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Impact of the Global Financial Crisis on Employment in SMEs in Cambodia



NGIN Chanrith

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CDRI Working Paper Series No. 74

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Responsibility for 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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Acronyms

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
NBC	National Bank of Cambodia
ODA	Overseas Development Aid
USD	United States Dollar
SME	Small and Medium Enterprises

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SUMMARY

This chapter assesses how the global economic and financial crisis has affected employment in small- and medium-sized enterprises (SMEs) in the construction and tourism sectors in Phnom Penh municipality and Siem Reap province. Key areas of analysis are SMEs' business performance, fixed assets value, and employment, and support received to cope with the crisis. The methodology involved a survey of 120 SMEs, 60 from each of the two sectors.

The global crisis affected the business performance and fixed assets value of SMEs in the construction and tourism sectors as they encountered lower revenues and higher expenses. The fixed assets value of enterprises in the construction industry decreased, mirroring the bust of the property sector in the wake of the crisis.

Consequent impacts on employment are analysed through the number of paid and unpaid employees, the educational level of paid employees, and employees' compensation. The number of unpaid family workers in tourism SMEs went down and the number of paid employees declined across the two industries. A common pattern emerging from both industries was that the number of paid employees with high education decreased after the slump, and the number of female paid employees with high education was lower than that of their male counterparts regardless of the upheaval.

With regard to employees' compensation, there was no significant change in either sector. However, the wages of female workers were lower than the wages of male workers before and after the crisis. This suggests a compensation gap between male and female employees in the two industries irrespective of the downturn. In the tourism sector, there was also a minimal increase in employers' contribution to the social security/pension fund.

The SMEs applied cost-saving strategies (cutting staff, expenses and outgoings on utilities) to cope with the difficulties. Very few enterprises received assistance to revitalise their business, and the aid was informal (i.e., money loaned by friends and relatives) and nominal. Furthermore, a limited number of enterprises sought business support services, mostly from specialised private firms. These findings illustrate the common problems (limited access to finance and inadequate support system) being faced by Cambodian SMEs. The enterprises needed to boost functional capacities, competitiveness and information in order to augment their business performance.

INTRODUCTION

The 2008 global financial and economic crisis dealt a severe blow to the garments, tourism and construction sectors – the main growth sources of the Cambodian economy. The significant dependence of these growth propellers on external private and official investment capital inflows and foreign markets made them particularly vulnerable to external shock. Real GDP growth contracted to 0.1 percent in 2009 from 6.8 percent in 2008 with estimated losses in potential real income of USD282 million in 2008 and USD677 million in 2009 (Kong 2010) and an estimated surge in the number of poor people by 0.2 million, measured by a poverty line of USD1.25 a day, over the recession period (ADB 2009b cited in Jalilian & Reyes 2010). The garment industry encountered decline in exports, factory closures and worker lay-offs. Tourism dwindled owing to fewer visits by domestic and international travellers. Likewise, the cancellation and halting of building projects due to contraction in the construction sector led to increased unemployment.

Cambodia has gradually recovered from the global economic crisis. The GDP growth rate in 2010 rebounded to 5.5 percent (Hang 2010 cited in Jalilian & Reyes 2010). This recovery chiefly stems from re-emerging growth in industry (5.7 percent) and services (2.4 percent) sectors, while agriculture grew at 2.3 percent in 2010, a downturn from 5.7 percent in 2008 and 5.6 percent in 2009. Growth in garment exports (over 21 percent in the first nine months of 2010 and estimated 15 percent in 2011) also significantly contributed to the spur of renewed activity in the industry sector (Hang 2010 cited in Jalilian & Reyes 2010).

While previous studies have examined the impacts of the global economic downturn on the growth drivers of the Cambodian economy in the realms of production, export and revenue, little is known about its effects on the labour force, particularly in small- and medium-sized enterprises (SMEs). The intent of our study is to assess how the global economic crisis has affected employment in SMEs in the construction and tourism sectors in Phnom Penh and Siem Reap province. Key areas for analysis are SMEs' business performance, fixed assets value and employment, and support received to cope with the crisis.

LITERATURE REVIEW

This section reviews the impacts of the global economic crisis on the construction and tourism sectors in Cambodia, the effects of the downturn on Asian SMEs, and the Cambodian government's response to revitalise employment in these sectors. The review also captures key characteristics of Cambodian SMEs.

2.1 Impacts on the Construction Sector

The construction sector contributed 6.7 percent to GDP and employed 3.6 percent (approximately 299,000 in absolute terms) of the total labour force in 2007 (Hang 2010 cited in Jalilian & Reyes 2010). This growth pole is closely tied with real estate development and tourism, and is predominantly foreign invested. Consequently, in mid-2008, the sector began to feel the impacts of the crisis due to the deceleration in investment and the bursting of the domestic real estate bubble in the wake of overvaluation due to raging speculation in the property market (Jalilian *et al.* 2009; Jalilian & Reyes 2010). The sector's growth contracted by 8 percent in 2009 and dropped to 5.8 percent in 2008 from 6.7 percent in 2007 (Hang 2010 cited in Jalilian & Reyes 2010). Tangible repercussions of the sector's recession included the declining import of construction materials, halting of building schemes and subsequent job losses. Foreign direct investment (FDI) in construction decelerated 12.5 percent in 2008 (Kang *et al.* 2009 cited in Jalilian & Reyes 2010) and continued on a downward trend in 2009 (Xinhua 2009c cited in Jalilian & Reyes 2010). Nonetheless, data on the number of cancelled or postponed construction projects, both commercial and residential, is not available.

Unemployment from the shelving and deferring of building work was estimated to be 36,500 jobs in 2008 and 25,600 jobs in 2009 (Kong 2010). The World Bank (2009d cited in Jalilian & Reyes 2010) reported that working days in the sector receded to 10-20 days a month for several months. Many laid-off workers returned to their home provinces (Kang *et al.* 2009 cited in Jalilian & Reyes 2010).

