



CAMBODIA DEVELOPMENT REVIEW

A Publication of CDRI-
Cambodia's Leading Independent
Development Policy Research Institute

VOLUME 12, ISSUE 1

JANUARY-MARCH 2008

\$4.00

The Political Economy of Managing Labour Migration

Chan Sophal reviews legislations and institutions governing Cambodia's out-labour migration, highlights critical political-economy issues undermining the development of sound labour migration management, and proposes solutions to tackle them.*

Cambodia is a latecomer in the management and administration of labour emigration. Most migrants travel by informal or illegal means, while the legal option is relatively new, costly and inconvenient for most. Government agencies will face an increasing challenge to manage labour emigration, which is expected to rise because of both internal and external factors. Since the creation of productive jobs does not keep pace with the annual labour force addition of some 300,000, emigration pressure is likely to increase. Higher wages in Thailand, Malaysia, South Korea, Singapore and Japan are also a factor.

While it is generally preferable to create jobs and development in the country, it is advisable to have sound management, policies and a legal framework to govern labour emigration because it provides employment and income needed in the short and medium terms. It can contribute significantly to poverty alleviation; remittances to Cambodia were estimated at USD200 million or 3.23 percent of GDP in 2005. Our estimate is that this can go up to USD500 million if labour migration is better governed.

In 2005 Thailand sent 160,000 migrant workers and received remittances of USD1.2 billion, while Vietnam sent 400,000 workers and received USD4 billion, according to the World Bank's World Development Indicators 2007. The Philippines and Bangladesh received USD13.5 billion (13.7 percent of GDP) and USD4.2 billion (7 percent of GDP). A study by the International Fund for Agricultural Development and the Inter-American Development Bank (IFAD 2007) found that there are 150 million migrant workers, who sent home USD300 billion



Cambodian migrant workers fix fishing nets before they cast them again on the coast of Thailand. About 180,000 Cambodian migrants enter Thailand illegally each year.

in 2006, surpassing development aid and foreign direct investment.

Cambodian Emigration through Recruitment Agencies, and Remittances

There are basically two types of migrant workers from Cambodia: legal and illegal, in a strict sense. Between 1998 and the end of 2007, there were 20,630 official worker trips to Malaysia, South Korea and Thailand: 10,532 to Malaysia, 3984 to South Korea and 6114 to Thailand, according to statistics of the Cambodian Ministry of

In This Issue

The Political Economy of Managing Labour Migration. 1	
Water Resource Management in Cambodia: History and Current Challenges.....	5
Land Transactions and Emerging Issues Since Land Titling Commenced	9
Economy Watch	
—External Performance	13
—Domestic Performance	15
—Economic Indicators	17
CDRI Update	20

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Labour and Vocational Training (MLVT). Approximately 180,000 Cambodian workers are in Thailand (IOM 2006). Of these, some 110,000 were granted a working permit by the Thai government in 2004 and about 50,000 were provided with a certificate of identity by the Cambodian government through an inter-ministerial task force led by the director general of labour, MLVT.

The majority of workers sent to Malaysia were female, serving as domestic helpers or housemaids, while most of those to South Korea were male. Although Thailand has received migrant workers from Cambodia since 1994, most workers are undocumented or irregular. Official migration started only in 2006, following the memorandum of understanding (MOU) between Thailand and Cambodia signed in May 2003. Cambodian migrant workers find 3D (dirty, difficult, dangerous) jobs, mostly in fishing, construction and farming.

Legislation and Institutions Governing Labour Emigration

Lack of Legal Framework

Because Cambodia's labour emigration is a relatively recent phenomenon, the country faces a challenge to create policies, legislation and regulations on the outflow of migrant workers. Sub-decree 57 on Sending Khmer Migrants to Work Abroad was issued in 1995. The document was drafted by the then Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation¹ in collaboration with the Ministry of the Interior and Ministry of Foreign Affairs. The sub-decree recognised the lack of domestic employment opportunities and stated the objective of improving standards of living through income generation and skills acquired from working overseas. The sub-decree referred to the ministry in charge (now MLVT) as the "providing party" and a recruitment company or agency as the "receiving party". In addition to Sub-decree 57, there are Prakas 108, May 2006, on "Education on HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad" and Sub-decree 70, July 2006, on "The Creation of the Manpower Training and Overseas Sending Board".

