activities of this network have so far been financially supported by the International Development Research Centre (IDRC) of Canada, whom the authors of this paper thank for their generous funding.

The fieldwork was facilitated with the co-operation of migrant workers, including cross-border migrants, who cheerfully talked to us despite their desperate schedules. Others who helped in undertaking the fieldwork were: the Women's Development Association; the Khmer Kampuchea Krom Human Rights Organisation; the Overseas Vietnamese Association; community development workers at Krom Akphiwat Phum in Battambang; and staff of the Provincial Departments of Women's and Veterans Affairs in Banteay Meanchey and Battambang.

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Authors
1 August 2001
Phnom Penh, Cambodia

Introduction

The Cambodian economy has had a chequered history of having a new economic system imposed virtually every decade since the 1960s. There was a spate of nationalisation of industries and banks in the 1960s, a free market system reintroduced in the early 1970s, two very different versions of central planning imposed from 1975 to 1989, and a free market system again put in place in the 1990s. From 1975 to 1979, all economic, social and political institutions came under serious strain, and many are not yet in proper shape today. The consequent economic devastation has posed challenges for addressing poverty, providing jobs to the growing population, and promoting social development. Central to the tackling of these issues, is an understanding of the labour market.

This report explores the nature and trajectory of Cambodia's labour market, analysing both its structure and recent trends. On this basis, it examines the links between the labour market, poverty reduction and growth, and the impact which recent political and economic crises have had on the conditions of labour.

Cambodia faces the dual and difficult objectives of attempting reconstruction of a society and economy torn by conflict and war, along with transition from a centrally-planned to a free-market economic system. Since 1998, when a coalition government was formed after a general election and mass defection of Khmer Rouge members to the government, the country has enjoyed some peace and stability for the first time in over 20 years. Progress with economic reform, though it has accelerated somewhat in the last two years, is still slow. Nevertheless, the economy grew fast in the first six years of the 1990s (at an annual average rate of around 7 percent) and, while it was interrupted by the internal and external crises of 1997/98, growth resumed in the final year of the century.

Growth has been accompanied by an apparent reduction in poverty. The proportion of Cambodians living in poverty (measured by the headcount index) was estimated to have fallen from 39 to 36 percent between 1993/94 and 1997, according to the socio-economic surveys pertaining to those years. The poverty profile based on the 1999 survey has not yet been released, though unofficial records show that there was no real change between 1997 and 1999, a period that experienced virtual economic stagnation due to the July 1997 fighting.

This paper pays particular attention to the actual and potential links between growth of employment, particularly wage employment, and transformation of the economy as a whole. No attempt had been made to construct a comprehensive poverty profile, but the association between the labour market and poverty is explored. The impact of crises was measured by analysis of changes in such indicators as wage employment, real wages, net earnings of self-employed and own-account workers, and the extent of labour migration. An attempt is made to integrate gender into the analysis of the labour market, rather than to treat it as a separate

subject. This paper comprises ten chapters. Chapter 1 discusses the factor endowment of the country, hence establishing the premise. Chapter 2 analyses the labour market structure, and Chapter 3 studies distortions in the labour market. Chapter 4 looks at the nature and extent of migration. Chapters 5, 6, 7 and 8, respectively, examine recent trends in the labour market; links between the labour market and poverty reduction; links between the labour market and economic growth; and, how the labour market has adjusted to crises. Chapter 9 discusses current policy, with specific reference to labour and poverty alleviation, and the final chapter presents conclusions and recommendations.

Chapter 1

Cambodia's Factor Endowment and Comparative Advantage

Compared with many of its neighbours, Cambodia is not a classic labour-surplus economy. Table 1.1 shows that its labour/land ratio[1] is one of the lowest in the Association of Southeast Asian Nations (ASEAN) countries. Only the Lao People's Democratic Republic (Lao PDR) and Malaysia show a lower density. If cultivable land alone is taken into account, the contrast between Cambodia and other ASEAN members becomes even greater.

Table 1.1. Labour/land and labour/cultivable-land ratios in Cambodia and selected ASEAN countries in the 1990s

	Land area ('000 sq km)	Cultivable land area ('000 sq km)	Active population (i.e. aged 15 – 64) (million)	Active population per sq km total land	Active population per sq km cultivable land
1	2	3	4	5	6
Cambodia	177	54	6	32	105
Laos	231	17	3	11	151
Vietnam	325	73	40	124	511
Indonesia	1812	457	98	54	233
Philippines	298	105	30	102	270
Thailand	511	221	36	71	170
Malaysia	329	79	9	27	114

Source: FAOSTAT database. Cultivable land includes cropland and permanent pasture

In terms of labour/cultivable-land ratios, there are in effect three groups of countries in ASEAN: those with very high density (Vietnam, the Philippines and Indonesia); those with relatively low density (Malaysia and Cambodia, the lowest of all on this measure), and those in-between (Lao PDR and Thailand).

The figures in the table, though, should be interpreted with caution. As Desbarats and Sik (2000:9) point out, land ownership in Cambodia is becoming increasingly concentrated, so averages can be misleading. Some land has been degraded over a long period and is no longer fertile, and landmines also restrict access to land.[2] The total area affected by mines, according to the Cambodian Mines Action Centre, is almost 2,800 square kilometres or 1.5 percent of the national territory. These areas are heavily concentrated geographically in Odder Meanchey, Pailin and Preah Vihear provinces. Agricultural land will somewhat increase with the clearing of mines, but this is a very slow process and will likely take several more decades

[1] Measured by adult population per square kilometre.

[2] During the war, large parts of the country were bombed and mined. Some of the mine-affected areas have still not been cleared up.

to complete. Meanwhile, the pressure on land is mounting since occupational diversification is very limited and the labour force is rapidly increasing.[3]

The skill level of the population is an important element in an economy's factor endowment. Only an approximate measure of this is available (the average years of schooling of the active population), and on a comparative basis only for the early 1990s. Nevertheless, the comparison shown in Table 1.2 yields a useful insight into Cambodia's relative situation.

Table 1.2. Average years of schooling per square kilometre of cultivable land in Cambodia and selected ASEAN countries

	Cultivable land area ('000 sq km.)	Active population (i.e. aged 15 – 64) (million)	Average years of schooling	Number of years of schooling per sq km of cultivable land (3x4) / 2
1	2	3	4	5
Cambodia	54	6	3.8	422
Laos	17	3	2.9	512
Vietnam	73	40	4.9	2,685
Indonesia	457	98	5	1,072
Philippines	105	30	7.6	2,171
Thailand	221	36	3.9	635
Malaysia	79	9	5.6	638

Sources: For Cambodia, Socio-economic Survey of Cambodia (SESC), 1997; for other countries UNDP, Human Development Report 1994 (data for 1992)

As can be seen, the contrast between Cambodia and most of its neighbours becomes greater when skill is incorporated into the analysis. This measure, adapted from the criterion of relative endowments of skills and land proposed by Wood (1994), suggests that Cambodia's economy is bracketed with that of Lao PDR at the bottom of the list in terms of number of years of schooling per square kilometre.[4] However, this particular comparative advantage is not permanent: increases in the labour/land ratio and/or expansion of education would affect ranking by average years of schooling per square kilometre. The gender gap in schooling, analysed below, may also have an influence on the comparative advantage.

Translation of comparative advantage into international competitiveness is affected by several special factors. To begin with, Cambodia is a dollar-denominated economy, in the sense that the US dollar is widely used as a store of wealth, a medium of exchange and a unit of account. As Jayant Menon, the author of one of the few articles on this topic puts it, essentially, it is the dollar that serves the function of money in the Cambodian economy (Menon 1998). Menon also points out that if the prices charged by foreign suppliers, the prices of these goods in the Cambodian market, and the prices of Cambodian goods in world markets are all denominated in dollars, then *dollarisation* is the equivalent of having a perfectly-fixed nominal exchange rate. This means that a crucial mechanism through which comparative advantage expresses itself – change in the exchange rate – is not available to this country. Other negative factors affecting realisation of comparative advantage include: the poor condition of roads and bridges; the inadequacy of power supply systems, transport, processing, quality control and storage facilities; the weakness of wholesaling and exporting firms; the imposition of high unofficial taxes and levies on farmers who want to export or produce for the market; and lack of institutional support.[5]

[3] The subsistence nature of production and the consequent low productivity only worsens the situation.

[4] This measure is not independent of the population pressure. Hence, it should be interpreted accordingly.

[5] See, Chan (2000) for further discussion.

Chapter 2

Structure of the Labour Market

2.1. Labour Force Participation Rates

Cambodia's labour force participation rate is one of the highest in the region with over 68 percent[1] of the population aged 10 or over in the labour force. There is very little difference in the average rate between men and women. As Table 2.1 shows, participation is higher in rural than in urban areas, and highest of all among rural women.

Table 2.1. Labour force participation rates (%) by sex and location, 1999

	Cambodia	Urban	Rural
Male	68.6	62.6	69.7
Female	68.1	54.5	70.6

Source: SESC 1999 database

However, the age profile of labour participants differs between the sexes: as Figure 2.1 shows, women tend to join the labour force earlier than men. This pattern, which is similar in both urban and rural areas, mainly reflects the difference in school enrolment rates between boys and girls. If those in school are distinguished from those currently not in school, as in Table 2.2, the reason for the difference in participation rates in the group aged 15-19 years is clarified: it is higher for males than for females in both categories, but overall it is higher for females because fewer of them are in school.

Table 2.2. Labour force participation rates (%), in the age group 15-19 years, by sex and schooling status, 1999

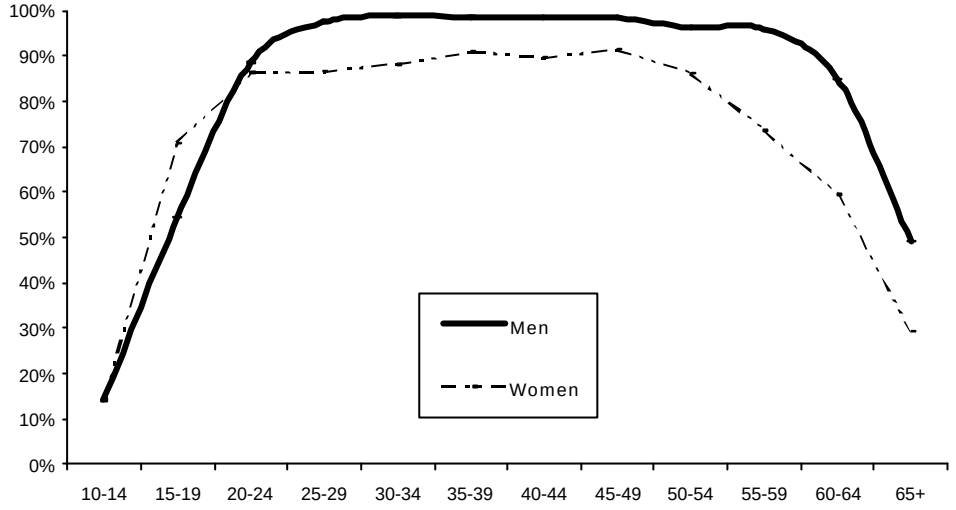
	Male	Female
Aggregate participation	54.5	70.8
Participation by:		
currently in school	17.8	13.4
not currently in school	95.4	94.1

Source: SESC 1999 database

The low average level of education of the Cambodian labour force, already emphasised, is shown in Figure 2.2. Only 23 percent have any schooling above primary grades, and 29 percent have no schooling at all. Women are in a worse situation then men – only 16 percent have any schooling above primary, and 38 percent have no schooling.

[1] In this and other cases in this report the (weighted) figure derived directly from the database differs from that published in the official report on the survey. In the interests of internal consistency, this report uses figures derived from the databases in most cases. Where data come from published reports rather than from databases, this has been indicated.

Figure 2.1. Labour force participation rate, by sex and age group, 1999



Source: SESC 1999 database

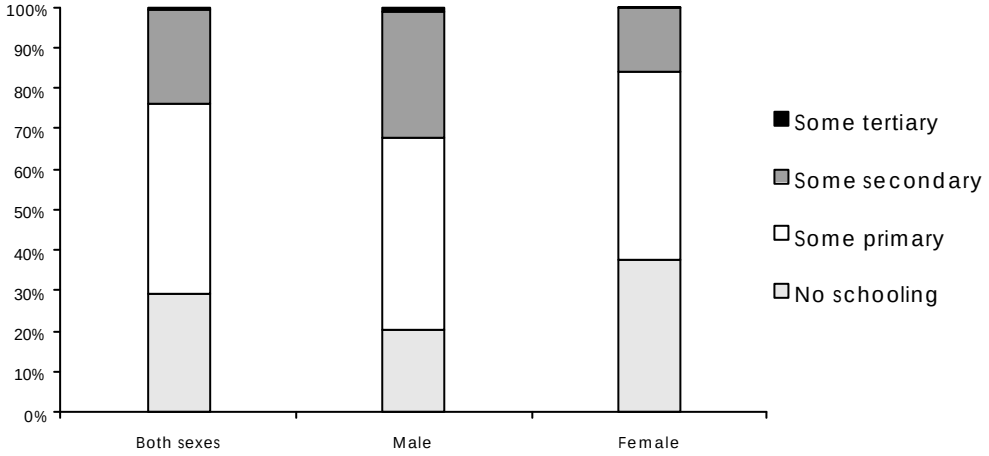
Lack of schooling is reflected in a very high incidence of illiteracy. A recent survey (RGC 2000a) suggests that estimates of literacy rates, derived from socio-economic surveys, which rely on respondents to say whether they can read or write, give a false impression. The new survey administered a literacy test to a randomly-selected national sample of 6,548 respondents aged 15 years and above. Based on test scores, respondents were classified into three categories, as shown in Table 2.3.

Table 2.3. Three categories of literacy, by sex, Cambodia, 1999

	Illiterate		Semi-literate		Literate	
	Number (millions)	Rate (%)	Number (millions)	Rate (%)	Number (millions)	Rate (%)
Male	0.7	24.7	0.8	27.7	1.3	47.6
Female	1.7	45.1	1.0	25.7	1.1	29.2
Both sexes	2.4	36.3	1.7	27.0	2.4	37.1

Source: RGC 1999

Figure 2.2. Composition of labour force, by sex and education, 1999



Source: SESC 1999 database

The completely illiterate scored zero points in the test, the semi-literate could read and write only a few words and numbers, and the literate could use their skills in everyday life and income generation. The staggering implication is that 4.1 million Cambodians over the age of 15 (63 percent of the total) are not functionally literate. The situation of women, for whom the proportion of illiterate is 71 percent, is worse than that of men (52 percent). In both cases, illiteracy poses huge problems for productive employment generation.

Marital status is another important determinant of labour force participation. To prevent its effect from being swamped by the age structure, Table 2.4 confines itself to those in the most active age group, between 20 and 50 years. The highest participation rate is among currently-married men, but the participation rate for widows and widowers is also very high. Among women, for whom the participation rate traditionally varies because of reproductive responsibilities, the lowest is among those currently married, though it is still very high compared to international standards. Among those who never married, participation is higher among women than men.