2.2 Impacts on Tourism Sector

Tourism contributed 4.4 percent of GDP in 2007 and 6.3 percent of domestic revenue in 2009. The average annual growth rate was around 13 percent before the global crisis hit (Hang 2010 cited in Jalilian & Reyes 2010), then dropped to 10.3 percent in 2007 and slowed to 9.3 percent in 2008 and 8.6 percent in 2009. A prime cause of this downslide was the decline in international tourists, particularly from chief markets such as South Korea, Japan and the United States. International arrivals were at 5.5 percent in 2008 and down to 3.5 percent in 2009 (Hang 2010 cited in Jalilian & Reyes 2010). Political instability in Thailand, the Thai-Cambodian border dispute and concerns over bird flu aggravated this slump (Jalilian *et al.* 2009; Jalilian & Reyes 2010).

Further to contracted revenues, receding tourism had a critical impact on employment. Locals in crucial tourist sites reported at least a 50 percent decrease in their income, and hotel occupancy rates decelerated by up to 30 percent (ILO 2009a; Kay & Neth 2009 and May 2009a cited in Jalilian & Reyes 2010). Estimates put job losses at 16,614 in 2008 (Kong 2010) and the tourist sector workforce was tempered by a further 2.3 percent in 2009 (EIC 2009b cited in Jalilian & Reyes 2010). A survey of 72 hotels revealed that 30 to 50 percent of jobs had been

slashed at 12 hotels, and working hours cut by 30 to 50 percent in the others (Chun & Ith 2009 cited in Jalilian & Reyes 2010).

2.3 Impacts on Asian SMEs

There is no specific study on the repercussions of the world economic upheaval on SMEs in Cambodia. It was estimated that Cambodian SMEs were less affected by the crisis than larger firms were (especially exporters) because SMEs operate essentially on their own capital and sell their products and services in local markets (Kong 2010). Nevertheless, SMEs reliant on demand from consumers who had benefitted from the real estate boom (i.e., car retailers and luxurious restaurants) and those associated with the construction, textile and tourism sectors were the most vulnerable.

In Asia, the crisis culminated in shrinking external demand for exports, subsequent job slashes, and shortage of credit for SMEs overall (Liu 2009; ADB 2009; EIU 2010; Tambunan 2010). The Economist Intelligence Unit (2010) contends that Asia's SMEs encountered a severe squeeze in financing, tumbling orders, diminishing cash flow and soaring inventory costs. The deceleration in international trade drove a severe contraction of demand for Asian exports and correspondingly led to the decline in industrial production in many Asian countries (ADB 2009; Tambunan 2010). Export-oriented manufacturers were not the only SMEs to be hit. In countries with immense tourism potential, enterprises involved in travel and tourism were also struck. Likewise, demand or growth in demand for other services exports, such as information technology (IT) services, outsourcing and software exports, nosedived.

Unemployment is another salient feature resultant of the global economic crisis (ADB 2009). Job losses have been rising across developing Asia, and unemployment has become even more pronounced in advanced economies. Manufacturing employment has declined across all economies due to the decrease in manufacturing exports. The curtailment of investment plans had adverse implications for enterprises and workers in the construction sector, especially in urban areas. Moreover, job losses spilled over into external trade, retail trade, transport, storage, and restaurant and hotel businesses in the services sector. Retained employees almost across the board invariably faced cuts in working hours, salary and benefits. Consequently, employees' real earnings have gone down.

The crisis led to the seizing up of finance to viable Asian enterprises. Bank credit to SMEs was squeezed more drastically than that to larger firms (ILO 2009b). Moreover, banks refrained from lending to riskier clients, which tend to be smaller enterprises. SMEs, particularly informal ones, also had difficulty getting finance owing to downward pressure on remittances.

2.4 Government Response to the Crisis

2.4.1. Construction Sector

Attempting to restart activity in the construction sector, the Cambodian government took several measures to bolster real estate development (Jalilian *et al.* 2009; Jalilian & Reyes 2010). The National Bank of Cambodia (NBC) scrapped the 15percent cap on bank lending to the real estate sector during the shrinking of inflationary pressures, though actual bank lending did not pick up and real estate credit as a percentage of total loans kept dipping. The government hastened a sub-decree authorising co-ownership of individual apartments and condominiums, which is a premise for a law permitting foreign nationals to own units from the first floor up in co-owned buildings.

To defer investment withdrawal and generic decline in the real estate sector and to safeguard clients from delinquent developers and agents, the government implemented a set of new regulations. The regulations demanded that investors deposit 2 percent of total project value at the NBC, operate an account with a commercial bank in Cambodia for business transactions with purchasers, and secure government approval before handling their funds in the bank. These requirements are much more stringent than the previous rule to obtain permission from the Ministry of Land Management, Urban Planning and Construction (MoLMUPC) and an investment licence from the Council for the Development of Cambodia (CDC). Furthermore, the new regulations oblige investors to get a licence for renting and selling from the Ministry of Economy and Finance (MEF) for which they must pay a fee commensurate with the project value. Concerned about adverse effects, the private sector, through the Association of Cambodian Real Estate Developers, requested the government to at least defer and enforce these policies incrementally and make more favourable provisions for investors who use their own capital (as opposed to payments from buyers) prior to construction.

Finally, to further shore up the construction sector, the government expedited public infrastructure investments funded by official development assistance (ODA). Capital expenditure in these externally financed schemes was intended to stimulate employment in the sector and build the foundation for economic growth in the long run.

2.4.2. Tourism Sector

To revitalise the tourism industry, the Cambodian government promoted short- and long-term strategies (Jalilian et al.2009; Jalilian & Reyes 2010). The immediate strategy was to increase the number of tourists by attracting visitors from the region and boosting marketing. Measures to this end entailed visa exemptions to facilitate travel, new border entry procedures, and national and international advertising campaigns. In the meantime, the private sector slashed prices of tourism services, including accommodation, food and transport, in the region of 10 to 20 percent, and between 30 to 40 percent of travel agencies discounted package tour prices (MoT 2009 cited in Jalilian & Reyes 2010).