Many interviewees pointed out that Cambodia lacks a migration policy or any specific law on migration. In their view, Sub-decree 57, the only binding legal document above prakas, is not up to date and needs review and amendments. Cambodia's Labour Law cannot be applied in the receiving countries for labour migrants.

Lack of Government Institutions

There is a view that there should be an institution specifically in charge of managing labour migration. It makes sense for MLVT to set up a separate department to deal specially with labour migration. There is a consensus among all the interviewees that larger numbers of competent staff are needed to address the acute labour migration issues. This may entail more government funds

to hire capable persons. However, there should also be a way for the department to generate funding from this business since it brings hundreds of millions of dollars into the country.

Because labour migration involves multiple ministries, the Inter-Ministerial Taskforce for Migration (IMTM) was recently set up. It is co-chaired by the minister of Women's Affairs and minister of MLVT. The initiative followed the successful advocacy of UNIFEM, who tries to promote the rights of female migrants. The IMTM comprises members from key ministries but has met only twice since its inception in October 2006. It is still new and driven by the availability of resources provided by UNIFEM. This is a forum in which government agencies meet to discuss labour migration issues and reach consensus before negotiating with the receiving countries and drafting policies to govern labour migration. It is also expected that the IMTM will come up with the policies and regulations needed. It remains to be seen how effectively this new institution will function.

Lack of Private Institutions

Sub-decree 57 rightly points to the problem of unemployment and under-employment and the benefits from labour emigration in improving the living standards of Cambodians. However, a number of aspects suggest that there is incoherence between intentions and policies. These are the requirements for recruitment agencies to make high deposits and advance expenditures.

There should be adequate recruitment agencies to handle the approximately 200,000 emigrant workers (both legal and illegal) if all are to go in legal ways. Both government and private institutions need to be sufficient and strong. Currently, there are both a lack of staff capable of dealing with labour migrant issues and a shortage of private agencies to recruit, train and send workers overseas.

The lack of labour export companies is clearly the result of high requirements set by the sub-decree. Companies are required to deposit USD100,000 with the MLVT and to pay expenses for applicants. This places a great financial burden on them. It is the reason that 26 companies had to close in July 2006, when the deposit requirement was strengthened, leaving only 12 to continue. Recently, four more companies have been created, pushing the total to 16, excluding two agencies trying to have NGO status. Judging by countries with long experience in exporting labour, this is too few companies. Bangladesh has about 800 to recruit and export migrant workers, while the Philippines has more than 1000.²

The NGO Involvement

NGOs are very active in dealing with migration and human trafficking issues.³ The Migration NGO Network was created with the support of UNIFEM and has the

participation of 30 organisations. They meet every two months to pursue their five programmes on (i) advocacy and awareness raising, (ii) investigation, (iii) legal aspects, (iv) research and database and (v) capacity building and public relations. The network is led by a steering committee composed of organisations most active in labour migration and human trafficking issues.³

Critical Issues in Administering Labour Emigration ***The Cost of Sending Migrants***

The cost of sending migrant workers to South Korea decreased from as much as USD3000 per worker, when private companies were processing the migrants, to USD892 from January 2007, when the Cambodian government, through the Manpower Training and Overseas Sending Board (MTOSB), was put in sole charge. This is a massive success, which accrues directly to workers. The main differences lie in the “dispatch fee and expenditure” charge of the private companies. MTOSB did not charge these or the education/orientation fee and government tax. MTOSB has sent about 500 workers since it assumed the task. This is a concrete example proving that cost reductions in sending workers abroad are quite feasible.