Table 2.4. Labour force participation rates (%) in the group aged 20-50 years by sex and marital status, 1999

	Male	Female
Never married	86.7	92.1
Currently married	99.0	86.6
Widowed	96.1	95.9
Divorced	93.2	98.8

Source: SESC 1999 database

2.2. Unemployment

Open unemployment does not appear to be significant in Cambodia's labour market. Indeed, when unemployment is strictly defined as 'not working even for one hour last week and seeking work', as in Table 2.5, active unemployment scarcely exists. This is for good reason because few can afford to be out of work for long. Those that can, are predominantly young urban residents, with little difference in incidence between the sexes.

Table 2.5. Active unemployment rates (%) by age, sex and stratum, 1997[2]

	Cambodia			Phnom Penh			Other urban			Rural		
	Both Sexes	M	F	Both Sexes	M	F	Both Sexes	M	F	Both sexes	M	F
10-14	1.60	1.41	1.86	15.10	20.6	9.47	5.08	2.68	6.56	0.80	0.56	1.02
15-19	1.80	2.09	1.70	19.60	19.9	19.46	4.30	5.30	3.69	0.64	0.84	0.50
20-24	1.57	2.12	1.11	8.00	8.9	7.13	3.86	5.47	2.47	0.84	1.20	0.54
25-29	0.75	0.84	0.67	3.29	3.9	2.51	2.10	2.40	1.75	0.37	0.33	0.41
30-34	0.25	0.34	0.16	0.47	0.7	-	-	-	-	0.26	0.33	0.19
35-39	0.30	0.12	0.50	1.29	0.3	2.41	0.36	0.66	-	0.18	-	0.35
40-44	-	0.72	-	0.28	0.5	-	0.43	0.90	-	0.30	0.72	-
Total	0.70	0.8	0.66	3.30	3.0	3.60	1.57	1.71	1.43	0.38	0.42	0.34

Note: Unemployment rates above the age of 44 are negligible; – = negligible; the definition used to label a person unemployed is rather rigid (for details see the SESC report). Source: SESC report, 1997

Table 2.6, which uses a more liberal definition of unemployment, shows the extent of unemployment to be higher than that seen in Table 2.5. In any case, urban unemployment is expected to be higher, in view of the higher market penetration there. Next, there is more unemployment among females than males. The highest rates of urban unemployment also tend to be found among the young and more educated. This is partly because their more-prosperous families can finance the waiting time while a job is sought, and partly because affluent job seekers are unwilling to settle immediately for a job which is below the level they were expecting. Unemployment rates also vary inversely with age group: in the younger age groups, at all levels of education, female unemployment rates tend to be lower than those of males. However from the age of 30 years onwards, men do better (Table 2.6). The scarcity of women with tertiary education is indicated by their near zero unemployment rate!

[2] SESC data pertaining to 1997 are used because of problems with the questionnaires used in the 1999 SESC and in the 1998 Census.

Table 2.6. Urban unemployment rates (% of labour force) by level of education, age and sex, 1997

	Primary or less			Some secondary			Some tertiary			Total		
	Both Sexes	M	F	Both sexes	M	F	Both sexes	M	F	Both sexes	M	F
15-19	11.8	12	11.7	17.5	16.2	18.8	-	-	-	14	13.8	14.1
20-24	9.7	12.3	7.7	11	12.5	10.2	18.5	31.4	0	9.3	11.1	9.3
25-29	7.1	6.9	7.2	4	3.9	3.5	8.4	10.6	0	5.3	7.0	5.3
30-34	4.9	0	8.8	1	0.6	1.8	3	3.8	0	3.2	5.2	3.2
35-39	2.7	2.1	3.2	0.6	1	0	0	0	0	2.2	1.2	2.2
40-44	2.1	1.7	2.5	3.2	3.3	2.9	0	0	0	2.5	1.3	2.5
Total	7	6.2	7.7	4.8	4.1	6.1	4.2	5.6	0	5.9	2.1	5.9

Note: The definition used in this table is more liberal than that in Table 2.5 Source: SESC 1997 database

2.3. Characteristics of the Employed

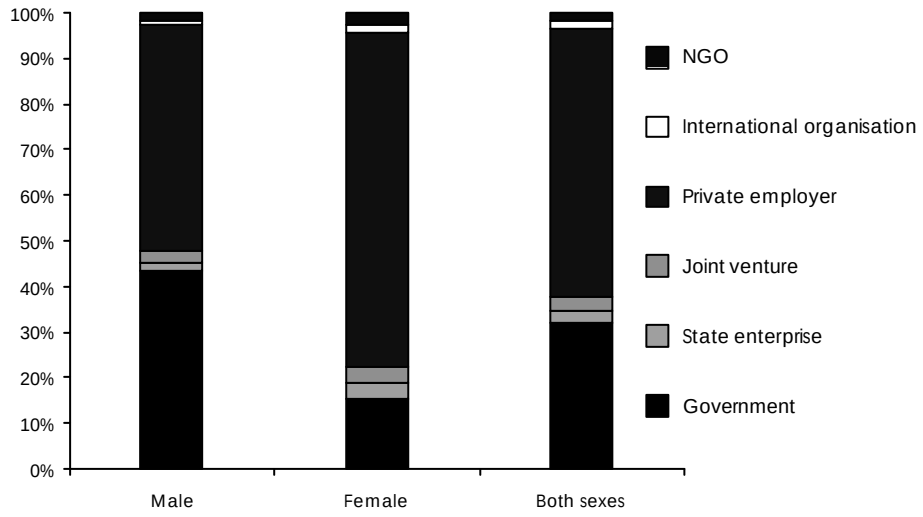
The number of employed persons in 1999 was estimated at 5.6 million (98.5 percent of the labour force or 67 percent of the working-age population). Women constituted 52 percent of those in employment – representing similar proportions of the female labour force and working-age population. The early stage of development of the labour market is indicated by the fact that the largest single category of employment status is unpaid family workers; only 15 percent of workers are wage employees (Table 2.7). In rural areas over one-half of the workers are engaged in unpaid work on family farms or other enterprises, and wage employment accounts for a little more than one-tenth of the total. The incidence of wage employment is much higher among men than women, particularly in urban areas, while women are over-represented among unpaid family workers. The sexes are equally represented in own-account work (self-employment) in urban areas, but not in rural areas where men are over-represented in this category.

Table 2.7. Percentage distribution of workers by employment status in primary job by sex and location, 1999

	Male			Female			Both sexes		
	Cambodia	Urban	Rural	Cambodia	Urban	Rural	Cambodia	Urban	Rural
Wage employee	19.6	46	15.3	10.9	21.2	9.5	15.1	33.8	12.2
Employer	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Own account	51	37.4	53.2	23.5	35.7	21.7	36.6	36.6	36.6
Unpaid family worker	29.1	16.3	31.2	65.3	42.8	68.5	48.1	29.3	50.9
Total	100	100	100	100	100	100	100	100	100

Source: SESC 1999 database

Figure 2.3. Wage employees, composition by type of employer and sex, 1999



Source: SESC 1999 database

More than one-third of wage employees work for government or state enterprises, 3.5 percent (most of them with higher-than-average education) for NGOs or international organisations, and 62 percent for private employers or joint ventures. As Figure 2.3 shows, men are over-represented in government/state enterprise employment (accounting for 45 percent of male wage earners compared to only 19 percent of female). Women are over-represented in private employment/joint ventures (77 percent of female wage earners compared to 52 percent of male wage earners) and international and non-government organisations (4.3 percent of females compared to 3 percent of males).

An important feature of the Cambodian labour market is the high proportion of workers who have more than one job (hence the reference in the title of Table 2.7 to 'primary job'). In 1999, 32 percent of women and 38 percent of men (averaging to 35 percent of both sexes) held more than one job. The incidence of multiple-job holding can be analysed by the sector of activity and occupation, as in Tables 2.8 and 2.9.

Table 2.8. Composition of employment by sector of primary employment and percent in each sector with more than one job, by sex, 1999

	Male		Female		Both sexes	
	% in this sector	of whom % with 2+ jobs	% in this sector	of whom % with 2+ jobs	% in this sector	of whom % with 2+ jobs
Agriculture, hunting, forestry	70.3	46	77.1	37	73.9	41
Fishing	3.3	13	1	13	2.1	13
Mining, quarrying	0.1	38	0.1	0	0.1	18
Manufacturing	3.9	17	6.5	12	5.3	14
Electricity, gas, water	0.2	19	0.1	0	0.1	12
Construction	2.6	12	0.3	11	1.4	12
Wholesale, retail trade	3.9	13	10.6	12	7.4	12
Hotels, restaurants	0.4	0	0.4	8	0.4	4
Transport, storage, communic.	4.3	10	0.4	32	2.3	12
Financial services	0.1	0	0.1	0	0.1	0
Real estate etc.	0.3	25	0.1	0	0.2	19
Public admin, defence, etc.	6.1	36	0.6	16	3.2	34
Education	2.2	56	0.9	39	1.5	50
Health, social work	0.4	48	0.5	32	0.5	38
Other services	0.8	10	0.6	11	0.7	10
Private households	0.7	5	0.6	11	0.6	8
International organisations	0.4	0	0.2	0	0.3	0
Total	100	38	100	32	100	35

Source: SESC 1999 database.

The overwhelmingly-agricultural nature of the economy and labour market too can be seen from Table 2.8. More than three-fourths of Cambodia's workers (nearly four-fifths in the case of women) are engaged primarily in agriculture, hunting, forestry and fishing. The other sectors, in order of importance, are wholesale and retail trade, manufacturing, and public administration and defence, though they only account for small proportions of the total employment. Apart from agriculture, women are over-represented in manufacturing and trade; men in fishing, construction, transport, public administration and defence and education. Women's concentration in manufacturing has its basis in the fact that garment manufacture is the biggest industry and it employs women workers in large numbers.

The incidence of multiple job holding is the highest in the education and agricultural sectors, as might be expected, since agriculture is seasonal and teachers can provide coaching classes or private tutoring because the school system is not very efficient. Multiple job holding is also high in health, social work, public administration and defence. As noted, this is higher for men than for women. Its particularly high among males in the education, health and agricultural sectors. The plain truth is that people work in more than one job because no single job pays most workers enough to eke out a desirable living. Perhaps there is gender

balance because men can find more time while women cannot, due to domestic responsibilities.

The pattern of employment by occupation also reflects the sector of employment. As Table 2.9 shows, skilled agricultural workers predominate, accounting for almost three-fourths of the total. Women are again over-represented in such occupations, and also in sales and craft-related work. They are substantially under-represented among legislators, senior officials and managers, professionals, technicians, plant and machine operators and the armed forces. There clearly is a gender division of labour; usually, women are not in high-status or high-skilled jobs.

Table 2.9. Composition of employment by primary occupation and percent in each occupation with more than one job, by sex, 1999

	Male		Female		Both sexes	
	% in this sector	of whom % with 2+ jobs	% in this sector	of whom % with 2+ jobs	% in this sector	of whom % with 2+ jobs
Legislators, senior officials, managers	1.2	64	0.1	32	0.6	61
Professionals	3.5	40	1.4	34	2.4	38
Technicians/associate professors	4.3	26	1.1	14	2.6	23
Clerks	0.2	19	0.1	0	0.2	12
Sales workers	3.7	10	9.9	12	7.0	11
Skilled Agriculture/fishery workers	71.2	45	74.9	37	73.1	41
Craft etc. workers	4.2	15	6.0	11	5.2	12
Plant/ machine operators	2.8	8	0.3	32	1.5	11
Unskilled occupations	6.9	13	6.0	17	6.4	15
Armed forces	1.9	30	0.2	32	1.0	30
Total	100	38	100	32	100	35

Note: Agr. refers to agriculture. Source: SESC 1999 database

The incidence of multiple job holding is also as would be expected from the previous table. Almost two-thirds of legislators, senior officials and managers hold more than one job. The high proportion of professionals and members of the armed forces in this category is also notable. Again, the incidence is higher in most occupations among men than among women; perhaps more women get into self-provisioning than men.

2.4. Child Labour

The Cambodia Human Development Report for 2000 includes a special study of child labour, based on the 1999 Socio-economic Survey (RGC 2000b). Table 2.10 summarises some of its findings.

The proportion of very young working children (between ages five and nine) is negligible, but this rises in the older age group of 14-17 years, to around 42 percent. The incidence of child labour is higher in rural than in urban areas, and lower for girls in the younger age groups, but lower for boys in the upper age groups. This reflects the difference in school enrolment rates, which emerges after the age of 12. By the time children reach age 17, only 32 percent of girls are still in school, compared with 59 percent of boys. An important finding of the survey is that child labour is not a part-time or purely-seasonal phenomenon: average hours worked per week vary from 33-47 and average weeks worked per year from 35-37, depending on age group. There is a clear conflict between schooling and child labour. An overwhelming majority of working children are engaged in unpaid family labour, almost all of them in agriculture, helping on family farms. The survey does not record the type of work done by children, but their tasks are known to include ploughing, transplanting rice, pumping water into rice fields, collecting water to irrigate crops, weighing and harvesting rice, carrying rice from farms, grazing cows, and catching fish (RGC 2000b:34). Unlikely to have been captured by a household-based sample survey of this kind is domestic work outside a child's home, and the worst forms of child labour: prostitution, begging and scavenging (often the main activities of street children). The Cambodia Human Development Report

(RGC 2000b:36) quotes rough estimates of 5,000 commercial sex workers under the age of 18, 1,000 street children, and 6,500 domestic workers aged 14-17 years, in Phnom Penh alone.

Table 2.10. Statistics on child labour in Cambodia, 1999

	Age 5 – 9	Age 10 – 13	Age 14 – 17
% of children working or with job			
Urban:			
Male	1	4	17
Female	1	4	29
Rural:			
Male	3	11	39
Female	3	10	53
Total:			
Male	3	10	36
Female	2	9	50
Average hours worked per week	33	37	47
Average weeks worked per year	35	35	37
Work status in primary job			
Paid employee	4	3	9
Own account worker	7	9	5
Unpaid family labour	89	88	87
Industry of primary job			
Agriculture, fishing, forestry	...	91.9	86
Trade	...	4.6	5.9
Manufacturing	...	2.8	4.5
Services	...	0.5	1.5
Construction	...	0.2	1.4
Other	...	0.1	0.7
Primary occupation			
Farm, fishery, forestry workers	...	88.2	83
Sales workers	...	3.8	5.6
Crafts workers	...	3.2	4.3
Other	...	4.8	7.1

Source: RGC 2000b

2.5. Earnings Behaviour

The Socio-economic Survey of 1999 collected data on earnings from different types of workers. Those for wage-earners are probably the most reliable; they are summarised in Table 2.11. There is considerable difference between the wages of men and women. On average, men earn 23 percent more than women; the differential is slightly higher in rural areas. Men earn higher wages than women in all education categories except lower secondary, and in all age groups, except those aged 15-24 years. Both these exceptions may reflect over-representation of women – many of them working in the garment industry have lower-secondary education. Within every sector, men's wages are higher – the gap is more than 300 percent in the case of trade.

For both sexes, wages in urban areas are much higher than rural, and the premium on post-secondary education is considerable – 84 percent more compared to those with primary education for men, and 74 percent for women. There is not much career progression in either case, scarcely any for women, who earn little more in the group aged 35-54 years, than in those aged 15-24 years, and suffer a big drop in earnings after age of 54. Sectoral differentials are also quite large. Trade is the highest-paying sector for men, and manufacturing for women.