The long-term strategy was envisioned to improve the quality of tourism developments, upgrade tourism infrastructure, and diversify tourism markets. The government exercised quality-boosting regulations on hotels and resorts, manufacturers and souvenir sellers to entice clients to spend more, stay longer and return for repeat visits. Meanwhile, it maintained and rehabilitated national roads, linking essential border checkpoints to ease travelling. Furthermore, other tourist locales and non-traditional tourist markets have been explored to establish new niches for both local and foreign visitors.

2.4.3. Employment-Specific Responses

The Cambodian government embarked on a number of measures to address the employment issue caused by the economic slump. These include subsidising 0.3 percent of the 0.8 percent social insurance contribution for wage workers required of garment factories, establishing a Special Training Fund comprising microcredit provision (the Prime Minister's Fund) to offer short-term skills training to laid-off workers, improving labour market information, delaying enterprise and industrial closures, creating jobs (particularly through ODA-funded infrastructure development schemes), and promoting export of labour-intensive manufactures (ILO 2009a; Kong 2010). In addition, the government and development partners initiated the Programme on Access to Finance to ease and accelerate funding to SMEs (MoC 2009).

2.5 Key Characteristics of Cambodian SMEs

SMEs are integral to the Cambodian economy, employing 85 percent of the labour force (Kang *et al.* 2009). From Cambodia's Economic Census 2011 (NIS 2011), the number of establishments¹ stands at 533,515, including 82,891 street businesses (15.50 percent). This figure is made up of 49,555 establishments (9.28 percent) employing 5 persons and over, 13,370 establishments (2.50 percent) employing 10 persons and over, 565 establishments (0.10 percent) employing 100 persons and over and 119 establishments (0.02 percent) employing 1,000 persons and over; women-owned enterprises account for 55.80 percent and women-owned/run street businesses constitute 77.00 percent. In aggregate, the number of workers employed in SMEs is 1,820,342, of whom 761,109 (41.80 percent) are male and 1,059,234 (58.20 percent) female. On average, the number of employees per enterprise is 3.4. Following the World Bank's (2007) enterprise typology, which defines an SME as having less than 100 employees, 99.88 percent of the establishments can be categorised as SMEs.

Cambodian SMEs' business expansion and export market participation are constrained by four main factors: weak regulatory and legal framework, limited access to finance, insufficient support activities, and fragmented policy coordination (SMES 2005). Specifically, SMEs face critical internal bottlenecks in the areas of functional capabilities (management and finance) and competitiveness (product and price hindrances) (Chheang *et al.* 2010), and external pitfalls in business linkages and networking, financing, information, and investment climate.

The Cambodian government articulates its SME development policies in the Rectangular Strategy and the SME Development Framework (SMES 2005). The aim of the strategy is to bolster SME registration to ease tax collection and gather statistical information. Many SMEs opt to operate informally as the costs of registering outweigh the benefits (SMES 2005). The SME Development Framework focuses on establishing and fostering an environment conducive to SME growth and emphasises product diversification, productivity improvement and export promotion in labour-intensive sectors such as agribusiness and processing industries.

¹ NIS (2011) uses the International Standard Industrial Classifications (ISIC) Rev.4 of the United Nations, which stipulates, "An establishment is an enterprise or part of an enterprise which is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added."

DATA SOURCES

Data for this study is from a survey of 120 SMEs, 60 in Phnom Penh and 60 in Siem Reap province (see Table 1), randomly chosen to reflect different types and size of enterprise. Selected SMEs include brickyards and builders merchants (wholesale and retail) and guest houses, hotels, restaurants and travel/tour agents, which were categorised by size based on the World Bank (2007) classification² (see Table 2). Data collection was conducted in July-August 2011.

Table 1: Sample Size of the Study

Sector	Phnom Penh			Siem Reap			Total
	Micro	Small	Medium	Micro	Small	Medium	
<i>Construction</i>							
Brickyards	4	4	2	4	4	2	20
Builders merchants (wholesale and retail)	4	4	2	4	4	2	20
<i>Tourism</i>							
Guest houses	5	5	0	5	5	0	20
Hotels	4	4	2	4	4	2	20
Restaurants	4	4	2	4	4	2	20
Travel/tour agents	4	4	2	4	4	2	20
Total	25	25	10	25	25	10	120

Table 2: Classification of Enterprises in Cambodia

Enterprise Size	Number of Employees
Micro	1-4
Small	5-19
Medium	20-99
Large	100+

Source: World Bank (2007)

² For the purpose of this study, micro-, small- and medium-sized enterprises are called SMEs.

