Labor Monitoring in Cambodia’s Garment Industry: Lessons for Africa

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Executive Summary

Cambodia’s garment industry and the challenges it has faced in implementing a pilot labor monitoring program instituted through a US-Cambodia bilateral trade agreement provide important lessons for other countries, particularly those in Africa, as they struggle to balance the demands of market competition with the protection of workers’ human rights.

This paper explores the extent to which labor monitoring in Cambodia has helped resolve the myriad challenges that workers face, particularly given the end of the Multi-Fiber Arrangement (MFA) which regulated garment exports to US and EU markets over the past 30 years. It concludes by drawing together a number of lessons from Cambodia’s experience that are of relevance to other developing nations seeking to foster economic and social development while ensuring respect for fundamental rights. Among these lessons are the necessity for transparency and multi-stakeholder support for monitoring, a functioning judiciary to resolve labor disputes, government support for unions, and gender sensitivity in monitoring and program development.

Introduction

Cambodia and its garment industry are at the center of significant worldwide speculation as human rights activists, labor experts, government officials and development agencies watch to see if improvements in respect for labor standards will give the country’s garment industry an advantage in the face of increasing international competition. The end of the Multi-Fiber Arrangement (MFA), which until 2005 regulated garment exports to US and EU markets, constrained large producers like China, and allowed garment industries to flourish in smaller, less technologically advanced countries, has drawn attention to Cambodia’s experience. Under the MFA, Cambodia signed a multilateral trade agreement with the US that linked export access to US markets with improvements in labor standards. It is widely agreed that the resulting labor monitoring, carried out by the International Labor Organization (ILO), a United Nations agency, has created a number of beneficial changes in Cambodia’s factories.

The end of the MFA has not resulted in a mass exodus of factories and buyers from Cambodia due to increasing international competition as once predicted. Yet garment industry workers express concern about the increasing hardships they face, many of which are not covered by international minimum labor standards but which, nevertheless, are of direct relevance to international human rights such as the right to just and favorable conditions of work\(^1\).

\(^1\) Article 7 of the International Covenant on Economic, Social and Cultural Rights guarantees all people the right to work conditions that ensure remuneration which provides, for example (a)(ii): a decent living for themselves and their families.
Given its efforts to find a balance between labor standards and market competitiveness, Cambodia provides a number of lessons for other countries, particularly in Africa, that rely heavily on the economic contribution of the garment industry.

Cambodia’s garment industry and labor monitoring

As a latecomer to the textile industry, Cambodia was not a part of the MFA. As a result, larger garment producing countries like China began to use Cambodia as an intermediary to avoid the export quotas placed on them by the MFA. In addition, efforts to liberalize the economy also attracted foreign investors from China, South Korea and Taiwan to build Cambodia’s textile industries. American and European companies used Cambodian factories to avoid limitations put on their imports of products from other countries. As a result, the industry grew considerably in Cambodia, with the value in exports rising from $26 million in 1995 to $2 billion in 2004, constituting nearly 80 percent of the country’s exports.

During this period, the portion of production going to the US increased to the point that US apparel companies called for Cambodian imports to be constrained. Negotiations to bring Cambodia into the garment quota system coincided with labor complaints from Cambodian workers and growing support from labor unions in the US. As a result, the US government agreed to make quotas contingent upon compliance with international labor standards. The International Labor Organization (ILO) was mandated to monitor working conditions and publish reports on the compliance of Cambodia’s factories with internationally recognized core labor rights. The project was funded by the US and Cambodian governments and the Garment Manufacturers Association of Cambodia.

ILO monitoring is carried out by small teams that arrive at factories unannounced to assess compliance with international standards concerning child labor, freedom of association, employee contracts, wages, working hours, workplace facilities, noise control and machine safety. In addition to factory visits, workers are also interviewed away from the factories so they are able to give honest answers about working conditions without fear of reprisals from employers.

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2 The Multi-Fiber Arrangement (MFA) was instituted in 1961 under the General Agreement on Tariffs and Trade. In 1995, a phase-out to this system was proposed, the Agreement on Textiles and Clothing (ATC), which lasted until December 31, 2004. People often refer to the “end of the MFA” when speaking about the end of the ATC and the quota system overall.


5 The ILO identified 4 “core” labor rights. This includes the right to freely associate in trade unions and bargain collectively; freedom from child labor; freedom from slavery or enforced labor; and freedom from discrimination in employment. All ILO member countries are responsible for integrating these rights into their national laws.
It is widely acknowledged that ILO monitoring has resulted in improvements in Cambodia’s factories and working conditions. In comparison with other countries, ILO reports have shown that most factories are paying workers a minimum wage, providing paid leave each year and ensuring there is no child labor. Safety standards have also been significantly improved.