Table 2.11. Average monthly wages from primary and secondary jobs of wage employees aged 15 years and more, by location, schooling, age group, sector of primary employment and sex, 1999 ('000 riels)

	Male	Female	Men as % of women
By location:			
Urban	217	182	119%
Rural	139	112	124%
By completed schooling level:			
Primary or less	143	125	114%
Lower secondary	152	156	97%
Upper secondary	209	175	119%
Post secondary	263	217	121%
By age group:			
15-24	126	127	99%
25-34	171	126	136%
35-54	175	128	137%
55+	127	84	151%
By sector of primary employment:			
Agriculture, forestry, fisheries	138	113	122%
Manufacturing	228	161	142%
Utilities	234	…	…
Construction	185	142	130%
Trade	253	83	305%
Transport, storage, communication	205	133	154%
Services	129	151	85%

Source: SESC 1999 database

Net daily earnings towards the bottom end of the labour market are measured in regular CDRI surveys of vulnerable workers. This has proved a useful series for monitoring changes in the labour market[3] and can also be used to throw light on relative earnings of such workers. Table 2.12 shows daily earnings reported in August 2000.

Table 2.12. Net daily earnings of vulnerable workers, by occupation and gender, August 2000

	Males		Females		Male as % of
	Riels per day	Index (lowest = 100)	Riels per day	Index (lowest = 100)	female
Cyclo drivers	9,511	385	--		
Porters	8,068	326	--		
Small traders	8,092	327	6,611	312	122%
Scavengers	4,077	165	4,250	201	96%
Garment workers	11,550	467	8,269	390	140%
Rice field workers	4,400	178	4,450	210	99%
Waiters/ waitresses	2,473	100	2,118	100	117%
Construction workers	14,891	602	--	--	--
Unskilled construction workers	8,220	332	--	--	--
Moto taxi drivers	11,044	447	--	--	--

Source: CDRI August 2000 Vulnerable Workers Survey

Earnings differentials between occupations are large for male workers; as can be seen, skilled construction workers earn more than six times as much as waiters. Garment workers and motorcycle-taxi drivers are also near the top of the range. The distribution for female workers is less stretched out, with garment workers earning around four times as much as waitresses. In both cases, the relatively-high earnings of garment workers show why these jobs are prized in spite of the conditions of work. In both cases, agricultural wages are higher than the lowest remuneration in urban areas, i.e. of waiters/waitresses and scavengers – reinforcing the suggestion that rural areas do not necessarily have more surplus labour than

[3] See below for more details of the survey and discussion of the impact of crisis on earnings of some of these groups.

urban.[4] Earnings differentials between men and women for same/similar occupations also vary. Men earn 40 percent more than women in garment factories, but less than women in agriculture and scavenging (though scavengers often work on a household basis so it is difficult to distinguish the earnings of individuals; therefore this comparison is approximate and not accurate).

As adjudged from Tables 2.11 and 2.12, differentials between wage earners and the top categories of self-employed do not appear to be large. Average urban wages in Table 2.11 are not much different from the daily net earnings of cyclo drivers, porters and traders, and lower than those of motorcycle-taxi drivers. Wages of waiters and waitresses are so far below the urban average that a need for further investigation is suggested.

[4] Earnings of waiters and waitresses here do not include the meals that most may get. Their inclusion, though, may not disturb the rankings significantly.

Chapter 3

Distortions in the Labour Market

As may have already become apparent, Cambodia's labour market is distorted in several ways, particularly through segmentation by gender, the size of the external assistance sector in the more-educated segments of the market, and the large size and low pay of the civil administration, defence and security forces. This chapter looks at each of these distortions in turn.

3.1. By Gender

Women are at a disadvantage in the labour market, owing partly to their much lower average level of education. The combined first, second and third-level enrolment rate for females in 1999 was only 44 percent, compared with 55 percent for males, and only 16 percent of women in the labour force have had more than primary education, compared with 24 percent of men. Next, the adult functional literacy rate for women is only 29 percent compared with 48 percent for men. Seen across different occupations and status categories, women are over-represented among unpaid family workers, farmers, and sales and craft workers. Across different industry categories, they are in the agriculture, trade and manufacturing sectors. They are under-represented among wage earners in general and government employees in particular. Their absence among legislators, senior officials and managers, professionals, technicians, plant and machine operators, and the armed forces is notable. Also, except in the case of those with lower-secondary education, they command lower wages than men with the same level of schooling.

Segmentation of the labour market by gender suggests a need for vigorous implementation of anti-discrimination legislation, but the need to rectify the imbalance in the education system may be even more urgent. Here, the issue of the differentially high rate of dropout from school by girls needs to be addressed. Emergency non-formal programmes, aimed particularly at adult women, are also needed to deal with Cambodia's literacy crisis.

Mass campaigns that involve a majority of illiterate adults, rather than small selective programmes, have been an essential part of every successful effort to eliminate illiteracy (Chunkath 1996). Cambodia had two such campaigns in the 1980s covering more than a million people, but the short duration of the programmes and the absence of post-programme support reduced their effectiveness. In any such programme there are many lessons to be learned from current projects and approaches, such as those of UNESCO, the Cambodian Women's Association, UNICEF, CARERE and a large number of NGOs. A mass campaign should not be marginalised but should use a national network of educational facilities, such as the cluster schools, with community participation. The poverty of those involved should be recognised. Food will need to be provided to participants who may be missing a day's work

by attending the programme. This makes a literacy campaign a more effective, self-defining, anti-poverty programme. Literacy and teaching should be linked to actual or potential income-generation activities, both to maximise the productivity impact and to ensure that reading ability is subsequently maintained. For the same reason, community libraries (or in UNESCO terms, development resource centres) should be established. In short, there are plenty of ideas on literacy programmes in Cambodia and people able to build the capacity to implement them. What is needed is funding and a national framework with strong implementation capacity for a mass campaign. It is believed that with a strong educational input a large part of the gender gap will be bridged.

3.2. By external Assistance Sector

The labour market is also distorted by a large presence of external, multilateral and bilateral assistance agencies, and non-government organisations, which employ a large proportion of the most highly-educated and skilled Cambodians.

Cambodia receives a huge amount of external assistance in relation to other sources of foreign exchange and to the government budget. In 1998, although below its levels of a few years earlier, the $404 million assistance received was equivalent to 14 percent of the GDP. This formed 70 percent of foreign exchange earnings from exports, more than double the total tax revenue and more than three times the level of non-defence government expenditure (Godfrey *et al* 2000:11). Such large amounts raise the possibility that foreign aid brings a modified version of 'Dutch disease'[1] to Cambodia, operating not through exchange rate appreciation (because of dollarisation, discussed in the earlier section), but through the labour market.

A high proportion of the country's most qualified people are attracted to the external assistance sector, both as full-time staff of agencies and projects and as salary-supplemented counterparts. Almost two-thirds of the 45 middle-level counterparts (in government and local non-government organisations) interviewed in a CDRI study of technical assistance and capacity development had a bachelor's degree or higher qualification (Godfrey *et al* 2000:32). A similar proportion of the 27 Cambodian staff members working full-time for projects who were interviewed had similar qualifications. Over one-half of these staff members said that their immediately-previous job was in government and an additional one-third had come from another international agency or NGO, having worked for government prior to that. These two categories together accounted for more than 85 percent of the respondents.

Cambodians are attracted to the external sector because of the high level of supplementation/remuneration offered to them, both as counterparts and as staff members. Forty-five current counterparts reported that they received, on average, around $2,300 *per annum* in supplementation from the projects to which they were assigned, in addition to their government salaries. Projects reported unit costs per year for local experts to be around $6,600 in those executed by international NGOs, and around $15,700 in those executed by multilateral/bilateral agencies or companies. This unit cost includes non-salary elements, but it implies a level of salary that is high compared with available alternatives (Godfrey *et al* 2000:54). These payments are likely to bid up wages of the most-qualified people in the labour market as a whole, thus raising the cost of actual and potential skill-intensive activities in tradable sectors, and reducing their profitability and the incentive to invest in them. The

[1] "Dutch disease" was the name given, following the experience of the Netherlands in the 1970s when expansion of its natural gas production resulted in a massive increase in foreign exchange earnings. This, in turn, had a negative impact on the rest of the economy. Although the term "Dutch disease" is usually linked to mineral booms, it has been suggested that the "disease" can also be transmitted through massive aid inflows. See Godfrey *et al* (2000:12) for further discussion.

Cambodian economy and labour market would obviously look very different with a much smaller external assistance programme.

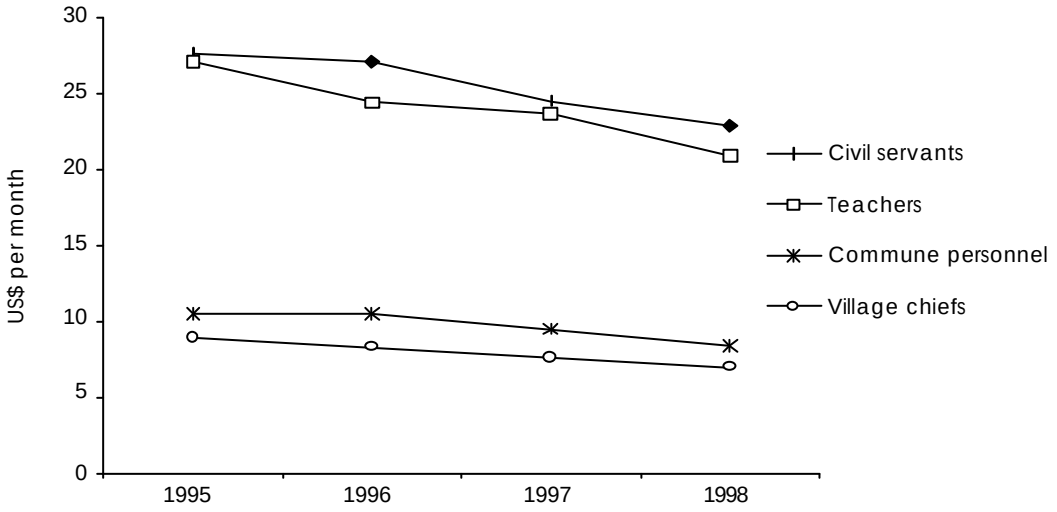
3.3. By Large Size and Low Pay of Civil Administration, and Defence and Security Forces

Another source of distortion in the labour market is the large size and low level of remuneration of the civil service (central, municipal, provincial and local, including teachers) and the defence and security forces.

In 1999, according to data from the Council of Ministers, the total number of central and provincial civil servants was 163,000, or 1.4 percent of the population. In addition, there are some employees classified as 'special status' (21,000 in 1998), such as commune personnel and village chiefs, on the payroll of the government. The Ministry of Education, Youth and Sports (MOEYS) is the largest in terms of staff, accounting for nearly 50 percent of total civil servants in the country, followed by the Ministry of Agriculture and then the Ministry of the Interior. The central administration employs as many as 37 percent of the non-MOEYS civil servants.[2]

The number of civil servants per head is not particularly high in Cambodia compared with other Asian countries, but the size of the civil service is certainly large in relation to the amount of government revenue available to fund it. The share of budget revenue in GDP in 1999, at 11.3 percent, was the highest it has been since the early 1970s, but still one of the lowest compared with other countries in the region. Moreover, defence and security accounted for more than 42 percent of current government expenditure, severely limiting the amount available for the civil administration. As a result, salaries in the civil service are among the lowest in Asia. As Figure 3.1 shows, non-teaching civil servants are paid less than the equivalent of $23 per month, and teachers get even less. Inflation and devaluation have eroded average wages (paid in riels) so that in current dollar terms they were 19 percent lower in 1998 than they had been four years earlier. Even at the top end of the scale, public officials, including judges and prosecutors, receive wages far below subsistence levels.

Figure 3.1. Average monthly pay of government employees in US$, 1995 to 1998



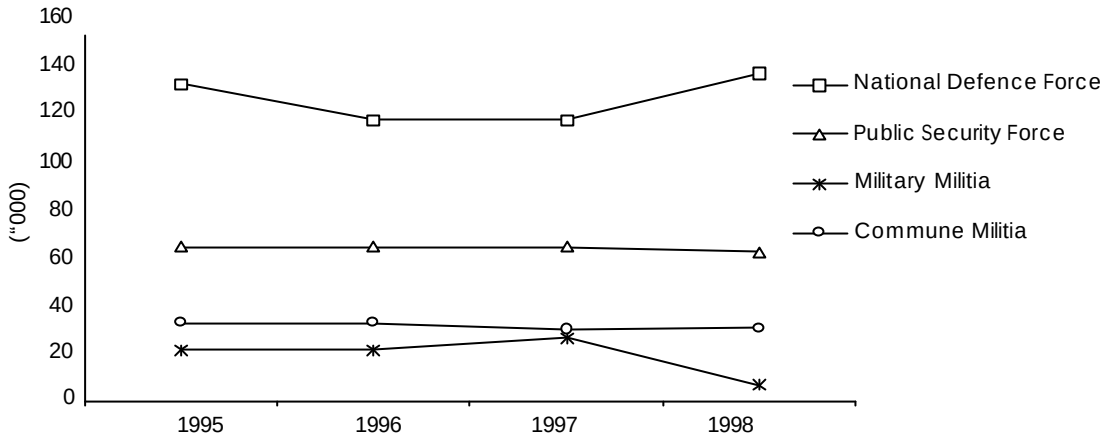
Source: Kato et al 2000, Table 3, based on data from the Ministry of Economy and Finance

In addition to the civil administration, as Figure 3.2. shows, a large number of defence and security force members are on the public payroll. Military personnel totalled 143,000 in 1998, 1.25 percent of the population. This figure is much higher than those of neighbouring

[2] For more details of the number of central and provincial civil servants by ministry, see Kato *et al* (2000), Table 2.

countries, placed at 0.75 percent in Vietnam and 1.02 in Lao PDR, both of which also experienced long periods of armed conflict. The number of regular staff for public security (police of various kinds) was 66,000 in 1998. The special status staff – military and commune militia – stood at 40,000.

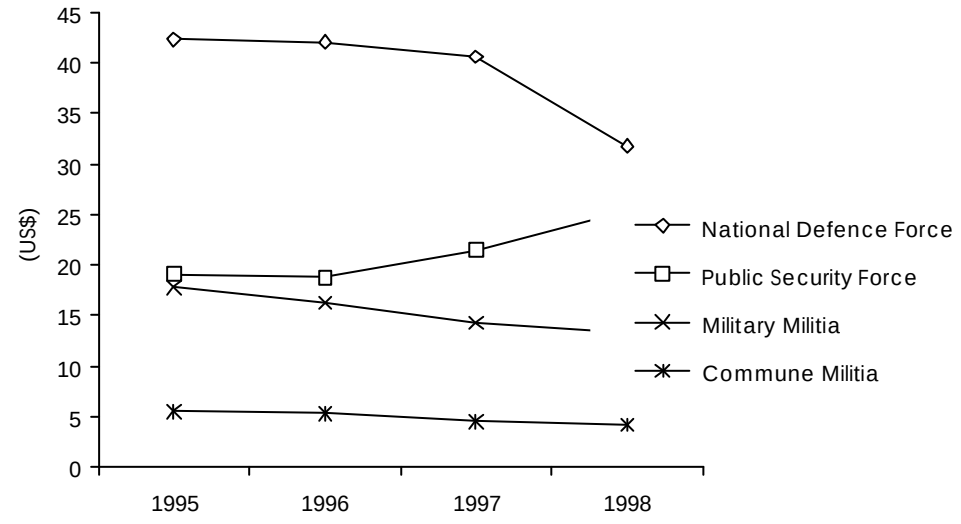
Figure 3.2. Number of regular and special-status staff, armed forces, 1995-1998



Source: Kato et al *2000, Table 4, based on data from the Ministry of Economy and Finance*

Average wages for regular staff in the national defence force (at $32 per month) and the public security force (at $25) are higher than those paid in the civil administration. But these are still well below subsistence levels and, as Figure 3.3 shows, except in the case of the public security force, have been similarly eroded by inflation and devaluation of the riel in the past few years.