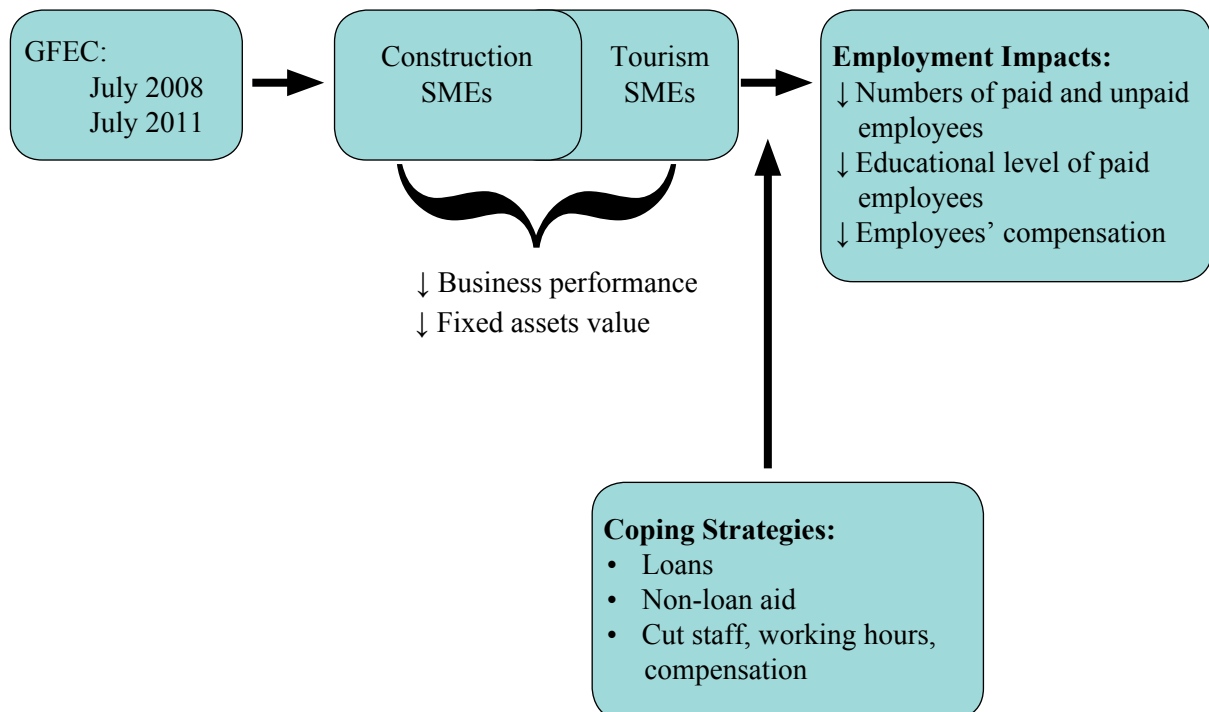
ANALYTICAL APPROACH

This study examines the impact of the global economic crisis on employment in SMEs in the construction and tourism sectors in Phnom Penh and Siem Reap province in July 2008 and July 2011 so as to compare the selected SMEs' business performance and employment before and after the crisis.

It is hypothesised that the global downturn led to decline in business performance in terms of revenue, which in turn led to a decline in employment. Specifically, decreased FDI and GDP in the construction sector culminated in decline in demand. In the tourism sector, contracted global and local income subsequently reduced the numbers of international and domestic tourists, which meant less demand for tour services. The decline in demand for services of these two sectors affected SMEs' business and consequently employment.

The effects of the crisis were examined via business performance (i.e., revenue, staff, and expenses) and value of fixed assets (i.e., land, buildings and structures, machinery and equipment, vehicles, furniture). It is hypothesised that the slump in business performance and value of fixed assets adversely affected the numbers of paid and unpaid employees, educational level of paid employees, and employees' compensation. On coping strategies to deal with the crisis, it was anticipated that SMEs would seek loans and non-loan aid and cut staffing levels, working hours and workers' compensation. Figure 1 depicts this analytical framework.

Figure 1: Analytical Framework



EMPIRICAL FINDINGS

5.1 Impact on Business Performance

Most of the surveyed enterprises (94.17 percent) have encountered difficulties since 2008 (Table 3), with 90.83 percent reporting decline in revenues and 30.00 percent reporting increase in expenses (Table 4). In stark contrast to these figures, only 4.16 percent of the enterprises reported a decline in staff.

Table 3: Number and Percentage of Enterprises Facing Difficulties since 2008

Industry	No	Yes
Construction	0	40 (33.33%)
Tourism	7	73 (60.84%)
Both sectors	7	113 (94.17%)

Table 4: Difficulties Faced by Enterprises (multiple responses)

Industry	Decline in revenue	Decline in staff	Increase in expenses
Construction	39	3	9
Tourism	70	2	27
Both sectors	109 (90.83%)	5 (4.16%)	36 (30.00%)

5.2 Impact on Fixed Assets Value

Overall, the average value of fixed assets (i.e., land, buildings and structures, machinery and equipment, vehicles, furniture) of the surveyed enterprises declined from USD304,726 in 2008 to USD277,525 in 2011 (albeit not significantly) (Table 5). Of note, the average value of fixed assets in the construction sector significantly decreased from USD235,852 in 2008 to USD140,633 in 2011. Whereas the average value of assets in the tourism sector has slightly increased from USD339,163 in 2008 to USD345,970 in 2011 (though not significantly).

Table 5: Average Values of Fixed Assets by Sector, 2008 and 2011 (USD)

Industry	2008	2011	t-value	df	p-value
Construction	235852	140633	3.1766	39	<.05
Tourism	339163	345970	-0.2811	79	>.05
Both sectors	304726	277525	1.4007	119	>.05

5.3 Impact on Numbers of Unpaid Family Workers and Paid Employees

There has been no significant decline in the number of unpaid family workers in both sectors, from 241 workers in 2008 to 226 workers in 2011 (Table 6). On average, the number of unpaid family workers was 2.00 per enterprise in 2008 and 1.88 in 2011. However, for the tourism industry, the decline from 134 workers in 2008 to 114 workers in 2011 is significant ($t = 1.9975$, $df = 79$, $p < .05$).

As for the number of paid employees, the decrease is significant across both sectors ($t = 2.5831$, $df = 119$, $p < .05$) and in the construction sector ($t = 2.4600$, $df = 39$, $p < .05$) (Table 7).

The respective numbers of male and female employees have also declined significantly ($t = 2.9738$ for male employees; $t = 1.6930$ for female employees). On average, the number of paid employees per enterprise was 17.50 (9.40 males; 8.00 females) in 2008 and 15.11 (7.79 males; 7.32 females) in 2011.

Table 6: Number of Unpaid Family Workers, 2008 and 2011

Industry	2008			2011		
	Male	Female	Total	Male	Female	Total
Construction	54	53	107	57	55	112
Tourism	84	50	134	68	46	114
Both sectors	138	103	241	125	101	226

Note: For the tourism sector, $t = 1.9975$, $df = 79$, $p < .05$

Table 7: Number of Paid Employees, 2008 and 2011

Industry	2008			2011		
	Male	Female	Total	Male	Female	Total
Construction	587	413	1000	421	356	777
Tourism	542	549	1091	514	523	1037
Both sectors	1129	963	2100	935	879	1814

Note: For both sectors, $t = 2.5831$, $df = 119$, $p < .05$ ($t = 2.9738$ for male employees; $t = 1.6930$ for female employees). For the construction sector, $t = 2.4600$, $df = 39$, $p < .05$

5.4 Impact on Educational Levels of Paid Employees

In the construction sector, the number of paid employees without education rose from 229 in 2008 to 242 in 2011 (though not significantly) (see Table 8). There were more female than male paid employees without education in 2008 and 2011 (though not significantly). Conversely, the number of paid employees with primary school education declined from 648 in 2008 to 453 in 2011 ($t = 2.2398$, $df = 39$, $p < .05$). There were more male than female paid employees with primary school education in 2008 and 2011 ($t = 3.1145$ and $t = 1.6976$ respectively).