The cost of sending migrant workers to Thailand currently is USD700, including USD100 paid by each worker applicant and USD600 (20,000 baht) paid by the employer or recruitment agencies, which deduct 2000 baht a month from workers’ salaries for 10 months. This is very high compared to the monthly salary earned by workers, which averages only about 6000 baht; workers had to work overtime to generate significant savings to send home, which is the main purpose of migration. The informal fee of illegal leaders is only USD100 per person. Also, workers do not have to wait long if they go by illegal means. When this choice is still open, it is understandable that most workers still choose to go illegally and quickly, paying USD100 compared to USD700 to go to Thailand in three to six months. Despite the risk of being arrested and sent back, most migrant workers enter Thailand illegally. The experienced ones re-enter Thailand by themselves and pay only about USD50 in transportation costs.

Because the long border makes it difficult for Cambodian and Thai authorities to stop illegal migration, it is important that legal migration become affordable by workers. It is proposed that the cost of USD700 can be lowered to USD300 and the process speeded up by both governments. Of the USD700, USD480 is spent in Cambodia. The passport cost should be reduced from USD150 to USD50, and the “other expenses” should be decreased from USD220 to USD40. This would reduce the cost incurred in Cambodia from USD480 to USD200. The average income for recruitment agencies of USD70 would be retained.

The Thai government should reduce the fee for a work permit from USD106 (3500baht) to USD30 (1000 baht) and the visa fee from USD59 (2000 baht) to USD15 (500 baht) so that the total costs incurred on the Thai side would decrease from USD220 to USD100. According to the Thai Ministry of Labour, the visa fee should have been reduced to 500 baht but this had not yet happened at the time of writing.⁴ Thus, the major further contribution that should be provided by the Thai government is to reduce the work permit fee. When many more workers switch to legal migration, the Thai government will gain more from issuing work permits in addition to many other benefits.

The Cost of Passports in Cambodia

The official cost of an ordinary passport has been USD120 since 5 March 2007, when USD20 was added for the microchip to make an “e-passport”.⁵ However, an “informal” fee of about USD19 is added, making the total price of a passport of USD139. This is the fee for issuance within two months. If citizens need a passport sooner, they can get it in one week but have to pay USD224. This means that issuance in one week is possible but is delayed by workload or other problems.

In comparison, in Vietnam the passport fee is only USD12, and it is issued in five working days. In Thailand and the Lao PDR, the fee is USD30 and the passport is issued in three to five working days. Moreover, these countries have many offices to process applications, including in the provinces, whereas Cambodia has only one small office in Phnom Penh. This is clearly a constraint on processing applications in a shorter period. It is not clear whether the time is intentionally kept at two months so that people who need a passport sooner will have to pay USD224. It is unclear where the extra charge of USD80 goes.

The government understood that the price of ordinary passports was too high for migrant workers, who are mostly from poor families. Migrant workers are officially charged USD40 for a passport, provided that they are approved by the MLVT in a list sent to the Ministry of the Interior. Before 5 March 2007, the official charge was only USD20. However, in practice, the cost was above USD50, and it took not less than two months for the passport to be issued. This so much prolonged the whole process that it affected the confidence of applicants and employers in Thailand. Most workers cannot hang around for five or six months to wait for employment overseas. Hence, they are forced to buy their passports within one week, for which they have to pay USD150–200 by themselves directly or repay later from their salary; either way they bear a huge cost.

If 200,000 workers are each given a passport, the total cost would be USD10 million, at a rate of USD50 each. The one small office in Phnom Penh would not be able to meet

this demand. It would be more efficient for the Ministry of the Interior to open more than one office in Phnom Penh. More importantly, it should open offices in a few major provinces and provide them with competent staff. This would not only meet the acute need for passports but would also cut travel costs for provincial people. For instance, Banteay Meanchey, Battambang and Prey Veng should have an office for passport applications and issuance.