Figure 3.3. Average monthly pay of armed forces, in US$, by category, 1995 - 1998



Source: Kato et al *2000, Table 4, based on data from the Ministry of Economy and Finance*

The labour market is seriously distorted by this combination of large size and low wages in the public sector (both civilian and in uniform). A relatively high proportion of the population is being diverted away from potentially more productive work. Salaries are so low that public sector employees of all kinds are full-time or part-time absentees from their posts, earning the money they need to stay alive (to the detriment of efficiency on the job). As Table

2.8 above shows, 34 percent employees in public administration, defence and security admitted to having additional jobs in 1999, as did 50 percent of those in education and 38 percent in health and social work. Public servants whose wages are below subsistence level are more likely to be tempted by bribery and corruption. Many of the more educated who could make an important contribution in the public sector prefer better-paid work in aid agencies and NGOs. Reform of the civil administration and the military is thus a prerequisite to the achievement of a properly functioning labour market.

The extent to which reform of the civil administration would involve downsizing is not clear. The CDRI/ADB governance report judged that "Cambodia's public administration may not be bloated; instead, it may be more a problem of having the wrong people doing the wrong things" (Kato *et al* 2000:63). Some ministries have a surplus of unqualified staff relative to their functions, others need more staff with more specialised skills. Most important, the size of the public service must be in proportion to tax revenue, so that each of its members can be paid a living wage. In this regard the national defence and security forces are definitely too large. Demobilisation of the military is expected to reduce the number of soldiers in the armed forces to 100,000 by 2003 (World Bank 2000) – 30 percent below the level of 1998, as shown in Tables 2.8 and 2.9 above. The target for the police is even more drastic – to reduce the number by 45 percent to 36,000 by 2003 (*Cambodia Daily*, October 19, 2000). Such cuts obviously will raise political dangers, but their implications for the labour market may be less problematic than they appear. Some soldiers and police already have a second job or family farm/business to fall back upon – the Socio-economic Survey of 1999 revealed that 30 percent of members of the armed and security forces had at least one other job. The aim of policy in relation to the labour market (discussed further below) should be to make sure that those who do not have such opportunities could be productively reabsorbed into civilian economic activity.

Chapter 4

Internal and International Migrations

The completion of a population census in 1998, the first since 1960, has at last enabled a picture of internal migration to be built up. Information on migration from Cambodia to other countries and from neighbouring countries to Cambodia is more difficult to obtain, and reliance has to be placed on small-scale surveys. Immigrants from neighbouring countries draw special attention here because of their (to an extent) illegal presence and their occupation of jobs that the locals believe, though not necessarily correctly, could be theirs.

4.1. Internal Migration

There is overwhelming evidence that more and more rural Cambodians, largely as a consequence of growing landlessness and rural poverty, are leaving their villages. At this time, the country has no nationwide data set that precisely measures migration flows over time.[1] Nevertheless, comparison of the 1996 Demographic Survey data with the 1998 Population Census data, does provide an indirect way to estimate recent trends in internal migration, particularly migration out of rural areas.

Table 4.1. Migrants from rural areas 1996 and 1998

	1996 Demographic Survey	1998 Population Census	2-year increase
"Recent" rural migrants	634,786	881,439	38.9 %
"Very recent" rural migrants	172,305	273,534	58.7 %

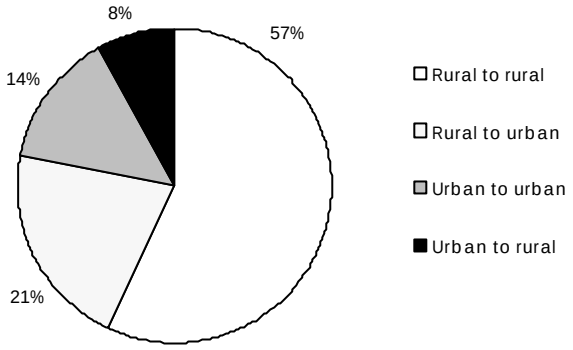
Source: Compiled by CDRI

Rural out-migration, whether it is to urban areas or to other rural areas, is increasing. The 1998 Census counted a total of 881,400 persons who had moved from a rural area within the five years prior to the Census. As Table 4.1 shows, of these, almost one-third (31 percent) had moved within the previous 12 months.

By comparison, the 1996 Demographic Survey estimated that some 634,700 persons had moved from rural areas within the five years prior to the Survey. Of these, 27 percent had moved within the previous 12 months. These figures show a clear acceleration of the rural exodus. This has been happening even though the proportion of the rural population in the total population is gradually decreasing, indicating that the rural population is increasingly willing to move if necessary to seek a livelihood.

[1] Neither the 1996 Demographic Survey nor the 1998 Population Census directly measures migration flows *per se*. These data only refer to the last move made. They are then sorted by duration of stay at the place of enumeration by one-year and five-years, the two most commonly used reference periods. This paper uses data with both one-year and five-year reference periods. For the sake of simplification, persons who had resided at their place of enumeration for less than a year are called "very recent" migrants. Those whose residence was less than five years are called "recent" migrants.

Figure 4.1. Rural-rural, rural-urban, urban-urban and urban-rural migrants as % of all migrants, 1998



Source: Census of 1998

Data also indicate that rural migrants who leave their villages tend to move over greater and greater geographic distances, as an increasing proportion moves to a different province. Among the "recent" migrants from rural areas, the proportion of inter-provincial migrants rose from 37 percent in 1996 to 44 percent in 1998. This trend is even more noticeable in the case of "very recent" migrants (51 percent of whom were inter-provincial migrants in 1998 compared to 41 percent in 1996). Yet, in contrast to popular perception, the majority of the rural migrants do not end up in cities. More than one-half of the people who left their villages within one year before the Census, as Figure 4.1 shows, moved to another rural area.

As a result of increasing geographic mobility, most places in Cambodia, whether urban or rural, now include significant and fast-rising proportions of "newcomers". This is especially noticeable in urban areas. Comparing the proportions of the total population made up of "recent" and "very recent" arrivals between 1996 and 1998 shows that even in rural areas, as Table 4.2 shows, the proportion of newcomers has been increasing.

Table 4.2. Percentages of the total population – "recent" and "very recent" arrivals (1996 and 1998)

	1996 Demographic Survey	1998 Population Census
In Rural Areas		
"Recent" Arrivals	1.88	2.44
"Very Recent" Arrivals	6.93	8.10
In Urban Areas		
"Recent" Arrivals	3.59	7.12
"Very Recent" Arrivals	13.84	22.44

Source: Compiled by CDRI

In 1996, it was estimated that the "very recent" migrants made up less than 2 percent of the rural population and the "recent" migrants, represented 7 percent of it. In 1998, these proportions had risen in a small way, to 2 percent and 8 percent, respectively.

Increase in the proportion of newcomers is more pronounced in urban areas. Here the percentages of both "very recent" and "recent" migrants have exploded, almost doubling in the two years between the Demographic Survey and the Population Census (from 3.6 to 7.1 percent in the first case, and from 13.8 to 22.4 percent in the second case). Thus, almost one-fourth of the 1998 urban population was living elsewhere five years earlier. Such striking figures raise questions not only about the adequacy of urban infrastructure to accommodate newcomers, but also, and perhaps more seriously, about growing feelings of rootlessness and the related threat to traditional community spirit and values.

Census data on net out-migration at the provincial level show that migrations within Cambodia largely originate from just a few provinces. In 1998, five provinces accounted for over one-half of all "recent" provincial out-migrants. Four of these were provinces with the

highest rural population densities – Kompong Cham, Prey Veng, Kandal, and Takeo (all relatively near Phnom Penh.)

According to the 1997 Socio-economic Survey, these provinces are also characterised by relatively small average farm sizes: well below one hectare in three provinces and barely above one hectare in the other two. This migration pattern seems well-entrenched and fairly stable, judging from the very similar results obtained by analysing "very recent" migrants instead of "recent" migrants, for both 1996 and 1998.

Provincial-level census data on in-migrants helps identify provinces that attract inter-provincial migrants. Provincial in-migrations are even more concentrated geographically than out-migrations. In 1998, five provinces received over 60 percent of provincial in-migrants. Of course, the top destination was Phnom Penh, which alone received about one-third of all inter-provincial migrants, followed by Kandal, Banteay Meanchey and Koh Kong. Two rural provinces, namely Koh Kong and Banteay Meanchey, with the highest average farm size and low population densities, figured in this list. The geographic pattern of provincial in-migrations appears to have changed little relative to the pre-1969 period.

Youth and young adults are disproportionately represented among migrants. Youth aged 15 to 24 years, who make up 18 percent of the total population, accounted for 30 percent of the "very recent" migrant flows. Young adults (aged 25-29 years), who represent less than 8 percent of the total population, made up 13 percent of the migrant flows. Furthermore, very young children under five years (presumably moving with their parents), make up a significant 9 percent proportion of the migrants.

Men make up just a little over one-half of the total number of migrants. The sex ratio is slightly more unbalanced in favour of men in the group aged 20-29 years. Sharper differences in sex-composition are visible in migration streams to some provinces. For example, females made up 56 percent of "very recent" migrants to Phnom Penh. This reflects the opening up of numerous garment and shoe factories in the capital that started attracting rural women in 1997 and 1998. Conversely, men made up well over 60 percent of "very recent" migrants enumerated in Preah Vihear, Odder Meanchey and Mondolkiri provinces. In the first two provinces, the proportion of males was over 80 percent. This suggests a strong movement of single males, possibly employed with the army, into these "frontier areas" between March 1997 and March 1998.

Of the total migrants who had left their villages less than one year before the census date, 29 percent stated that their principal reason for moving was the need to search for employment. Another 25 percent stated that they needed to follow their families. There were few differences in the reasons given by male and female migrants, though there were slightly more females likely to move for family reasons and slightly more males likely to move for education and marriage.

4.2. International Migration

Cambodia is in an intermediate position in the regional labour market – receiving migrant workers from Vietnam on the one hand, and sending their own workers to Thailand, on the other. Little is known about these flows, most of which are unofficial in nature. Existing large sample surveys have so far failed to capture them, partly because migrant workers are unwilling to identify themselves. CDRI carried out two small-scale rapid assessment surveys in April–May 2000 to try to learn more about the nature and consequences of these population movements.

Individual and group interviews were conducted with NGO field staff, village chiefs, Vietnamese Associations and individual workers of Vietnamese origin, in selected villages of Kompong Chhnang and Phnom Penh. This was done in collaboration with the Women's Development Association and the Khmer Kampuchea Krom Human Rights Association.

Similarly, in collaboration with the Krom Akphiwat Phum and Banteay Meanchey Provincial Department of Women's and Veterans' Affairs, individual and group interviews were conducted with NGO field staff, village chiefs, village development committees and individuals who had worked in Thailand, to obtain information about Cambodian migrants. These were conducted in selected villages in Battambang and Banteay Meanchey. Information collected in a survey carried out a year earlier has also been used in the analysis (reported in Chan and Sovannarith 1999).

4.2.1. Vietnamese migration to Cambodia

Almost all Vietnamese who had lived in Cambodia for generations were deported after Lon Nol seized power in 1970 and thereafter during the Khmer Rouge regime. During the 1980s they gradually returned to Cambodia, along with friends, relatives and, of course, the Vietnamese army and advisers. At the end of the 1980s, when Vietnamese troops withdrew from Cambodia, some are believed to have remained behind. In the 1990s a new wave of immigrants from Vietnam were attracted by the opportunities offered by a growing market economy.

The scale of such immigration is very difficult to estimate. Very roughly, if Cambodia's population in 1985 is estimated at 7.5 million, natural growth might be expected to have brought it to around 9.9 million by 1998. If 360,000 repatriated refugees and their offspring are added to that, the total becomes around 10.3 million. The actual total enumerated in the 1998 Census was 11.4 million, implying a contribution of a little over one million by immigrants and their subsequent offspring.[2] Another estimate, provided by the governments of eight provinces (Kandal, Battambang, Phnom Penh, Takeo, Kompong Chhnang, Pursat, Prey Veng and Siem Reap), which represent some 53 percent of the country's population, places the population of Vietnamese origin at 227,000 in 1995.[3] Yet another estimate, provided by the Kompong Chnnang Immigration Office, stated that there had been a big increase in the number of persons of Vietnamese origin in the province since the 1980s – from 1,269 households having 7,064 persons in 1985 to 2,708 households with 13,445 persons in 1997.

Interviews with 141 workers of Vietnamese origin revealed that the motives for migration were overwhelmingly economic; better opportunities to earn money in Cambodia were cited by almost all of them. On the demand side, lack of local skilled workers offers opportunities to immigrant construction foremen, wood processors, machine repairers, etc. On the supply side, weak controls on immigration into Cambodia contribute to the flow. Since the mid-1990s the unofficial fee to cross the border is reported to have been between $30 and $50, and no work permit is needed. A few of those interviewed had acquired a Cambodian identity card, the unofficial fee for which is reported to be between $50 and $100. They are also subject to informal levies by the police – ranging from 1,000 riels to 20,000 riels per month in the survey villages.

The occupations of these migrant workers vary with their location. Those interviewed in Kompong Chhnang were almost all involved in fishing, the year round. These small-scale fishermen earned on average around 10,000 riels per day (see Table 4.3), and 65 percent of their households had substantial additional earnings from raising fish in cages submerged in water. Key informants reported much higher earnings from medium- and large-scale fishing, which is dominated by Vietnamese owners and workers. However, in addition to fishing permits, the cost of which range from $16 to over $50,000, depending on the size of the operation, unofficial checkpoints levying at a rate of between 500 and 2,000 riels, have also multiplied. This has further encouraged the use of illegal fishing methods, much to the

[2] This includes the numbers of *Khmer Kampuchea Krom*, who are people of Cambodian origin but are naturalised Vietnamese citizens.

[3] Estimate obtained from Khmer Kampuchea Krom Human Rights Association.

detriment of the fish stock. Respondents reported that the catch in the year 2000 was about 40 percent below the level prevalent in the 1980s.