The number of paid employees with lower-secondary school education was also down from 110 in 2008 to 68 in 2011 (though not significantly). At this educational level, there were more male than female paid employees in 2008 and 2011 ($t = 2.2713$ and $t = 3.1819$, respectively). As for employees with high school education, there were more male than female employees in 2008 and 2011 ($t = 1.7489$ and $t = 1.7111$ respectively).

Table 8: Educational Level of Construction Sector Paid Employees, 2008 and 2011

Educational level	2008			2011		
	Male	Female	Total	Male	Female	Total
No school	95	134	229	96	146	242
Primary school	399	249	648	254	199	453
Lower-secondary school	82	28	110	60	8	68
High school	10	2	12	10	1	11
University and higher	1	0	1	1	2	3

Note: For primary school, $t = 2.2398$, $df = 39$, $p < .05$ ($t = 3.1145$ for male and female difference in 2008; $t = 1.6976$ for male and female difference in 2011); for lower-secondary school, $t = 2.2713$ for male and female difference in 2008 and $t = 3.1819$ for male and female difference in 2011; for high school, $t = 1.7489$ for male and female difference in 2008 and $t = 1.7111$ for male and female difference in 2011.

In the tourism sector, the number of paid employees without education dwindled from 17 in 2008 to 6 in 2011 (though not significantly) (Table 9). There were more female than male paid employees without education in 2008 and 2011 (though not significantly). The number of staff with primary school education declined and there were more females than males in 2008 and 2011 (though not significantly).

At lower-secondary school level, the number of staff declined ($t = 2.0522$, $df = 79$, $p < .05$); there were more females than males in 2008 and 2011 (though not significantly), and there were more females in 2008 than in 2011 ($t = 1.7365$). There were more staff with high school education in 2008 than in 2011 ($t = 2.4107$); male staff outnumbered female staff in 2008 ($t = 2.5646$) and in 2011 (though not significantly). The number of staff with university and higher-level education went down (though not significantly), with fewer females than males in 2008 ($t = 3.1927$) and in 2011 ($t = 3.6590$).

Table 9: Educational Level of Tourism Sector Paid Employees, 2008 and 2011

Educational level	2008			2011		
	Male	Female	Total	Male	Female	Total
No school	3	14	17	1	5	6
Primary school	67	149	216	79	150	229
Lower-secondary school	152	212	364	100	152	252
High school	208	110	318	154	118	272
University and higher	112	64	176	180	98	278

Notes: For lower-secondary school, $t = 2.0522$, $df = 79$, $p < .05$ ($t = 1.7365$ for female and female difference in 2008 and 2011); for high school, $t = 2.4107$ ($t = 2.5646$ for male and female difference in 2008); for university and higher, $t = 3.1927$ for male and female difference in 2008 and $t = 3.6590$ for male and female difference in 2011.

When the results for both sectors are combined, the overall trends of differences across educational levels and by gender are similar to the divergences by sector (Table 10). There was a decline in the number of staff with primary school education ($t = 1.9761$, $df = 119$, $p < .05$) and a decrease in the number of staff with lower-secondary school education ($t = 2.4204$; $t = 2.1226$ for female difference). However, there was an upturn in the number of staff with high school education ($t = 2.4379$; $t = 2.7343$ for male and female difference in 2008) and an increase in the number of staff with university and higher education (though not significantly). At university and higher level there were noticeably more male staff than female staff ($t = 3.1968$ in 2008 and $t = 3.5027$ in 2011).

Table 10: Educational Levels of Paid Employees in Both Sectors, 2008 and 2011

Educational level	2008			2011		
	Male	Female	Total	Male	Female	Total
No school	98	148	246	97	151	248
Primary school	466	398	864	333	349	682
Lower-secondary school	234	240	474	160	160	320
High school	218	112	330	164	119	283
University and higher	113	64	177	181	100	281

Notes: For primary school, $t = 1.9761$, $df = 119$, $p < .05$; for lower-secondary school, $t = 2.4204$ ($t = 2.1226$ for female difference in 2008 and 2011); for high school, $t = 2.4379$ ($t = 2.7343$ for male and female difference in 2008); for university and higher, $t = 3.1968$ for male and female difference in 2008 and $t = 3.5027$ for male and female difference in 2011.

5.5 Impact on Wages

Overall, average annual wages increased from USD1233 in 2008 to USD1355 in 2011 (though not significantly); female workers' wages were lower than those of male workers were ($t = 2.9430$ in 2008 and $t = 1.9755$ in 2011) (see Table 11). In the construction sector, further to the sector decline in average wages (though not significantly), the average wages of female workers were less than the average wages of male workers in 2008 ($t = 3.8162$) and 2011 ($t = 1.6381$). For the tourism sector, however, average wages increased from USD1063 in 2008 to USD1304 in 2011 (though not significantly); the average wages of female workers were less than the average wages of male workers in 2008 and 2011 (though not significantly).

Table 11: Average Annual Wages, 2008 and 2011 (USD)

Industry	2008			2011		
	Male	Female	Total	Male	Female	Total
Construction	925	647	1573	801	653	1455
Tourism	590	473	1063	714	590	1304
Both sectors	702	531	1233	743	611	1355

Note: For the construction sector, $t = 3.8162$ for male and female difference in 2008 and $t = 1.6381$ for male and female difference in 2011. For both sectors, $t = 2.9430$ for male and female difference in 2008 and $t = 1.9755$ for male and female difference in 2011.

There was an overall increase in employers' contribution to the social security/pension fund albeit minimal (on average from USD0.18 in 2008 to USD2.06 in 2011 per employee) (Table 12). Specifically, only employers in the tourism sector contributed to the social security/pension fund, with a rise from USD0.27 in 2008 to USD3.09 in 2011.

