

Hun Sen shortchanges Cambodia's garment workers

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Prime Minister intervenes to give workers a paltry \$2 minimum wage rise that utterly fails to keep pace with inflation

Cambodia's minimum wage for its vital garment workforce will increase to US\$194 per month from January 2022, a meager \$2 raise announced by the government on Tuesday after weeks of discussions between trade unions and employer groups.

Union representatives went into tripartite talks that started early this month demanding an increase of the monthly wage to \$204, up from the current \$192 that applied for 2021.

However, employer groups called for a decrease in wages, claiming the Covid-19 pandemic had severely affected Cambodia's biggest export sector and any wage inflation would make the industry uncompetitive.

After weeks of discussions at the National Council on Minimum Wage (NCMW), a body that brings together trade unions and employer representatives to hammer out a bargain, they agreed the minimum wage should next year stay at the same rate as it was for 2021.

But once again Cambodia's long-ruling Prime Minister Hun Sen intervened to order a \$2 increase in monthly salaries, just as he had done last year. It was the second year in a row that the monthly minimum wage increased by only \$2, which analysts said will not keep pace with surging inflation and a fast-rising cost of living.

Several union representatives who joined the NCMW talks said after the announcement that the slight increase still denied most of the country's 800,000-plus garment workers a living wage.

Others, however, argued that the considerable increase in the sectoral minimum wage - which rose from only \$80 per month in 2013 to \$192 this year - had been too quick and sharp and could cause foreign investors to put their money into other countries with comparable manufacturing industries, such as neighboring Vietnam or Bangladesh.

"We accept this result and decision by the royal government," Ken Loo, the general-secretary of the Garment Manufacturing Association in Cambodia, an industry body, told Asia Times.

One step forward, two steps back

Sabina Lawreniuk, a research fellow at the University of Nottingham, said this week's wage "increase" actually reverses recent trends of real wage growth. Because consumer inflation is now at about 3%, the \$2 hike is effectively a 2% pay cut, she noted.

And the same happened last year, she added, which means there has been a 4% real wage decline

over the past two years.

A study of more than 200 female garment workers by Nottingham University found that their incomes had fallen by an average of 20% since January 2020, the start of the Covid-19 pandemic, according to a study brief published this week.

About 85% of respondents said they had to reduce food expenditure, while average household food spending fell by 35%.

Cambodia's economy, which contracted 3.1% in 2020, has been badly hurt by the pandemic. The Asian Development Bank recently downgraded its growth forecast for this year to only 1.9%, compared with the 4% it forecast earlier in the year.

There are growing fears that the economy might actually contract in 2021 for a second year running.

"The impact of what appear to be 'considerable' wages rises since 2011 have largely been offset by consumer inflation through rising prices and rents, and loss of other non-wage benefits for workers," Lawreniuk said.

"They haven't translated into significant increases in living standards for workers and still fall far short of what is considered a 'living wage' – that is, an income sufficient to afford a decent standard of living for the worker and her family," she added.

Cambodia's consumer price index recorded a five-year high of 182.36 in June last year.

Between 2014 and 2018, nominal wage rates grew by 70%, from \$100 to \$170. Over the same period, the export value of the garment sector grew by 62%, rising from \$5.8 billion to \$9.4 billion.

However, at the same time, garment workers' benefits have been cut. Since 2014, overtime rates fell from double-time to 30% of salary, while public holiday entitlements have been cut from 28 to 21 days, Lawreniuk told Asia Times.

Major exports

Employer organizations, however, argue that they have also had to shoulder additional financial burdens over the same period, including contributions to a national insurance scheme for garment workers that was brought in by the government after 2018.

Phon Sophat, the executive director of the Cambodia Econometric Association, said a wage increase to more than \$200 per month might have undermined the impacted sector and its growth, especially while the economy is in hardship.

There have long been suggestions that foreign investors could put their money into other markets such as Bangladesh and Vietnam, two other manufacturing hubs where minimum wages are comparable but boast better infrastructure than Cambodia.

The textile, garment and footwear industries in Cambodia contribute 80% of aggregate exports and more than 16% of total GDP.

There is no national minimum wage in Cambodia and the vital garment sector workforce has negotiated its own base rate of pay since the early 2010s, in part because of the once-powerful labor movement in the industry.

Analysts say that wage growth in the garment industry has positive impacts elsewhere in the economy, from pressuring similar improvements for workers in other sectors to providing the rural economy with disposable cash.

Phon Sophat noted that remittances from urban-based garment workers – many of whom are young migrants from the countryside – back to their hometowns are important for consumption in rural areas, from paying for daily necessities to repaying the country's spiraling microfinance debt.

As such, the struggling rural economy may now face even more pressure as the \$2 pay increase for garment workers will be offset by their rising cost of living, meaning fewer remittances back to their families in the countryside.

Given that Prime Minister Hun Sen has had to intervene over the last two years, questions have been raised as to the purpose of the NCMW, which was created in 2018 as a way of bringing together fractious labor unions and employer groups.

In the early 2010s, Cambodia had a robust and oftentimes rumbustious labor movement, which was perceived by some as being too close to the country's pro-democracy opposition party, the now-dissolved Cambodia National Rescue Party.

Several months of industry-wide strikes followed the contested 2013 general election and a handful of protesting garment workers were killed in early 2014 as police tried to put down labor unrest.

Voices muffled

In the years that followed, authorities have effectively silenced the labor movement. Independent union activists and organizers were harassed and jailed. Changes to the laws made it harder for workers to join unions and easier for employers to sack unionized employees.

At the same time, there was also a surge in the number of unions allied to the ruling Cambodian People's Party (CPP), which has been in power since 1979 and now governs over a de facto one-party state.

The NCMW was created so disputes between workers and employers could be solved through discussion, not strikes or protests.

Only two of 17 union representatives on the NCMW are from independent union organizations, Lawreniuk notes. The rest are seen as loyal to the CPP government, which perhaps explains why the body has only recommended minor wage increases in recent years.

"Ultimately the proof is in the pudding," she said. "Over the last two years, the NCMW has overseen wage 'rises' that amount to a real term 4% wage cut for workers."

Phon Sophat argued that the government should set 3-5 year master plans that define how minimum wages are to be increased annually, which could provide more stability for the sector but which would take some power away from the NCMW.

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