Table 4.3. Average daily earnings of workers of Vietnamese origin in Kompong Chhnang and Phnom Penh, by occupation, April 2000

Occupation	Earnings (riels)	Occupation	Earnings (riels)
Fisherman	10,314	Service worker	12,231
Trader	13,419	Unskilled worker	8,567
Other skilled worker	20,511	Garment worker	7,600
Construction worker	18,882	---	---

Source: CDRI interviews

In Phnom Penh most of those interviewed worked as construction workers, traders and skilled workers in machinery and electronic repair workshops, wood-processing enterprises, and the like. About 80 percent of contractors and supervisors in the construction industry too have been estimated to be of Vietnamese origin. Employers of skilled workers said that they preferred to employ workers of Vietnamese origin because they considered them to be more professional, with better skills, and work harder, faster and more patiently than the locals. Cambodian workers tended to be confined to less skilled work, for example, in carrying sand, gravel and cement in the construction industry, for about 6,000 riels per day.

Although sex workers were not included in the survey samples, most representatives of local authorities claimed that businesses in this sector are to an extent run and staffed by persons of Vietnamese origin. In the survey villages these migrant women work in brothels, Karaoke bars, massage parlours, dance halls and 'coin-rubbing' places. Those who work in dance halls operate independently, but others are obliged to receive customers under the strict control of the brothel owners. The owners charge each customer between 5,000 and 70,000 riels. The workers, who receive up to 15 customers per day, are paid only a subsistence wage.

4.2.2. Cambodian migration to Thailand

Interviews were conducted with 163 households having experience of migration to Thailand. Most of them were poor or very poor: 47 percent owned no farmland and 23 percent had less than one hectare. Their reasons for migrating out also were overwhelmingly economic. Local earning opportunities are few: farm-work and further exploitation of already-depleting common property resources are possible only for a few months a year. Table 4.4 shows the average earnings available locally compared with the average earnings received by migrants in Thailand (converted in both cases to US dollars for comparability). The wage rate for jobs in Thailand is much higher than for similar work in Cambodia. The earnings differential between the sexes also is generally quite large – 30 percent on average – though women earn slightly more than men in agricultural work.

Small-scale farming households also face food shortages for 3-6 months of the year, have no capital to invest, encounter unpredictable agricultural prices, and often have outstanding debts at monthly interest rates of between 10-30 percent. In such circumstances the only answer seems to be migration to Thailand, particularly when they observe that their neighbours have gained financially from earlier visits across the border.

Migrants are mostly between the ages of 17 to 35 years. Of the 272 interviewed, 56 percent were male and 44 percent female. There are two groups of migrants – short-range and long-range. Short-range migrants, the majority of whom are women, commute daily or for a few weeks at a time to take up farm work (including planting, weeding and harvesting rice, corn and sugar) just across the border. Long-range migrants, the majority of whom are men, go deep into Thailand with the assistance of guides; they belong to households with sufficient assets to finance their trip. Long-range migrants are employed as construction workers, porters, farm workers, garment workers and unskilled workers. They are in manufacturing and food processing, the fishing industry off the Thai coast, and in restaurants and shops (see Table 4.4 above for the pattern of work among those interviewed).

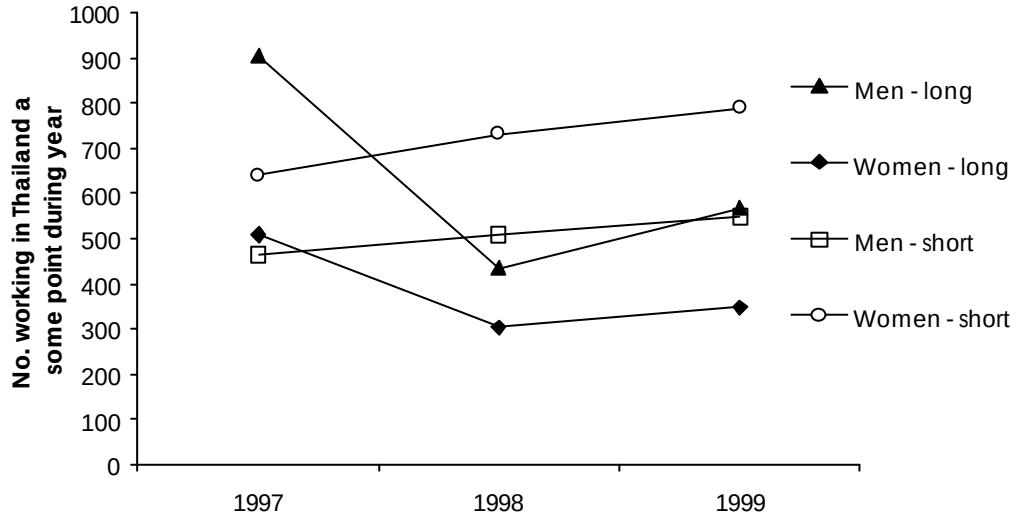
Table 4.4. Daily earnings in Cambodia compared to earnings reported by migrants in Thailand (by occupation – US$)

In Cambodia, Apr/May 1999		In Thailand, April/May 2000					
Type of work	Av. earnings	Type of work	No. of workers	of whom female (%)	Average earnings		
					Both sexes	Men	Women
Fishing	0.5	Construction	142	20	3.7	3.8	3.1
Hunting/gathering	0.5	Porter	54	6	6.1	6.2	3.9
Collecting firewood	0.7	Agriculture	31	52	2.2	2.1	2.2
Agriculture	0.8	Food Prod.	20	35	3.9	4	3.7
Construction	1.6	Garments	18	100	3.5	-	3.5
Small trader	1.5	Fishing	12	0	3.5	3.5	-
Moto taxi driver	1.9	Shop-work	11	100	3.2	3.9	3.2
Handicrafts	0.8	Other	18	78	4.8	5.4	4.6
Other	0.9	Total	306	32	4	4.3	3.3

Sources: CDRI interviews with Village Chiefs and Village Development Committees

Figure 4.1 shows trends in short- and long-range migration from the 19 villages in the study, as estimated by village chiefs, Village Development Committees and NGO field staff. A big fall in long-range migration can be observed between 1997 and 1998, particularly steep in the case of men. It revived in 1999, especially among men, but was still below the levels of 1997. Short-range migration by both sexes continued to increase, however, and it is likely that some long-range migrants have switched to commuting over shorter distances. The reasons for these changes are discussed further in the section on crises later in this paper.

Figure 4.1. Short-range and long-range migration to Thailand from sample villages, 1997 - 1999



Note: No. refers to numbers. Source: CDRI interviews, April – May 2000

Migration is risky and can also cause problems for those left behind, but many long-range migrants reported positive outcomes from their experience: 11 households bought land, 40 more opened up a small businesses, another 25 renovated or built a house, and a few purchased motorcycles. More important, 57 percent of the households with a long-range migrant member were able to meet short-term food and farming requirements in 1999. Almost all short-range migrants were able to save money. Migration also was judged to be good for the development of skills, such as construction and tailoring.

Chapter 5

Recent Trends in the Labour Market

Analysis of labour market trends is seriously hindered by problems of comparability between successive socio-economic surveys. Each one was carried out for a different purpose, with varying definitions, methodologies, supervisors and international sponsors. Accordingly, this chapter will be limited to some of the most important changes that can be identified.

As Table 5.1 shows, labour force participation appears to have increased steadily between 1993/94 and 1999 as the transition to a market economy gathered speed. The participation rate rose particularly fast among women. Between these dates the proportion of the population that was working increased considerably, again more among females than among males, signifying a reduction in the economic dependency rate. Unfortunately, the series on unemployment is internally inconsistent because of variations in definition. But the unemployment rate never rose above 4 percent by any definition over the whole period, implying not much change on this front.

Table 5.1. Labour force participation rate, employed as a percentage of population, and unemployment rate, by sex, 1993/4 to 1999

	1993/94	1996	1997	1999
Labour force as a % of working-age population				
Male	58.0	65.7	66.9	68.6
Female	54.8	65.0	63.6	68.1
Total	56.3	65.3	65.1	68.3
Employed as % of total population				
Male	40.3	46.3	46.8	49.7
Female	39.4	47.6	46.0	51.0
Total	39.8	46.9	46.4	50.4
Unemployment rate (unemployed as a % of labour force)				
Male	2.4	0.8	3.8	1.5
Female	2.8	1.3	4.1	1.5
Total	2.6	1.1	4.0	1.5

Source: SESC databases

5.1. Employment Status by Sex, 1996 and 1999

One sign of labour market development is the change that may have occurred in employment status. Data are not available for 1993/94, but between 1996 and 1999, as Table 5.2 shows, the proportion in wage employment increased considerably, particularly among women. The changes in own-account and unpaid family workers are difficult to interpret. These categories have fluctuated widely between surveys, suggesting that enumerators have had problems in distinguishing between them. Surely the labour market is moving towards maturity, but very gradually.

Table 5.2. Employment status by sex, 1996 and 1999

	Male		Female		Both sexes	
	1996	1999	1996	1999	1996	1999
Employee	15.6	19.6	5.4	10.9	10.2	15.1
Employer	0.4	0.2	0.1	0.2	0.2	0.2
Own-account worker	57.5	51.0	32.9	23.5	44.5	36.6
Unpaid family worker	26.4	29.1	61.5	65.3	44.9	48.1
Total	100	100	100	100	100	100

Source: SESC databases

5.2. Distribution of Wage Employees by Type of Employer and by Sex, 1997 and 1999

Data on the distribution of employees by type of employer are not available for 1996. However, from sectoral data it can be calculated that the proportion of wage employees in sectors other than public administration, defence, education, health and social work (a proxy for the 'private' sector in the absence of a relevant series) increased from 52 percent in 1996 to 66 percent in 1999. Data on the distribution of employees by type of employer in 1997 and 1999, as shown in Table 5.3, are consistent with this. The proportion of wage earners working for private employers rose substantially, particularly in the case of women.

Table 5.3. Percentage distribution of wage employees by type of employer, by sex, 1997 and 1999

	1997			1999		
	Male	Female	Both sexes	Male	Female	Both sexes
Government	47	27	41	44	16	32
State enterprise	5	4	5	1	4	2
Joint venture	5	9	7	2	3	3
Private	40	54	44	49	73	59
International organisations	2	1	2	1	2	1
NGO	1	4	2	1	2	2
Total	100	100	100	100	100	100

Source: SESC databases

The sectoral structure of the labour market has changed comparatively little since the early 1990s. According to Table 5.4, the proportion of workers in agriculture actually increased during the decade. A full settlement of ownership rights on land is still occurring after its privatisation in 1989. It is this gradual settlement of the land system, rather than a shift of people to agriculture because of rising labour demand, which is perhaps the reason for the observed proportional increase of workers in agriculture. The other sectors to show increases in their share were manufacturing, construction, and, from very low levels, hotels and restaurants, private households and international organisations. The increase in the proportion of women working in manufacturing, reflecting the rise of the garment industry apparently at the expense of their involvement in trade is remarkable. So is the fall in the proportion of men engaged in manufacturing, trade, transport and communications, and public administration, defence and security.

Finally on trends, Table 5.5 shows data on changes in wages since 1996. Average wages of both male and female workers rose by more than 50 percent between 1996 and 1999. Even with price inflation around 29 percent over this period, there has been a substantial real wage increase. Women's wages increased particularly rapidly for those with some secondary schooling, while men's wages rose mostly for those with post-secondary education. Differentials between men and women increased only slightly, except for those with no schooling and at higher levels of education, where they widened considerably.

Table 5.4. Composition of employment (%) by sector of primary employment and sex, 1993/4 and 1999

	Male		Female		Both sexes	
	1993/4	1999	1993/4	1999	1993/4	1999
Agriculture, hunting, forestry	65.6	70.3	75.3	77.1	70.6	73.9
Fishing	2.0	3.3	1.0	1.0	1.5	2.1
Mining, quarrying	0.2	0.1	0.2	0.1	0.2	0.1
Manufacturing	4.2	3.9	3.2	6.5	3.7	5.3
Electricity, gas, water	0.2	0.2	0.0	0.1	0.1	0.1
Construction	1.6	2.6	0.1	0.3	0.9	1.4
Wholesale, retail trade	6.2	3.9	15.6	10.6	11.1	7.4
Hotels, restaurants	0.2	0.4	0.3	0.4	0.2	0.4
Transport, storage, communications	6.1	4.3	0.9	0.4	3.4	2.3
Financial services	0.2	0.1	0.1	0.1	0.1	0.1
Real estate etc.	0.4	0.3	0.2	0.1	0.3	0.2
Public admin, defence, etc.	8.2	6.1	0.8	0.6	4.3	3.2
Education	2.4	2.2	1.0	0.9	1.7	1.5
Health, social work	0.6	0.4	0.6	0.5	0.6	0.5
Other services	1.2	0.8	0.6	0.6	0.9	0.7
Private households	0.5	0.7	0.1	0.6	0.3	0.6
International organisations	0.1	0.4	0.0	0.2	0.1	0.3
Total	100	100	100	100	100	100

Source: SESC databases

Table 5.5. Wages by sex and schooling, 1996 and 1999

('000 riels per month)	1996	1999	percent change
Male			
No schooling	97	106	9%
Primary or less	97	127	31%
Some secondary	98	147	50%
Some tertiary	143	411	187%
Total	100	152	52%
Female			
No schooling	69	86	25%
Primary or less	103	122	18%
Some secondary	72	150	108%
Some tertiary	92	161	75%
Total	81	122	51%
% by which males earn more than females			
No schooling	41	23	-
Primary or less	-6	4	-
Some secondary	36	9	-
Some tertiary	55	148	-
Total	23	33	-

Source: SESC databases

Chapter 6

Links Between the Labour Market and Poverty Reduction

The standard of living of an individual does not, of course, depend only on outcomes in the labour market. It depends also on the ownership of assets, prices in various markets, taxes and subsidies, and distribution of income/consumption within the household. Nevertheless, the state and structure of the labour market are important influences on poverty and income distribution. Recent socio-economic surveys throw some light on this link in Cambodia.

As Table 6.1 shows, some of the most important influences on a household's ranking in the hierarchy of consumption and income, are family size, number of children and level of education.

Table 6.1. Social indicators by *per capita* consumption quintile, June 1997

	Consumption quintile				
	1 – poorest	2	3	4	5 – richest
Household size	5.8	5.4	4.9	4.6	4.2
Children per family	2.8	2.4	1.9	1.7	1.4
Female HOH (%)	20.7	21.7	21.0	25.6	26.1
Literacy (% of 15+)	56.2	61.9	66.2	70.5	74.4
Yrs of edn, male 15+	3.5	4.1	4.6	5.2	6.2
Yrs of edn, female 15+	2.1	2.4	2.8	3.3	4.1

Note: HOH refers to head of household. Source: RGC 1999

The smaller the size of a household and the fewer the number of children in it, the higher is its likely position in the league of (relative) prosperity. Also, the higher the proportion of literate[1] members and the larger the average number of years of schooling (particularly of females), the less poor a household is likely to be. The weakness of the 'household head' concept for poverty-analysis purposes is illustrated by the fact that households with female heads are less likely to be poor. The person identified as household head in a Cambodian context is not necessarily its principal earner, but rather the oldest and most respected member of the household. Tabulation of household heads by age and marital status shows that most women heading households are widows, and most such heads are of grandparents' generation, meaning that these households may have many adults with capacities to earn.