The monitoring has also created confidence among the buyers that place orders at factories in Cambodia. A 2004 World Bank survey of the top 15 international buyers in Cambodia, who make up 45% of the country’s exports, found that over 60% of buyers said labor standards were of equal or greater importance than factors like price, quality and delivery times. Good labor standards ranked first out of 12 reasons to source from a specific country. Nine buyers said they would increase their orders in Cambodia after the end of the MFA, and six said they would maintain the same level of orders.  

In January 2005, the export of Chinese clothes into US and European markets skyrocketed, raising concerns among domestic producers, and smaller international competitors. The US and the EU governments responded by invoking safeguards connected with China’s accession to the World Trade Organization (WTO). In effect, this has placed China back under limitations that restrain it from exporting to its full capacity to US and EU markets. This is of particular importance for Cambodia, since approximately 70% of its garments were sold to the US in 2003 and the remainder sold to the EU.

With these new restrictions on China in place, it is difficult to assess the extent to which Cambodia’s labor standards serve as an advantage over other garment-producing countries. However, market trends have made it clear that price, delivery time and the ability to deliver a full-package product remain the crucial factors for most companies in choosing where they will source their products. At the same time, to be competitive globally, Cambodia must deal with problems such as additional charges levied by corrupt officials; high costs of electricity; the need to import inputs such as thread and fabric; a lack of skills and technology to design as well as produce garments; and limited transportation capacity which adds to production times and costs.

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7 In May 2005, the US invoked safeguards against China that are contained in its WTO accession agreement. In June 2005, the EU took similar action.
9 Interview with Ken Loo, Garment Manufacturers Association of Cambodia, Phnom Penh, January 27, 2006.
Human Rights in a Post-MFA Era

Despite significant labor improvements in Cambodia, a number of post-MFA developments raise human rights related concerns that highlight the challenges presented by market pressures on labor monitoring. For example, a growing culture of fear, linked to the end of the quota system, has been used to ensure that garment workers remain docile in the face of new challenges. According to Alonzo Suson, Director of the American Center for International Labor Solidarity (ACILS), a non-profit organization with links to the AFL-CIO union federation in the US “The end of the MFA was used to put workers in line. [They’re told] ‘Do more work, be conservative, don’t ask for much, and don’t rock the boat.’” 11

While increasing international competition is a valid concern, it appears that it is often exaggerated and used as a threat to remind workers of the precariousness of their employment and to keep them from demanding better wages or improved working conditions. This trend is prevalent in other parts of Asia and Latin America as well.12

The increased consolidation of factories to fewer countries and larger factories also raises concerns. Given workers’ extreme dependence on their salaries and the number of family members they support, the loss of income has a significant impact, whether it is the result of reduced work or of not being paid proper compensation upon closure of factories. The loss of income has also led to workers being evicted from living quarters and has made it difficult for them to send money home to their families.13

Compulsory overtime presents a central issue in many factory disputes in Cambodia and has led to numerous strikes. While overtime is allowed under Cambodian law, it is to be limited to two hours per day and should be voluntary. However, a recent ILO report revealed that of 44 factories visited, just over half ensured that overtime was voluntary while the rest made it compulsory.14 This is one of the most common patterns post-MFA, according to workers. Complaints range from being forced to work on Sundays and public holidays to being told that if they decline working one day of overtime, they will never be given overtime again.15 Women are also finding it more difficult to refuse overtime even if they are pregnant or sick.

13 Speculation continues about whether a loss of garment jobs will lead to an increase in sex work. To date no comprehensive studies have been done; however, garment workers and some women’s and labor advocates feel that such speculation reflects prejudices against garment workers as being “easy women” because they aren’t under familial supervision when working in the city.  
In addition, the Coalition of Cambodia Apparel Workers’ Democratic Union (CCAWDU), one of the largest and most important independent unions in the country, asserts that there is less support for workers and fair settlement of disputes after the end of the MFA, which makes it more difficult for workers to refuse overtime. Chhorn Sokha, Vice President, explains:

Now [workers] face a lot of problems. When they refuse [overtime] and they complain, they will be terminated and the Ministry won’t help the workers. Cases in the court are also kept longer now. During the process the workers doesn’t have money. It has a strong affect for the workers not to reject overtime.\(^{16}\)

Women, who make up between 80-90 percent of those who work in the garment industry in Cambodia, face particular challenges. Most women who work in the industry come from poor rural areas to earn money to send back to their families. The average age of these workers is between 18-25 years but there are still occasional cases of younger women falsifying documents to be able to work. The minimum wage is $45 per month. However, because of the dependence of extended families on women workers’ income, they rely on overtime to supplement their earnings, bringing the average to $72 per month.\(^{17}\)

Increasing amounts of overtime has put the personal safety of women workers at risk especially when it requires them to travel to and from work at times that may prove unsafe for them. “[After the MFA], every Friday we have to work overtime until 1, 2 or 3 o’clock [in the morning]. I feel afraid and I can’t go home.” Says C.S. a 22 year old garment worker in Phnom Penh. “Before we could stay in the production area, but now we have to stay outside in front of the [factory] doors.”