Table 12: Average Employers' Contribution to Social Security/Pension Fund per Employee (USD)

Industry	2008			2011		
	Male	Female	Total	Male	Female	Total
Construction	0.00	0.00	0.00	0.00	0.00	0.00
Tourism	0.16	0.11	0.27	1.85	1.24	3.09
Both sectors	0.11	0.07	0.18	1.23	0.83	2.06

5.6 Strategies for Coping with Difficulties

To deal with the difficulties, many enterprises cut staff (28.33 percent), expenditure (13.33 percent) and outgoings on utilities (11.66 percent) (Table 13), whereas only 3.33 percent reduced staff working hours, 6.66 percent reduced overtime, and 5.00 percent cut wages. Just 6.66 percent got loans for their business to cope with the difficulties. Notably, 18.33 percent of the enterprises took no strategic action. This finding reflects the cost-saving strategies instigated by SMEs across Asia (EIU 2010).

Table 13: Coping Strategies (multiple responses)

Coping strategy	Construction	Tourism	Total
Reduced staff	13	21	34 (28.33%)
Reduced staff working hours	2	2	4 (3.33%)
Reduced staff overtime	2	6	8 (6.66%)
Reduced staff salary	3	3	6 (5.00%)
Didn't buy more input	7	0	7 (5.83%)
Got loans for business	5	3	8 (6.66%)
Improved services	0	7	7 (5.83%)
Lowered prices	1	4	5 (4.16%)
Saved expenses	5	11	16 (13.33%)
Reduced expenses on utilities	3	11	14 (11.66%)
No solution	4	18	22 (18.33%)

5.7 Assistance Received to Cope with Difficulties

Only 11.66 percent (5.00 percent in the construction sector and 6.66 percent in the tourism sector) of the surveyed enterprises received assistance to revitalise their business (Table 14), all of which came from their relatives (78.57 percent) and friends (21.43 percent) (see Table 15). These findings corroborate the primary constraints – insufficient support and limited access to finance – encountered by Cambodian SMEs (SMES 2005).

Table 14: Number and Percentage of Enterprises Receiving Assistance to Revitalise Business

Industry	No	Yes
Construction	34	6 (5.00%)
Tourism	72	8 (6.66%)
Both sectors	106	14 (11.66%)

Table 15: Source of Assistance

Source of assistance	Construction	Tourism	Total
Relatives	6	5	11 (78.57%)
Friends	0	3	3 (21.43%)

Table 16: Type of Assistance

Type of assistance	Construction	Tourism	Total
Access to finance	0	0	0
Access to market information	0	1	1 (7.14%)
Technical training on improving productivity	0	0	0
Technical training on managerial, financial, and accounting standards	0	0	0
Guidelines on product standards	0	0	0
Borrowing money from relatives	4	7	11 (78.57%)
Borrowing money from friends	1	1	2 (14.28%)

⁵ Total number of households in treatment group has been reduced from 450 to 444 as 6 dropped cases have too high per capita daily income between 50,000 and 150,000 riel (considered to be outliers).

The assistance received was money from relatives (78.57 percent) and friends (14.28 percent) (Table 16), which was used to buy products (35.71 percent), pay staff wages (64.28 percent) repay debt (21.43 percent) and develop new products (28.57 percent) (Table 17). However, only 14.28 percent of the enterprises said the assistance helped them a lot (see Table 18).

Table 17: Use of Assistance to Revitalise Business (multiple responses)

Ways of using assistance	Construction	Tourism	Total
Improve marketing	0	1	1 (7.14%)
Buy products	2	3	5 (35.71%)
Pay staff salary/wage	4	5	9 (64.28%)
Repay debt	1	2	3 (21.43%)
Develop new products	2	2	4 (28.57%)

Table 18: Effectiveness of Assistance in Revitalising Business

Extent of effectiveness	Construction	Tourism	Total
Hardly effective	2	3	5 (35.71%)
Moderately effective	3	4	7 (50.00%)
Very effective	1	1	2 (14.28%)

5.8 Current Problems, Capacity-building Areas, and Business Support Services

The surveyed enterprises reported finding customers (58.33 percent), competition (46.66 percent), and costs of production/labour (24.16 percent) as being the most pressing problems facing their business (Table 19).

Table 19: Most Pressing Problems for Current Business

Item	Construction	Tourism	Total
Finding customers	14	56	70 (58.33%)
Competition	11	45	56 (46.66%)
Access to finance	0	2	2 (1.66%)
Costs of production/labour	6	23	29 (24.16%)
Availability of skilled staff	5	2	7 (5.83%)
Regulations	4	7	11 (9.16%)

Concerning priority areas for capacity-building, enterprises were most in need of support to improve marketing strategies and technology information and adoption (68.33 percent), access to market information (60.83 percent), and management strategies and styles (59.16 percent) (Table 20). These findings confirm those of Chheang *et al.* (2010), that Cambodian SMEs essentially lack functional capabilities (management and finance), competitiveness (product and price hindrances) and information symmetries.

Nevertheless, only 12.50 percent of the enterprises sought business support services (Table 21). Most of them (92.85 percent) approached specialised private firms (Table 22), whereas only 6.66 percent (in the tourism sector) approached government institutions for support.

Table 20: Priority Areas for Capacity Building

Area	Construction	Tourism	Total
Compliance with regulatory requirements	7	23	30 (25.00%)
How to use online materials	4	25	29 (24.16%)
Management strategies and styles	25	46	71 (59.16%)
Finance and accounting standards and how to record and prepare financial transactions and statements	8	29	37 (30.83%)
Marketing strategies and technology information and adoption	28	54	82 (68.33%)
Access to market information	32	41	73 (60.83%)
Compliance with bank requirements for investment fund	3	4	7 (5.83%)

Table 21: Number and Percentage of Enterprises Seeking Business Support Services

Seeking	Construction	Tourism	Total
No	38	67	105 (87.50%)
Yes	2	13	15 (12.50%)

Table 22: Source of Business Support Services

Source	Construction	Tourism	Total
Government institutions	0	1	1 (7.15%)
Specialised private firms	2	11	13 (92.85%)

CONCLUSION

The global economic and financial crisis affected the selected construction and tourism SMEs' business performance in terms of declined revenues and increased expenses. The fixed assets value of the enterprises in the construction industry decreased, reflecting the bust of the property bubble in the wake of the crisis.