As Table 6.2 shows, it is fairly obvious that households with a higher proportion of members who are working, a higher number of jobs per member, and a higher average monthly wage, are less likely to be poor. Non-poor households, also as expected, tend to have a lower proportion of working children.

[1] The literacy of household members has a much greater impact on poverty than that of the household head alone. The poverty assessment report's dismissal of the likely contribution of adult literacy campaigns to poverty alleviation (RGC 1999:12) appears hasty.

Table 6.2. Links between labour market and poverty indicators, June 1997

	Sample means		
	Poor below food poverty line	Between food poverty & poverty line	Non-poor
Household members worked in past week (%)	39.40	43.60	46.60
No. of jobs per household member in past week	0.50	0.60	0.70
Av. monthly wage from primary occp. (Riels)	65,948	99,706	103,438
People under age 15 employed in past week (%)	5.80	5.80	4.50

Note: occp. refers to occupation. Source: RGC 1999

The vast majority of Cambodia's poor, over 70 percent on the head count measure, are in households whose heads work in agriculture. As Table 6.3 shows, the incidence of poverty is also the highest in this sector, followed by that in construction. In spite of low wages in the public sector, households headed by people working in government, education and health services are among the least poor. This is proof of the fact that public sector employees are able to generate extra incomes on the strength of their education and placement.

Table 6.3. Distribution of poverty by sector of employment and labour force status of household head, June 1997

	Frequency	Head count index	
		(%)	Contribution to total (%)
Agriculture	59.1	43.5	71.3
Manufacturing/ mining	4.7	28.9	3.8
Construction/ utilities	2.0	37.8	2.1
Trade	6.8	18.7	3.5
Transportation/ communications	3.6	19.9	2.0
Government services	4.7	18.0	2.4
Education/ health	3.0	17.0	1.4
Other services	1.8	26.5	1.3
Employed, industry not stated	2.3	33.6	2.1
Unemployed	0.4	27.0	0.3
Not in labour force	9.7	31.2	8.4
Not reported	1.9	27.1	1.4
Total	100	36.1	100

Source: RGC 1999

Table 6.4 shows that the lowest incidence of poverty is in households headed by unpaid family workers, again illustrating the weakness of the 'household head' concept for this purpose. Similarly, households headed by non-participants in the labour force have a below-average poverty score. Families of public sector employees do better than those of private sector employees. The incidence of poverty in households headed by unemployed persons is also well below average. Apart from the mysterious 'household work' category, most poverty and the highest incidence is to be found among households headed by the self-employed, the majority of whom are farmers. The general conclusion from Tables 6.3 and 6.4 is that peasants, in all probability illiterate, engaged in subsistence agriculture, form the largest pool of the poor.

For obtaining a clearer analysis of the relationship between the labour market and poverty, it is necessary to get away from the concept of 'household head' and to look, rather, at the composition of households. Table 6.5 shows the average composition of the households in the poorest and the richest quintiles, measured by consumption per head. The most striking contrast is in the proportion of household members in wage employment – they are three times greater in the richest than in the poorest households. The richest households rely far less on unpaid family workers and have a smaller number of children as a percentage of total household members. Next, they also have a higher proportion of economically-inactive adults, a luxury that the poorest households cannot afford to the same extent. The percentage of unemployed members is actually slightly higher in the richest households, as might be expected since they can afford to wait for the job of their choice. As for gender, there appears

to be no difference between the two quintiles in the proportion of females in the households. The proportion of women who are wage earners and own-account workers is higher in the richest quintile, while that of unpaid family workers is lower – a higher percentage of such women, also, are economically inactive.

Table 6.4. Distribution of poverty by employment and labour force status of household head, June 1997

Status category	Frequency	Head count index (%)	contribution to total (%)
Self-employed	66.9	40.1	74.3
Employee, public sector	9.7	19.7	5.3
Unpaid family worker	1.4	15.9	0.6
Employee, private sector	5.0	29.1	4.0
Household work[a]	0.9	42.5	1.1
Employed, employer not reported	4.3	39.0	4.6
Unemployed	0.4	27.0	0.3
Not in labour force	9.7	31.2	8.4
Not reported	1.9	27.1	1.4
Total	100.0	36.1	100.0

Note: [a] This category does not appear in the questionnaire and must reflect 'other' responses. Source: RGC 1999

Table 6.5. Percentage distribution of households by composition of the poorest and richest household quintiles, by labour-force category and sex, 1999

	Household *per capita* consumption quintile					
	The poorest quintile			The richest quintile		
	M	F	M+F	M	F	M+F
Employees	3.2	2.1	5.3	10.5	5.5	16.0
Employers	0.0	0.0	0.0	0.0	0.1	0.1
Own-account workers	11.8	5.4	17.2	10.1	8.1	18.2
Unpaid family workers	7.3	17.2	24.4	4.7	10.7	15.4
Other employed	0.0	0.0	0.0	0.1	0.0	0.1
Unemployed	0.5	0.6	1.0	0.7	0.7	1.3
Economically-inactive adults	10.8	11.5	22.4	12.6	17.7	30.4
Under working age	15.2	14.3	29.6	9.3	9.1	18.5
Total h/h members	48.9	51.1	100	48.0	52.0	100

Source: SESC database

These are cross-sectional data that must be interpreted with care, but they are consistent with the suggestion that the way out of poverty is for household members to move out of unpaid family work into wage employment (for both males and females), and also into self-employment (for women). The data also suggest that unemployment and economic inactivity are luxuries that richer households can better afford, rather than that they are causes of poverty.

Chapter 7

Links Between the Labour Market and Economic Growth

In the absence of timely enterprise survey data, analysis of the connection between growth and the labour market must inevitably be speculative. In general, in market economies, growth and development have involved four transformations: a change from subsistence production to production for sale; a change from a predominantly household/family, labour-based to a predominantly capitalist, wage-employing mode of production; an increase in productivity in all sectors; and a movement of labour from lower productivity to higher productivity activities. The labour market plays an important role in ensuring that these transformations progress as smoothly as possible.

Cambodia is at an extremely early stage in this process. Most of those working in agriculture are still primarily engaged in subsistence farming. Over 90 percent of the harvested land area was estimated to be under rice in 1999, an only slightly lower proportion than nine years earlier (Chan 2000). Wage employment is still a small proportion of the total employment. However, there have been some signs of change in the pattern of employment status. As Tables 5.2 and 5.3 above show, the proportion represented by employees rose from 10 to 15 percent between 1996 and 1999, and the private sector's share of wage employment rose from 44 to 59 percent between 1997 and 1999. Table 7.1 shows the differences between sectors in the importance and dynamism of wage employment. Between 1996 and 1999, the number of wage earners increased the fastest in manufacturing, and they represented more than one-half of the total employment in manufacturing, electricity, gas and water, construction, hotels and restaurants, and real estate. These figures are put into perspective, however, by the fact that while the largest number of wage earners outside the public sector was in agriculture, and they have been increasing fast, they represented only 4 percent of the sector's work force in 1999.

Table 7.2 shows that the picture of labour productivity has by no means been static.[1] The transition towards competitiveness in manufacturing has involved some reduction in productivity, but, within agriculture, value added per worker has increased in paddy and other crops during the 1990s, as it has in mining, utilities and construction. In view of relative productivities, growth would obviously be served by a move of workers out of paddy into other agricultural and fisheries production, and out of agriculture into non-agriculture (including processing of agricultural products). The figures given for real changes in value added for manufacturing, though, are a bit intriguing and this aspect requires further investigation.

[1] Derived from CDRI's macro-economic database, which includes a lot of 'guesstimation' but has the virtue of internal consistency.

Table 7.1. Wage employment by sector, 1999, and change since 1996

	Wage employment 1999 ('000)	Wage employment as % of employment 1999	Percentage change in wage employment 1996-99
Agriculture, forestry	161.7	4	134
Fishing	11.3	10	197
Mining	1.9	56	171
Manufacturing	155.0	52	199
Electricity, gas, water	5.2	75	49
Construction	75.4	95	113
Trade, repairs	18.5	4	140
Hotels, restaurants	13.4	56	123
Transport, communications	50.8	40	135
Financial services	2.9	45	-19
Real estate	6.4	65	25
Public administration etc.	179.3	99	13
Other services	166.9	84	28
Total	848.7	15	71

Source: SESC databases

Table 7.2. Value added per worker by sector in 1999 and real change since 1993

	1999 (US$ at 1993 prices)	Real change since 1993 (%)		1999 (US$ at 1993 prices)	Real change since 1993 (%)
Paddy	143	24	Non-metallic minerals	2367	3
Other crops	423	19	Other manufacturing	1165	-3
Livestock	2365	-10	Electricity, gas, water	6345	30
Fisheries	612	-35	Construction	1726	15
Rubber	847	-12	Transport/ communic.	2775	-10
Forestry	5208	-13	Trade	1076	-25
Mining	1543	23	Hotels, restaurants, etc.	1813	-8
Food, beverages, tobacco	1067	-19	Finance	5120	1
Textiles & garments	1136	-46	Public administration	245	38
Wood, paper, publishing	1078	-16	Real estate	2191	-3
Chemicals, plastics	2008	-7	Other services	1644	1

Source: CDRI 2000

There is no doubt about the potential for labour mobility in the country. Workers are already responding to productivity and earnings differences between sectors and locations by moving on an increasing scale, as was shown in Chapter 4 above. Such movements may be temporary/seasonal or permanent, and within Cambodia or across a border. In the interests of economic growth, the operation of the labour market could be facilitated by integrating the national economy through improvements in roads and transport infrastructure. This would increase productivity within existing activities, encourage a switch from subsistence to cash crop production, and enable those who wanted to move to find rewarding opportunities within Cambodia rather than having to cross borders illegally. In addition, government should take steps to encourage rather than discourage such movements and to ensure that information on employment opportunities is available throughout the country.

Chapter 8

The Labour Market and Adjustment to Crises

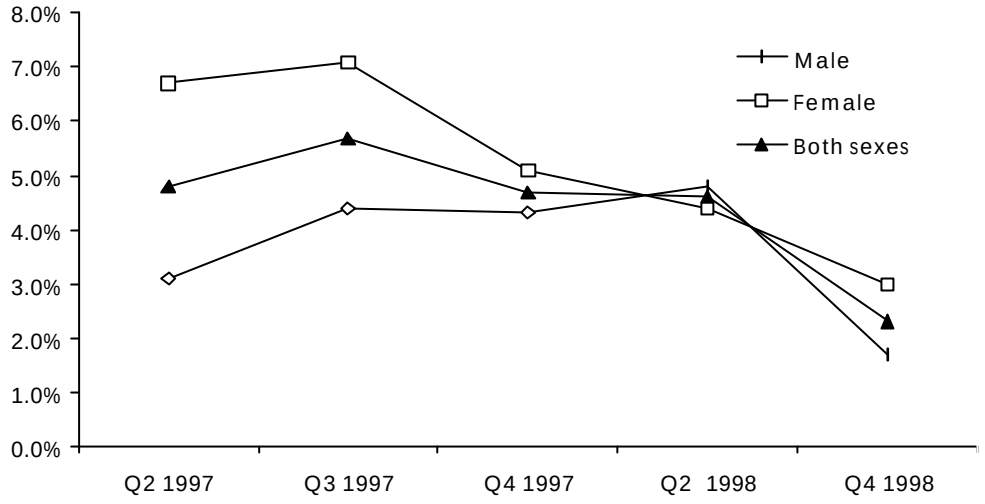
Cambodia has been hit by several crises in recent years. The Asian financial crisis, which erupted in Thailand in mid-1997 and spilled over to other Asian countries, has had a negative impact on Cambodian exports, companies competing with imports, investment from other Asian countries, and the tourism industry. Its effects were compounded by an internal crisis – fighting in Phnom Penh in early July 1997, precipitated by conflict between the two main political parties. Confidence in political stability was lost, the security of people and enterprises was threatened, and the future political environment became uncertain. The international community responded to the July fighting by terminating or suspending its assistance to Cambodia. The adverse impact on the economy was immediate. In addition to the looting and destruction of many factories and shops around the capital, the riel depreciated against the US dollar, inflation soared, consumption and investment contracted, tourist arrivals plummeted, and the inflow of foreign aid was disrupted. The government responded to both crises by introducing austerity measures in public expenditures in August 1997, as public revenue was hit by the fall in aid and customs revenues. As a consequence, the rate of growth of real GDP, which had exceeded 7 percent on average since the beginning of the decade, fell to 1 percent in 1997 and 1998 before reviving in 1999.[1] The most recent crisis – the extensive flooding in September/October 2000 – is natural rather than man-made, but can be expected to have another adverse impact on the economy and labour market.

Two main sources of information are available to analyse the interaction between the crises and labour market: the Labour Force Surveys carried out by the National Institute of Statistic (NIS) in Phnom Penh in the second, third and fourth quarters of 1997 and the second and fourth quarters of 1998, and the regular surveys of vulnerable workers carried out at more or less quarterly intervals by CDRI since May 1998.

Relevant data from the Labour Force Surveys are shown in Figures 8.1 and 8.2. Unemployment did not turn out to be a particularly sensitive indicator of the crises. There was a slight increase though in the unemployment rate in Phnom Penh in the third quarter of 1997, the first post-crisis quarter, affecting men more than women, as can be seen in Figure 8.3. Rates continued to converge in the next few quarters and in April/May 1998, the rate was temporarily higher for men than for women. The unemployment rate for both sexes then fell to an unusually low level in the final quarter of 1998.

[1] For further analysis of the impact of these crises see Chapter One of *The Impact of the Asian Financial Crisis on the Southeast Asian Transitional Economies* (DAN 1999).

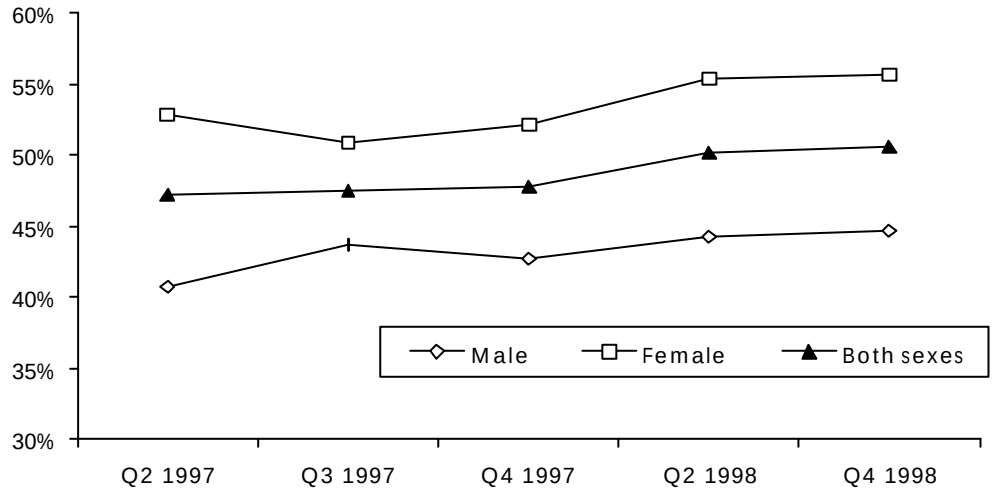
Figure 8.1. Unemployment rate by sex, Phnom Penh, Q2 1997 - Q4 1998



Source: LFSPP databases, NIS

However, as seen from Figure 8.2, the crisis appears to have had an impact on the inactivity rate (numbers outside the labour force as a proportion of the working population). From 47 percent in the quarter before the crisis, it began to rise in late 1997, and by the fourth quarter of 1998 was 51 percent. The timing of the increase in inactivity differed between the sexes, but both men and women had withdrawn from the labour force in large numbers by the end of 1998.