The Problem of Desertion while Working in Thailand

The requirement for recruitment agencies to bear the cost of sending workers is problematic. The agencies stand to lose if workers run away from the contracted workplace. Desertion, especially in Thailand, is quite high, according to the recruitment agencies. This is understandable because only 6114 workers have been sent legally, while some 180,000 Cambodian workers are in Thailand irregularly. It is likely that legal workers are tempted to flee their debt and join the large number of undocumented workers. This is not a unique problem, however. Dang (2007) reports that the desertion rate of Vietnamese workers in Japan is 27–30 percent, in South Korea 20–25 percent and in Taiwan 9–12 percent.

Some workers find the work too hard, so they return home by any means. This makes the company lose the money that was paid up front to take them to the job. It could be that they were not briefed adequately, or that the promised and actual jobs are different. The recruitment agencies are partly to blame for runaways because they fail to recruit the workers properly. They are not selective enough, but tend to choose anyone. Their aim is to send many so that they can quickly earn the recruitment fees.

It is not easy for recruitment agencies to solve the problem of desertion. In some cases, they ask the Thai embassy to block runaways from receiving visas again. It remains a messy situation without any good solution. Unlike South Korea or Malaysia, where most migrant workers are legal and cannot easily return home without a passport, Thailand is a special case: geography and loose border controls make it easy for workers to run away either to join the undocumented crowd or to return home.

Requirement for Agencies to Advance the Costs of Sending Migrant Workers

Another problem is that the costs of sending workers abroad are borne by recruitment companies or employers overseas. This means a company needs to advance at least USD600,000 in order to send 1000 workers at a time, since the cost of sending each worker is reported as USD600. This is a lot of money to risk, especially for Cambodian companies that are not rich but may be competent. Companies report substantial losses because of workers running away while abroad. This puts their viability seriously at stake. Having recognised this burden,

the government now allows applicants to be required to pay for their own passport and some basic costs such as health checks. Applicants to work in Thailand are required to pay USD100 by some agencies.

If the governments of Cambodia and Thailand want labour migrants to go through recruitment agencies, the number of agencies should be much greater. Currently, half or more of the costs are borne by the Thai employers with the condition that the Cambodian recruitment agencies replace for free workers who run away. This places the agencies at very high risk.

It is understandable that most workers do not have USD600 to pay up front. However, this problem can be dealt with by finding a way for serious workers to obtain a special loan either with or without interest. It could be through banks, micro-finance institutions, NGO credit programmes or community savings schemes. Workers seeking larger benefits from working abroad would have to put up cash or get a loan to pay for the sending costs. The loan would be endorsed by local authorities who knew the applicant well, or other arrangements would help ensure repayment.

Implementation of MOU between Cambodia and Thailand

As part of the implementation of the MOU between Thailand and Cambodia, Cambodian authorities set up an inter-ministerial committee from the MLVT, Ministry of the Interior, Council of Ministers and Ministry of Foreign Affairs to provide certificates of identity to Cambodian migrants who had been working in Thailand illegally. A parallel Thai task force (from the ministries of Labour, Interior and Health) provides work permits. A migrant worker has to pay 1500 baht to the Cambodian committee and about 4000 baht to the Thai committee for the work permit, which requires a health examination for inclusion in the health insurance scheme. The total cost of sending a worker through the MOU system is USD700.

The Cambodian MLVT believes that the MOU has been helping Cambodian workers in Thailand to gain recognition and fair treatment over the past five years. The teams working for the Cambodian and Thai Labour ministries have cooperated very well, according to the Cambodian government officials interviewed. The meeting between the Cambodian and Thai ministries of Labour in Siem Reap in late November 2007 reached an agreement that the inter-ministerial committee to provide identification to Cambodian workers in Thailand can continue its work until the end of June 2008. It has been decided to form a committee in Cambodia to receive irregular migrant workers sent back as their permission to work in Thailand expires. The meeting also decided that

Continued on page 13