Many women face this dilemma of risking being attacked or waiting until morning to return home. Given the under-reporting of sexual harassment and assault, the ILO in conjunction with UNIFEM and CARE, has undertaken a project to gather information about these sensitive issues. In a preliminary survey of 27 workers who had expressed concern over being raped and/or killed, six had already been raped or had a close friend that was, and an additional eight workers had an acquaintance who had been raped. Several of these instances are linked to working overtime.\(^{18}\) While these problems are widespread, the factory managers have done little or nothing to ensure workers’ safety or take this into account in the scheduling of workers’ hours.

Another issue of relevance to human rights concerns is fair wages. While Cambodia’s minimum wage remains intact, there are widespread complaints from workers that after the end of the quota system they are given more work to do for less money. In some cases, the price that the workers are paid for each piece they produce is lowered, while in other cases workers are paid the same wage as previously, but are given a larger

\(^{16}\) Interview with CCAWDU leadership, Phnom Penh, January 19, 2006.
production quota to finish for the same amount of pay. This has been confirmed by the ILO, which has reported a reduction of 4.4% in the piece rate paid to workers per garment in 2005.\textsuperscript{19}

Downward pressure on wages and piece rates began in the run up to the end of the MFA. In some instances workers reported being given more work for the same pay. “Before the quota finished, I had to finish 300 pieces per 8 hours and worked only on one machine. But now I am assigned 550-600 pieces to finish in 8 hours work and operate two machines. They said I have to accept this,” said a worker from one factory in Phnom Penh that was producing for Old Navy.\textsuperscript{20}

The increasing use of temporary contracts as a way of avoiding legal obligations to permanent employees is also a matter of concern. “We can see that our members in the local factories are facing re-contracting of their employment from permanent workers to temporary workers,” says Khil Thida, Education Director of CCAWDU. “Temporary workers have fewer rights and are able to be terminated if they take one day off or if they refuse to work overtime.”

While the ILO monitors for misuse of short-term contracts, many abuses persist, with few factories paying proper compensation upon termination, according to workers. In some cases, this may be possible due to changing of factory ownership. Nonetheless, it appears that contract abuses are generally the way that factory owners and managers cope with fluctuations in demand. “They think it makes it easier for them to get rid of workers. It actually makes it a whole lot more expensive for them if they pay the proper indemnity when they terminate a short-term contract,” says Ros Harvey who served as the Chief Technical Advisor for the ILO’s Better Factories Cambodia project until mid 2006.

The shift from the old “bundling” system of production to a “lean” system where workers operate in teams and must be able to use multiple machines in order to fill-in for their co-workers and finish production quotas has raised health and safety concerns as well. The new system where a single garment is passed from one worker to the next makes it more difficult for them to take breaks to use the restroom and often causes tension between workers about any changes in the flow of work and the impacts it may have on the pay for the group as a whole. Studies in the automotive industry, where the “lean” system originated, have shown that it can lead to greater amounts of injuries and illness from repetitive stress syndrome.\textsuperscript{21} While the implementation of the lean system does not violate labor laws, it clearly can add stress to workers’ lives and affect their health and safety.

Many of these changes in labor conditions are compounded by gender norms in Cambodia, as in many parts of the world, that dictate that women be less outspoken and assertive than men, making it more difficult for the predominantly female garment


\textsuperscript{20} Womyn’s Agenda for Change. May Day Press Release, 2005.

workers to claim their rights. For example, the Asian Development Bank observed that women are often hired over men from their garment worker training programs by employers in large part because of the belief that women are less likely to incite demonstrations.22

Lessons Learned

Given the unique nature of the US-Cambodia Textile Agreement and the monitoring system that resulted from it, significant attention is now being given to lessons that can be drawn about the links between trade, investment and labor rights, particularly with the end of the garment quota system. The Agreement has facilitated Cambodia’s improvement of labor conditions by creating a regulatory framework that enabled a race to the top. Sandra Polaski, a senior associate with the Trade, Equity and Development Project at the Carnegie Endowment for International Peace, and a former representative on labor affairs at the US State Department, highlights the successes of the arrangement. She points out that, positive incentives were coupled with goals and benchmarks that could be achieved in 6-to-12 months, which spurred concrete action. The high level of transparency in the ILO’s reporting system has been another of the key elements to its success, allowing governments, firms, trade unions and other interested parties to access relevant information. 23