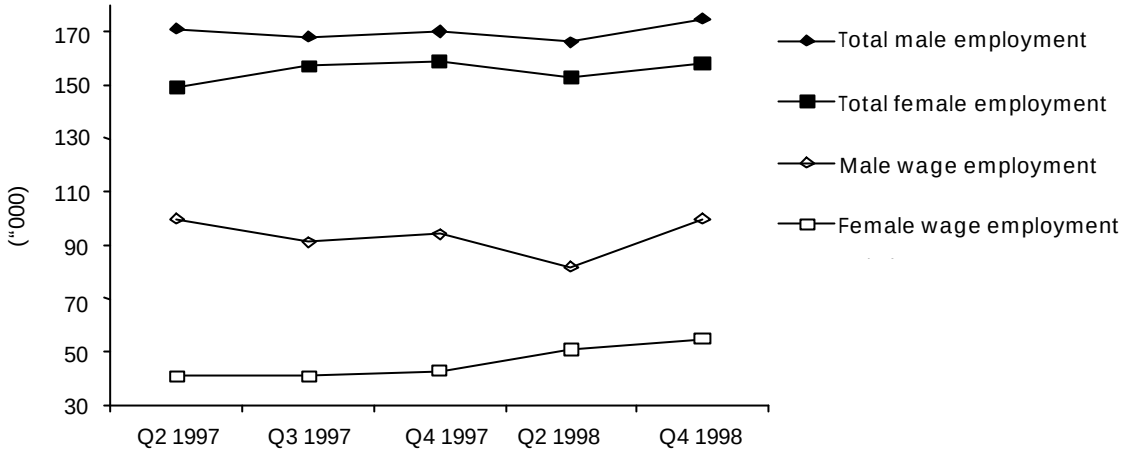
Figure 8.2. Inactivity rate by sex, Phnom Penh, Q2 1997 to Q4 1998



Source: LFSPP databases, NIS

Total employment did not seem to be affected by the crisis. As Figure 8.3 shows, it continued to rise during 1997, fell in early 1998 to only slightly below its pre-crisis level, then rose again towards the end of the year. The pattern was similar for both sexes. Wage employment was more sensitive, registering an immediate fall in the third quarter of 1997, and showing no real recovery until the fourth quarter of 1998. Men suffered more than women from this slump in wage jobs.

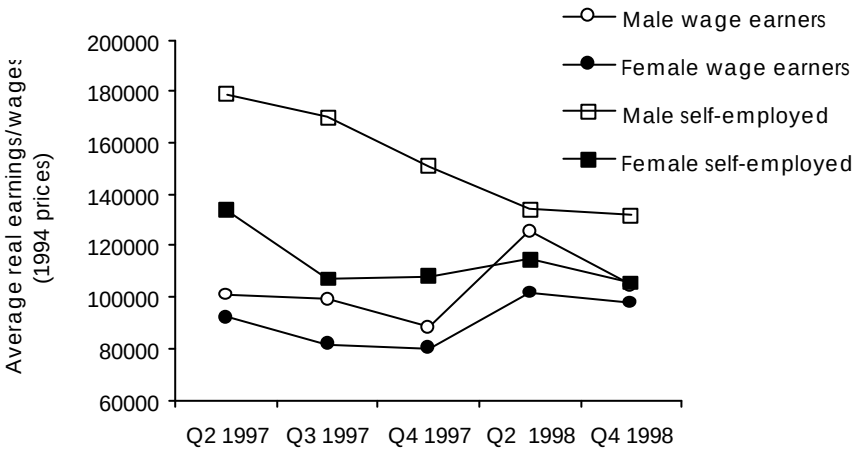
Figure 8.3. Total and wage employment by sex, Phnom Penh, Q2 1997 - Q4 1998



Source: LFSPP databases, NIS

The trend in real wages and earnings appears to be the most sensitive indicator. As Figure 8.4 shows, average real wages fell immediately in the third quarter of 1997, and again in the final quarter of the year, though they recovered strongly in 1998. Women felt the immediate impact more than men, but shared fully in the recovery – the differential between the sexes narrowed over the whole period. Earnings of the self-employed plunged throughout the post-crisis period – again women felt the early impact more strongly, but recovered more completely than men. At some stage a higher volatility in the status of female workers was observed.

Figure 8.4. Average real monthly wages and earnings, by sex and employment status, Phnom Penh, Q2 1997 - Q4 1998



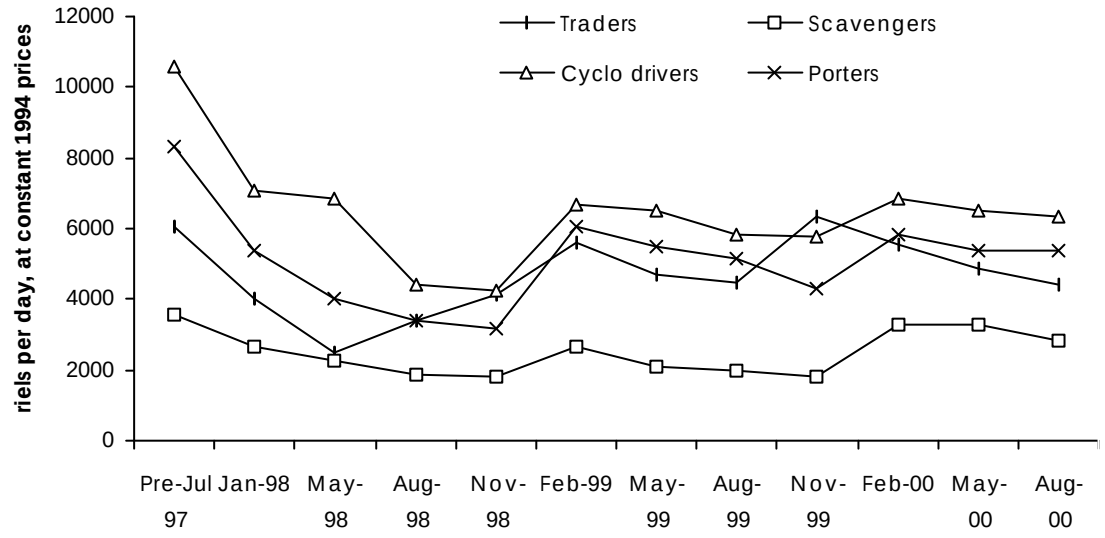
Source: LFSPP databases, NIS

CDRI has been conducting surveys of vulnerable workers since May 1998. Four groups were selected: petty traders, scavengers, cyclo drivers and porters. Thirty workers in each group were sampled, and asked at regular intervals, about their net daily earnings, working hours and days, and the problems encountered in their day-to-day activities. In the May 1998 survey, retrospective questions were also asked about earnings before July 1997 and in

January 1998, to assess the impact of the twin crises. As can be seen from Figure 8.5, and in line with the Labour Force Survey series already discussed, the crises had an immediate and severe impact on the earnings of these workers.

Petty traders (all women) suffered the steepest fall in earnings. By May 1998 the earnings were already down to around 40 percent of pre-July 1997 levels, but bounced back more quickly than the others to briefly exceed their pre-crisis level by November 1999. Thereafter, a small fall was again observed. Cyclo drivers and porters (all men) also saw their real earnings being cut severely, reaching their lowest point in November 1998. Since then they have increased somewhat, but have never regained their pre-crisis level. Scavengers (both women and men), who earn much less than the other groups, had less far to fall. By the beginning of 2000 their real earnings were less than ten percent below pre-crisis levels, and the differential between them and the others in Figure 8.5 had narrowed considerably. Figure 8.5 also illustrates that, like in any labour market, there is a lower ceiling to earnings; perhaps the lowest is that below which subsistence may not be possible.

Figure 8.5. Average real daily earnings of vulnerable workers, pre-July 1997 - August 2000



Source: CDRI Surveys of Vulnerable Workers

Apart from strong seasonal factors, shocks on the demand or supply side of the labour market are the main influence on changes in the real earnings of these workers. On the demand side, the sudden fall in consumption and investment was quickly transmitted to this part of the labour market. Cuts in foreign assistance (and hence in resident expatriates), and in the number of tourists had a direct impact on the earnings of cyclo drivers. On the supply side, the slump was reflected in an increase in the number of people competing for work of this kind. Most of them come from rural areas, some (particularly cyclo drivers), come temporarily to supplement their earnings from agriculture. When agricultural conditions deteriorate, as they did during these crises, more people move to the city.

The surveys of migrant workers, discussed in an earlier section, also throw some light on the impact of crises. Interviews with Vietnamese working in Cambodia revealed a significant decline in most of their earnings after July 1997. The decline in long-range Cambodian migration to Thailand in 1998 is also related to that country's economic crisis. By May 1998, the Thai government had repatriated nearly 180,000 illegal migrant workers from various countries (Thongpakde and Paitoonpong 1999), and the returning migrants, particularly those in the construction industry, reported increasing difficulty in finding work. Cheating by employers on wage payments has always been said to be a problem. Working hours are also reported to have increased since 1997.

It is too early to assess the labour-market impact of the latest crisis – the floods of September/October 2000, which have affected an estimated 2.7 million, killed more than 250 people and caused around $79 million worth of damage. Announcing these figures in a broadcast in October 2000, the Prime Minister said that 544,000 hectares of paddy, 700 km of national roads and 1,500 km of rural roads had been destroyed or damaged. The growth rate is expected to be reduced at least one percentage point as a result of the floods. At the time of writing, CDRI researchers were carrying out their regular survey of vulnerable workers (enlarged since February 2000 to also include waitresses, rice field workers, garment workers, motorcycle-taxi drivers and skilled and unskilled construction workers), and report significant falls in earnings for all categories of workers.

Chapter 9

Policy Response and the Labour Market

From 1970 to 1975 Cambodia experienced a brief stage of capitalism under the Lon Nol regime. Subsequently, the economic system transformed to state/party collectivism under the Khmer Rouge regime between 1975 and 1978, followed by a state-commanded economy between 1979 and 1993, and then to a liberal market regime from 1993 onwards. This took firmer roots after the peace and elections of 1998.

Unlike other countries in the region during their war years, Cambodia suffered a total devastation of its social and political institutions during the Khmer Rouge era. The nation did not have a real and uninterrupted opportunity to rebuild for the next 18 years, until 1998, since foreign occupation, and then subdued internal strife and armed resistance, continued to plague it. Policy response in the Cambodian context, therefore, takes the shape of a much broader development agenda. Unlike other countries of the region that suffered during the late 1990s from the larger financial crisis and/or their internal economic problems and needed, (and perhaps still need) corrections in their public policy, Cambodia requires much more than just corrections. It needs to re-establish its social and economic institutions, in addition to following a sound development strategy.

The reconstruction, adjustment and stabilisation agendas developed so far are vast and fairly encompassing. The government has implemented many regulatory mechanisms, as well as put in place social safety nets in addition to following active labour-force and poverty-reduction policies. Some policy responses are listed below, which address long-term as well as immediate problems. Emphasis is placed on aspects that attend to poverty and unemployment.

9.1. Investment Law

Cambodia initially implemented some of the most liberal investment policies in the region with the objective of attracting foreign investments that would generate wage employment in addition to sustaining a tax-based revenue system. In December 1997, the Council of Ministers adopted a Sub-decree to eliminate unnecessary tax exemptions. The new regulations grant tax concessions only if investment projects meet some strict conditions. Some criteria for extending tax exemptions are location of the project to encourage investment in remote areas, size of the project (bigger investments are encouraged), employment created (with specific reference to women and disabled people), export potential, value-added, use of local resources, and training of local workers. The tax scheme primarily aims at the garment industry, to attract more investors to create employment opportunities.[1]

[1] Details can be seen in Council for the Development of Cambodia (1997).

In 1995 the government signed an *Investment Incentive Agreement* with the United States, and also entered into various multilateral trade agreements with many countries in the region, through ASEAN and the ASEAN Free Trade Area (AFTA).

Membership in AFTA, however, does not ensure that the system will secure long-term employment or gradual wage increases, it merely requires trade harmonisation. Therefore, for each member to maximise its interest within the given rules, and consequentially derive maximum utility from the system, the authorities should prioritise their interests. Cambodia's membership will require it to deregulate movement of goods internationally. The country's industry may not be very competitive if it follows all the labour protection rules, without increasing the productivity levels. It is, therefore, a major challenge to raise productivity and value addition. It is believed here that the investment law should be more directed, so that more industries of a long-term nature, and having strong forward and backward linkages, are attracted to the country. At the same time productivity-enhancing approaches should be embraced.

9.2. Fiscal Discipline

Value Added Tax (VAT) came into force on 1 January 1999, with a rate of 10 percent, replacing turnover taxes that were previously levied. The VAT tax scheme was adopted in response to two critical needs: 1) to increase revenues to supplement monies that began to decrease due to a foreign direct investment slow-down, and 2) to help reduce political uncertainties after the fighting of July 1997. Commercial banks, medical clinics, postal services, non-profit activities and insurance services though, are exempted from VAT. There is yet no proposal to take serious action for levy of direct taxes. Targeting prospective payers and strengthening collection mechanisms for direct taxes are therefore important priorities. The government also needs to raise revenues from origins other than the usual tax sources so that its collections can rise by 1-2 percent more than the GNP growth rate each year.

Collection and enforcement are two weaknesses of Cambodia's fiscal discipline. In consequence, social security, public saving and other expenditures are affected, which may undermine real domestic wages. Poor enforcement discipline affects the labour market through diminished public spending on social safety nets and human resource development.

On the promotion side, the state needs to concentrate its attention to promote programmes related to credit. Not only do banks need to extend more credit to business, the rural and agricultural sector also calls for attention. In this regard, micro-credit schemes operated by NGOs can be replicated on a large scale by the banks and government, not as charity, but as business propositions.

9.3. Land Reform

Since the privatisation of agricultural and other land in 1989, the state administration has not been fully able to grapple with land titling, distribution of land, or administering its transactions. In the absence of firm ownership rights and security, farmers hesitate to invest in land; hence, the productivity stays low and farmers remain poor. The government's new land policy aims to strengthen land administration and management, ensure transparency in transactions and security of tenure, and decentralise decision-making. To logically follow up on these, the government has undertaken the tasks of land registration, cadastral mapping, and GIS land evaluation as the first steps.[2] Steps to strengthen agricultural extension also have been taken up. It is believed that with firmer land rights and better diffusion of technologies, people will be encouraged to invest in land and obtain better yields.

Essentially, the government has proposed strategies based on a bottom-up pyramid that would enable mass participation in effecting land reforms. An important mechanism for this is

[2] See for details, RGC 2000c.

the creation of Village Development Committees (VDCs), which will work in coordination with non-governmental and international agencies.