Therefore, the number of unpaid family tourism SME workers went down and the number of paid employees dwindled across the two industries. The construction SMEs experienced a decrease in the number of workers with primary school education and above, and male workers outnumbered female workers before and after the crisis. In the tourism sector, the number of staff with lower-secondary school level education, particularly females, declined while those with high school education increased. Moreover, there were fewer female staff with university and higher education than male staff with the same educational level both before and after the crisis. A common pattern emerging from both industries is that the number of paid employees with high education decreased after the slump, and the number of female paid employees with high education was less than that of male paid employees with equivalent education regardless of the economic crisis.

With regard to employees' compensation, there was no significant change in either sector. However, the wages of female workers were lower than the wages of male workers before and after the crisis. This suggests a compensation gap between male and female employees in the two industries irrespective of the downturn. There was also a minimal increase in employers' contribution to social security/pension fund in the tourism sector.

The SMEs applied cost-saving strategies (cutting staff, expenses and outgoings on utilities) to cope with the difficulties. Very few enterprises received assistance to revitalise their business, and the aid was informal (i.e., money loaned by friends and relatives) and nominal. The loans were used to buy inputs, pay staff wages, repay debt and develop new products. Furthermore, very few enterprises sought business support services and they mostly approached specialised private firms. These findings are typical of the main drawbacks (limited access to finance and inadequate support system) hindering the functioning of Cambodian SMEs.

Finding customers, competition, and costs of production/labour were the most pressing problems challenging the SMEs' current business activities. The enterprises needed to boost their capabilities in marketing, technology information and adoption, access to market information, and strategic management. These crucial constraints affect the functional capacity, competitiveness and information optimisation of Cambodian SMEs.

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Appendix 1

Key Characteristics of the Surveyed SMEs

Table A 1: Number of Employees by Size of Enterprise, Average Age of Business (before 2008), Enterprise Ownership and Economic Organisation

Number of employees by size of enterprise		Average age of business		Enterprise ownership		Economic organisation	
Number of Staff	Percentage	Industry	Years	Single proprietorship	Cooperative	Single establishment	Branch
1-4	18.33	Construction	8	85.83	14.17	78.33	21.67
5-19	50.00	Tourism	8				
20-99	31.67						

Table A 2: Owners' Sex, Average Age and Average Formal Education

Owners' sex		Owners' average age	Owners' average years of formal education
Male	Female		
67.50	32.50	45	11

Table A 3: Owners' Nationality and Communicable Languages

Owners' nationality				Owners' communicable languages					
Khmer	Chinese	Vietnamese	Other	Khmer	English	Chinese	Thai	French	Vietnamese
92.50	0.83	0.83	5.83	93.33	50.00	28.33	10.83	7.50	2.50

Table A 4: Membership of Business Association and Owners with Relatives in the Same Business

Membership of business association		Owners with relatives in the same business		
Yes	No	Yes	No	Don't know
19.17	80.83	33.33	65.00	1.67

Table A 5: Experience and Attendance of Public Events or Forums Organised for SMEs

Experience		Frequency	
Yes	No	Occasionally	Always
59.16	40.84	74.65	25.35

Table A 6: Average Fixed Assets by Item in 2008 and 2011

No	Item	2008 (USD)	2011 (USD)
1	Land	201494.17	166614.58
2	Building and structures	72955.42	81526.25
3	Machinery & equipment	6103.58	5225.33
4	Transport equipment	7786.67	7098.33
5	Furniture & others	16386.67	17060.25
6	Total	304726.50	277524.75

Appendix 2

Questionnaire

Study on the Impact of the Global Financial and Economic Crisis on Employment in Cambodia

Questionnaire for Micro, Small and Medium Enterprises

21 July- 4 August 2011

Code:

Introduction: The Cambodia Development Resource Institute (CDRI) is conducting a study on “The Impact of the Global Financial and Economic Crisis on Employment in Cambodia”. The research objective is “To assess how the global financial and economic crisis (GFEC) impacted employment in small- and medium-sized enterprises (SMEs) in construction and tourism sectors in Phnom Penh and Siem Reap province”. Your responses to this questionnaire will be kept confidential. Your name and the identity of your enterprise will not be revealed.

Section 1: Identification of Enterprise

- 1.1. Name of enterprise:
- 1.2. Province:
- 1.3. District:
- 1.4. Commune:
- 1.5. Village:
- 1.6. House No:
- 1.7. Telephone:
- 1.8. Name of contact person:

Section 2: Enterprise Characteristics

- 2.1. Economic activity or business:
 - 1. Construction company
 - 2. Brickyard
 - 3. Whole/retail sale (of construction equipment)
 - 4. Guest house
 - 5. Hotel
 - 6. Restaurant
 - 7. Travel/tour agent
- 2.2. Year of commencement of operation/production (before 2008):
- 2.3. Ownership of the enterprise:
 - 1. Single proprietorship (skip to q 2.5)
 - 2. Partnership
 - 3. Cooperative
 - 4. Private company
 - 5. State-owned

2.4. Percentage of share holding:

1. Khmer:%
2. Foreigner:%
3. State-owned:%

2.5. Economic organisation:

1. Single establishment
2. Branch (more than 1)

2.6. Is your enterprise a member of a business association (e.g. chamber of profession/micro enterprise)?

0. No
1. Yes

2.7. Have you ever attended a public event or forum organised for Small and Medium Enterprises?

0. No (skip to q 2.9)
1. Yes

2.8. How often do you attend public events or forums organised for Small and Medium Enterprises?

1. Occasionally
2. Always

2.9. Fixed assets in 2008 & 2011 (record "0" if none)

No	Item	2011 (July, value in USD)	2008 (July, value in USD)
1	Land		
2	Building and structures		
3	Machinery & equipment		
4	Transport equipment		
5	Furniture & others		
6	Total		

Section 3: Financing

3.1. Sources of financing

No	Sources of finance	Current (2011) %
1	Own resource/saving/family money	
2	Money lender	
3	Private commercial bank (specify:)	
4	Micro-finance institute (specify:)	
5	Partnership/share	
6	Other (specify:)	
7	Total (100%)	