9.4. Governance

Good governance is essential. In the absence of a rule of law, the economic advantages that a country may possess may be seriously undermined, foreign investment scared away and workers demoralised. Proper functioning of the labour market and poverty alleviation also rest on policy discipline and consistency. A functional legal system and administrative reform, in combination with mass participation mechanisms in place, thus become prerequisites for pro-poor policies to be effective.

Cambodia's good governance package in the context of promoting economic growth and employment includes the following:

1) Judicial reform;
2) Public finance reform; and
3) Administrative reform, which includes anti-corruption, and decentralisation.

On each of these there have been definitive steps taken by the government; in fact, there is comprehensive legislation being passed to effect better governance, and the government has negotiated loans from multilateral funding agencies to implement its plans.

9.5. Labour Code/Law

9.5.1. The Basic Law

The Labour Code/Law intends to protect workers' rights, provide human dignity to all legitimate work, and eliminate exploitation such as forced labour and discrimination, as well as provide protection for employers from unwarranted litigation. Equal opportunities, safety and human dignity for labour thus form the essence of this policy.

The Labour Code has provisions against forced labour. To support these, the National Assembly has enacted an anti-forced-labour policy. The law has provisions to cover all workers. However, in reality it may be difficult or impossible to follow the rules, because extreme poverty compels people to render their services regardless of conditions of the work contract.

Again, the rule of enforcement is weak, which complicates the institutionalisation and implementation of laws and rules. Also, absence of a labour court exacerbates labour disputes between union workers and the management.

9.5.2. Child labour

Cambodia is just coming to terms with its child labour problem, and is in the process of gradually developing a coherent policy. The Cambodian National Council for Children was established in November 1995 by a sub-decree. The Council serves as the coordinating body for advocacy, planning, monitoring and implementing the provisions in the Convention on the Rights of the Child. It is presided over by the Prime Minister. In January 1997, the National Assembly enacted a new Labour Code, setting the minimum age admissible for employment at 15 years. It also stipulates that children aged 12 to 15 years can be engaged in light work, provided; 1) the work does not affect their health and psychological development, and 2) the work will not affect their school attendance or participation in vocational training programmes approved by the competent authorities.

9.5.3. Freedom of Association, Collective Bargaining and Remuneration

Cambodian people enjoy the freedom to associate; in fact, there are functional trade unions in the country. But poor conception of the policy and lack of implementation mechanisms do not permit the benefits of these provisions to reach most of the people. The system has not been

able to extend protection to the labour force in all locales and sectors. For example, the rural population is scarcely touched by this provision. Also, workers' representation at the decentralised level is completely missing.

The government has not yet consolidated its decision on the minimum wage issue. The labour law code stresses the importance of "decent living standard compatible with human dignity," yet an average garment worker earns only about $0.13 US dollars per hour and works for 48 hours per week. The minimum wage prescribed is $40 per month. The Ministry of Labour and Social Welfare has proposed a revised wage policy, but the National Assembly has not passed the new minimum wage formula because the managements and labour unions have so far failed to reach a wage agreement. The wage issue is still under discussion. While occupational safety is a real problem, there is little by way of public policy that exists on this subject in the country.

9.6. Social Development Programmes

9.6.1. Income transfers

The government's safety nets are limited in scope and impact. The Ministry of Social Affairs, Vocational Training and Youth Rehabilitation, is in charge of disbursement for the disadvantaged groups. Resources provided to the poor are via income transfers, for example, through the Red Cross, other donors and NGOs. Together with UN agencies like the World Food Programme, the Ministry of Rural Development has initiated food-for-work and other income and employment generating projects. The food-for-work programme helps to rehabilitate infrastructure, provide social support, extend skills training, and aid vulnerable groups, including street children, orphans and persons with disabilities. However, to a great extent, people devise their own coping strategies; the majority are not a beneficiaries of these transfers.

9.6.2. Human resource development

The government has come up with several education policy responses that amplify equal access to education by the poor. Some steps proposed in the policy are:

1) Focus on public funding for education, and emphasis on promoting, motivating and providing incentives to attract the best staff to the teaching profession;
2) Increase the number of classrooms and equipment to extend access to grades one to nine to all school-age children;
3) Narrow rural/urban and gender gaps at both primary and lower-secondary levels;
4) Encourage private sector involvement in upper secondary and tertiary education; and
5) Decentralise education.[3]

9.6.3. Gender and development

Although the social safety-net policies mentioned above reiterated the importance of equity, access, protection and legality, women's position in the labour force remains vulnerable. This is rooted in circumstances, traditions, lack of access to education, low proportions in wage employment, unequal remuneration and unfairness in job opportunity. Yet, women are in large numbers in the labour market, though not necessarily in wage employment. The government needs to take actions to ensure protection of women employed in the industrial sector. About six out of ten garment workers come from rural areas and roughly 90 percent are young women. Both hotel and garment industries have similar labour problems. Wages are very low, and are not enough to pay for living expenses in a city, therefore, workers have to be engaged for 12 to 15 hours/day. They rent cheap rooms and live in unsanitary conditions. In the work place, labour violations include the lack of security of tenure (no

[3] See the latest policy of the government on education, RGC, 2000d.

employment contracts), non-payment of the minimum wage, occupational safety hazards, sexual harassment, and insecurity, especially for women in night work. All of these problems need to be addressed, both through labour market functioning and legislation.

Table 9.1. Dimensions of missing opportunities: government policy responses

1.	Low average income	Macroeconomic stability, economic growth
2.	Low level or inadequate farming technology	Improving physical infrastructure, including irrigation, rural roads and land management
3.	Extensive poverty in rural areas	Promoting private sector development; income transfers
4.	Landlessness and lack of access to land	Land reforms
5.	Poor access to assets and skills training	Human resource development
6.	Low capabilities	Strengthen capabilities
7.	Bad water, sanitation and high cost of health care	Increases in public spending on health and education/social services

Source: RGC 2000

9.7. Interim Poverty Reduction Strategy Paper

The Interim Poverty Reduction Strategy Paper (I-PRSP) is the government's stabiliser package and the most ambitious plan, embedding a multi-layer policy response to poverty reduction in the country. According to the I-PRSP, lack of opportunities and social exclusion are widely prevalent. Among the prime instruments proposed for reducing poverty are, promotion of greater employment via macroeconomic stability, private sector encouragement, and agricultural/rural development. More specifically, some of the measures are listed on Table 9.1.

The policy matrix and the cross-cutting policies are complicated and ambitious; the reason lies in their being comprehensive. One common feature is that at no stage has the policy lost perception of labour issues. For example, the government re-oriented its economic policy towards other industries to absorb surplus labour when it found that non-performing investments in the agro-industry were not permitting this industry to grow adequately. Its approach to concentrate on labour-intensive manufacturing for export, such as garment and textiles, is another example of this labour-oriented strategy. In other words, poverty reduction is closely linked to industrialisation, which in turn is encouraged to be labour-intensive.

Chapter 10

Conclusions and Recommendations

A full comparison with neighbouring countries in the DAN project has yet to be made, but it appears that Cambodia is not a classic labour-surplus economy: it has one of the lowest labour/cultivable land ratios in ASEAN. It also has the lowest average number of years of schooling per square kilometre of cultivable land, suggesting a current comparative advantage in natural resource-based production, involving relatively unskilled labour, rather than in non-agricultural labour-intensive activities.

This draws attention to the fragility of the garment manufacturing sector, the growth of which has been based not so much on Cambodia's comparative advantage, as on its special access to administered world markets, especially in the US. Should that access be denied or reduced, and/or substantially-extended to competitors (e.g. to Vietnam after the conclusion of the trade agreement with the US), garment producers may seek to relocate elsewhere.

The low-average level of education of the Cambodian labour force and the very high level of functional illiteracy (particularly among women) poses huge problems for productive employment generation. The issues of poor quality of schooling and premature dropout, particularly by girls, need to be addressed. An emergency literacy campaign also needs to be mounted, aimed particularly at the 475,000 males and 732,000 females between the ages of 15 and 29 who are, according to the latest survey, functionally illiterate.

This also needs to be borne in mind in approaches to industrial relations. At least potentially, Cambodia is not a cheap-labour economy but, until that potential is realised through institutional and infrastructure reform, vulnerable workers make themselves available at relatively low wages. Their best (and most realistic) protection is the development of democratic and independent trade unions, rather than pressure on labour standards from foreign governments, trade unions, consumer groups and non-government organisations, which sometimes takes the form of closing markets to Cambodian products.

Unemployment is a mis-specification of Cambodia's labour market problem – the overall rate is low and the highest rates are found among the more-educated young in urban areas. Labour market policy should focus, rather, on the problems of the working poor.

The early stage of development of the labour market is indicated by the fact that the largest single category of employment status is unpaid family workers, among whom women are over-represented, and the smallest (apart from the tiny category of employers) is wage-earners, among whom men are over-represented; by the high proportion of workers (especially men) who have more than one job; and by the overwhelming importance of agriculture as a sector of employment for both sexes. However, there are some promising signs. The proportion of the labour force in wage employment, though still low, has increased considerably in recent years, and the proportion in private-sector wage employment has increased even faster. Although agriculture's domination has not changed, the proportion of

workers in manufacturing has increased, mainly due to a big increase in the number of women employees in the garment industry. Real wages have been increasing, and differentials between men and women have widened only slightly.

The incidence of child labour, particularly below the age of 14, is relatively low. Almost all of those children who are working are engaged in unpaid family labour on the farm. Nevertheless, there is a clear conflict with schooling, because of the long hours required over many weeks of the year. This is likely to contribute to school dropout, particularly by girls.

To judge from figures for wages and for earnings of the self-employed, the Cambodian labour market does not look to be significantly segmented, except in the case of women, who tend to earn less than men of the same age and education in the same location, sector and occupation. So, as well as efforts to rectify the imbalance in the education system, which is the most important cause of women's problems in the labour market, vigorous implementation of anti-discrimination legislation may be needed.

The huge presence of external, multilateral and bilateral assistance agencies, and non-government organisations, which employ, directly or indirectly, a high proportion of the most-educated and skilled Cambodians, distorts the labour market and economy in obvious ways. As this sector gets smaller, the distortion will gradually be reduced; meanwhile, donors, executing agencies and government need to look at immediate ways of minimising it.

Another source of distortion is the large size and low level of remuneration of the civil service and the defence and security forces. Reform of both is a prerequisite to the achievement of a properly-functioning labour market. The extent to which reform of the civil administration would involve downsizing is not clear, but the size of the public service should be in relation to tax revenue such that each of its members can be paid a living wage. Demobilisation of the military and police is definitely needed and is already under way. Such cuts may be less problematic than they look in view of the number of force members who (like the civil servants) already have a second job, family farm, or business to fall back on.

There is evidence, from a comparison of the 1996 Demographic Survey and the 1998 Population Census, of a high degree of labour mobility. The rate of rural out-migration, whether it is to urban areas or to other rural areas, is increasing. Migration is over increasingly-long distances, and the proportion of 'newcomers' has been increasing in most places, particularly in urban areas. The search for employment is the main reason given for migration, in which people below the age of 30 are disproportionately represented. The majority of very recent migrants are men, except in the case of movement to Phnom Penh, where many new garment and shoe factories have opened in the past few years.

Cambodia is in an intermediate position in the regional labour market, receiving migrant workers from Vietnam, as well as sending their own to Thailand. Rapid surveys suggest that workers of Vietnamese origin in Cambodia are mainly skilled workers engaged in construction, machinery and electronics repair, wood processing, etc. or involved in fishing. Their earnings are higher than they could obtain in Vietnam, even though they are subject to many levies, formal and informal. While a more-orderly immigration process would be helpful, both economically and politically, such workers in industry play an important role in passing on skills to younger workers, and the policy should concentrate on encouraging this. In fishing there is a general need to clean up procedures and fishing methods, regardless of the national origin of the workers.

Cambodians who migrate to Thailand are generally from poor households and have a similar economic motivation. Wage rates in Thailand are, on average, more than four times what they could expect to get at home. Short-range migrants, the majority of whom are women, commute daily, or for a few weeks at a time, to work on farms just across the border. Long-range migrants, the majority of whom are men, go deep into Thailand to work, mainly

as construction workers and porters. Many migrants report positive outcomes from their experience, in terms of acquiring assets, savings and skills, but such migration is a sign of the lack of integration of the Cambodian labour market due, in particular, to the poor state of roads and transport infrastructure.

The connection between the labour market and poverty reduction is best illustrated by a comparison of the composition of the poorest and richest household quintiles in 1999. Significantly, there is no difference between the two quintiles in the proportion of females in the households. In general, the data are consistent with the suggestion that the way out of poverty is for household members to move out of unpaid family work into wage employment (for both males and females), and also into self-employment (for women), and that unemployment and economic inactivity are luxuries that richer households can better afford rather than causes of poverty.

As for growth, the labour market is beginning to contribute to it through an increase in wage employment, particularly in the private sector. The recent record of productivity increase is mixed, and a movement of workers (voluntary, not due to force or a family crisis) from lower productivity to higher productivity sectors would serve growth better. The evidence of increased labour mobility is encouraging from this point of view. Integration of the national labour market would help this process, as would a wider spread of accurate labour market information.

In monitoring the impact of recent crises, the most sensitive indicators seem to be changes in wage employment and in real wages and real earnings of the self-employed. These show the combined impact of the July 1997 fighting and the Asian financial crisis to have been severe in Phnom Penh, and worse for the self-employed than for wage earners. Long-range migration to Thailand also fell in 1998 and has not fully recovered.

In response to crises, such as the flooding in September/October 2000, and in support of restructuring, such as the planned demobilisation, more emphasis could usefully be placed on public works and guaranteed employment schemes. Such schemes create employment directly during the construction process, indirectly through linkages to supplying industries, through the multiplier when workers spend their earnings, and dynamically when the assets that have been built (schools, roads, health centres, etc.) help to raise productivity in the area, and when the increase in demand raises the incentive to invest. A well-designed guaranteed employment scheme has a counter-cyclical and self-liquidating safety-net role. This means that decisions on wage rates in the scheme should be decentralised and should be low in relation to local market rates for the type of labour concerned. If programme wage rates exceed market wage rates, the numbers wanting to work on public works programmes would exceed the numbers that can be hired. This means that employment may have to be 'rationed' by local managers, increasing the temptation of corruption, and making it more likely that those who work on the project will not consist only of those in the most desperate circumstances.

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This working paper explores the nature and trajectory of Cambodia's labour market, analysing both its structure and recent trends. Chapter 1 discusses the factor endowment of the country, Chapter 2 analyses the labour market structure, and Chapter 3 studies distortions in the labour market. Chapter 4 looks at the nature and extent of migration. Chapters 5, 6, 7 and 8, respectively, examine recent trends in the labour market; links between the labour market and poverty reduction; links between the labour market and economic growth; and, how the labour market has adjusted to crises. Chapter 9 discusses current policy, with specific reference to labour and poverty alleviation. The final chapter presents conclusions and recommendations.

Martin Godfrey is a former Research Director of CDRI and this project was started under his direction. So Sovannarith, Tep Saravy, and Pon Dorina are CDRI researchers; Claude Katz is a consultant to CDRI; Sarthi Acharya is CDRI's Research Director; and Sisowath D. Chanto and Hing Thoraxy are researchers with the Cambodian Institute for Cooperation and Peace (CICP).

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