- 3.2. Since 2008, have your company applied for a loan from a private commercial bank or MFI?
0. No (skip to q 4)
 1. Yes
- 3.3. What happened to your loan application? (Choose only one answer)
1. A full amount was authorized.
 2. A partial amount was authorized. (skip to q 3.5)
 3. The application was turned down. (skip to q 3.6)
 4. The application was withdrawn. (skip to q 3.7)
- 3.4. Did you want to borrow more at the same interest rate (without a change of collateral requirements and repayment term)?
0. No (skip to q 3.8)
 1. Yes
3. 5. What did you use the loan for? (Multiple answers)
1. Land and building
 2. Vehicles/computers/other machinery
 3. Working Capital/operating capital
 4. Business development
 5. Other (specify.....)
3. 6. Why was the application withdrawn? (Choose only one answer)
1. The loan was no longer needed.
 2. The process was cumbersome.
 3. Feared that loan application would be turned down.
 4. Other (specify.....)
3. 7. Why was your loan application turned down by the bank or MFI? (Multiple answers)
1. Business plan was not accepted by the bank or MFI.
 2. Sales incomes and cash flow could not meet the bank/MFI's requirements.
 3. Business operated in an unstable industry.
 4. Business was too young.
 5. Insufficient collateral
3. 8. Since 2008, have your company rescheduled a loan?
0. No
 1. Yes

Section 4: Employment Structure

- 4.1. Number of unpaid family workers (including working owners and apprentices without regular pay)

No	Pay period as of end	a. Male	b. Female	c. Total
1	2011 (July)			
2	2008 (July: General Election)			

4.2. Number of paid employees (including full/part time workers, employees on paid leave, employees working away from the establishment but paid by and under the control of the enterprise)

No	Pay period as of end	a. Male	b. Female	c. Total
1	2011 (July)			
2	2008 (July: General Election)			

4.3. Educational level of paid employees (2011)

No	Educational level	a. Male	b. Female	c. Total
1	No school			
2	Primary school			
3	Lower-secondary school			
4	High school			
5	University and higher			

4.4. Educational level of paid employees (2008 July: General Election)

No	Educational level	a. Male	b. Female	c. Total
1	No school			
2	Primary school			
3	Lower-secondary school			
4	High school			
5	University and higher			

Section 5: Compensation

5.1. Wages & salaries (gross payments in cash or in kind to employees including basic pay, leave pay, overtime pay and other benefits such as bonuses and living allowance)

No	Pay period as of end	a. Male	b. Female	c. Total
1	2011 (July)			
2	2008 (July: General Election)			

5.2. Employer's contribution to social security/pension fund

No	Pay period as of end	a. Male	b. Female	c. Total
1	2011 (July)			
2	2008 (July: General Election)			

Section 6: Business Performance

6.1. Have your enterprise been faced with any difficulties since 2008?

0. No (skip to Section 7)

1. Yes

6.2. What kinds of difficulties? (Multiple answers)

1. Decline in revenues

2. Decline in staff

3. Increase in expenses

4. Other (specify:)

6.3. How did you cope with the difficulties? (Multiple answers)

1. Reduced staff
2. Reduced staff's working hours
3. Reduced staff's overtime hours
4. Reduced staff's salary/wage
5. Reduced staff's bonus
6. Exercised staff's compulsory unpaid leave
7. Terminated staff's contracts
8. Kept some staff without pay
9. Other (specify:)

6.4. Have you received any assistance to revitalise your business?

0. No (skip to Section 7)
1. Yes

6.5. Who did you receive the assistance from? (Multiple answers)

1. Relatives
2. Friends
3. Government agency
5. International non-government organisation
6. Local non-government organisation
7. Other (specify:)

6.6. What assistance did you receive? (Multiple answers)

No	Type of assistance	0=No, 1=Yes
1	Access to finance	
2	Access to market information	
3	Technical training on how to improve productivity	
4	Technical training on managerial, financial, and accounting standards	
5	Guidelines on product standards	
6	Other (specify:)	

6.7. How did you use the assistance to revitalise your business? (Multiple answers)

1. Improved marketing
2. Bought products
3. Paid staff's salary/wage
4. Paid debt
5. Developed new products
6. Other (specify:)

6.8. To what extent did the assistance revitalise your business?

1. Little
2. Average
3. Much

6.9. From the following items, please choose items you prepare for monthly financial management. (Multiple answers)

1. Monthly cash flow

2. Confirmation of monthly income and expenditure
 3. Budget plan for your business
 4. A balance sheet and profit-and-loss statement
- 6.10. What is the most pressing problem for your business now?
1. Finding customers
 2. Competition
 3. Access to finance
 4. Costs of production/labour
 5. Availability of skilled staff
 6. Regulations
 7. Other (specify:)

Section 7: Business Development Support Services

- 7.1. From the following areas of capacity building, please indicate three areas that you think you are lacking the most and need immediate improvements.

No	Areas of capacity building	0=No, 1=Yes
1	Compliance with regulatory requirements	
2	How to use online materials	
3	Management strategies and styles	
4	Finance and accounting standards and how to record and prepare financial transactions and statements	
5	Marketing strategies and technology information and adoption	
6	Access to market information	
7	Compliance with bank requirements for investment fund	

- 7.2. Who have you sought business support services from? (Multiple answers)
1. Government institutions
 2. Specialised private firms
 3. Other (specify:)

Section 8: History of Owner

- 8.1. Age (years):
- 8.2. Sex
0. Male
 1. Female
- 8.3. Nationality
1. Khmer
 2. Chinese
 3. Vietnamese
 4. Other (specify:)

- 8.4. Years of formal education:
- 8.5. Degree of formal education:
- 8.6. Language (communicable)
1. Chinese
 2. English
 3. Thai
 4. Other (specify:.....)
- 8.7. Father's primary occupation:
- 8.8. Father's years of formal education:
- 8.9. Mother's primary occupation:
- 8.10. Mother's years of formal education:
- 8.11. Does the owner have relatives doing the same business?
0. No
 1. Yes

THANK YOU!

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