Nonetheless, some labor advocates are more cautious in their praise and see the US-Cambodia Agreement and the subsequent monitoring as a first step, as opposed to an end point. “It was a positive step. You have to take it in context,” says Mark Barenberg, a labor law professor at Columbia University and the author of the first proposal for the US-Cambodia Textile Agreement, written on behalf of the AFL-CIO. “It was a success in that it provided a protective umbrella so workers could organize without the harshest kind of repression that you would expect and it brought more investment into Cambodia.”24 However, Barenberg also highlights the specific challenges of linking trade and labor standards in Cambodia and the limitations presented by the authoritarian nature of the government, widespread corruption, and the lack of institutions such as a strong judiciary to deal with labor disputes and enforce labor laws. While the US-Cambodia Agreement expired with the end of the quota system, the labor monitoring system remains intact and may continue to lend credibility to the country assuming labor standards do not slide backwards.

The numerous human rights violations and struggles that young women garment workers in Cambodia are facing highlight the challenges that clearly remain for the country to make the garment industry more competitive while continuing to improve labor standards. This will be the case even more so as the new constraints that were placed on China are lifted in 2008, and the ILO’s presence in Cambodia is phased out in 2009.

making way for local ownership of monitoring efforts. Developments over the coming years will therefore determine whether Cambodia remains a leader with respect to labor conditions and the right to decent work.

Cambodia’s successes and short-comings offer a number of lessons, particularly for African nations. Many textile factories in Africa were established to avoid quotas placed on countries like China under the MFA. In addition, through the African Growth and Opportunity Act (AGOA) African producers enjoy special access to the US market including duty free and quota free access in attempts to foster development on the continent. As a result, garment and textile factories have cropped up across Africa. Countries such as Lesotho and Mauritius rely on the revenue generated from these industries, much like Cambodia, and therefore are struggling as factories shut down and producers return to China with the end of the MFA. In Mauritius alone, there was a 30% contraction in the garment industry with the exodus of Hong Kong owned manufacturers. While Lesotho still has special export preferences under AGOA unlike Mauritius, 6 companies left the country shortly after the end of the MFA, leaving 6,650 people unemployed. Many more factories have closed in the past few years in South Africa, Kenya, Nigeria, Ghana, Madagascar, Tanzania, Zambia, Zimbabwe and Swaziland.

Unlike Cambodia, none of these countries have had their export capacity tied to improvements in labor standards. As a result, violations of workers rights are prevalent. The case of Tri-Star garment factory in Uganda is a particularly disturbing example of the violation of garment workers rights in African factories exporting to the US market. A recent report found that young women at the factory were sometimes required to work 18 hours per day and were abused by managers. When the workers protested, they were confronted by riot police who fired upon them, allegedly based on orders by the President of the country concerned that investors would be scared away by such protests.

At the same time, case studies in Namibia have shown that downward pressures on labor standards have not prevented the relocation of parts of production to China. As a result, some governments in Africa are exploring the notion of responsible production and pilot projects like Cambodia’s as a means of confronting the significant manufacturing losses felt after the end of the MFA.

While there are considerable political and economic differences between Cambodia and African countries, many of the lessons learned from Cambodia’s experience are broadly applicable. Among them are the following:

26 “Southern Africa: Textile Industries in Turmoil”. AGOA News. Downloaded 3/15/06
Industrial growth doesn’t necessarily lead to industrial development - As seen in Cambodia, the rise of the garment industry has led to significant industrial growth but not industrial development or the ability of the country to create production systems that add value in the country or rely on local innovations or inputs into production. When there is very little value added in the production of a country, it makes it much easier for companies to leave, having made limited investments in productive capacities. This is important for African nations to consider with respect to using the garment industry as a driver of economic development. In many instances in Africa, the more amenities and financial incentives governments have provided for the garment manufacturers, the easier it has become for them to leave the country with minimal losses.

Respect for labor standards can attract customers - Cambodia is trying to create a niche for itself through the use of improved labor standards to distinguish it from other countries. By imposing a bottom below which labor standards may not fall, Cambodia has positioned itself to respond to growing demand for products produced in conformity with international standards. Similarly, by ensuring compliance with international labor standards, African countries may help stop a “race to the bottom” with Asian competitors.28

Progress won’t happen without support from multiple stakeholders - One of the cornerstones of Cambodia’s labor monitoring success is the support and participation garnered from the government of Cambodia, the Cambodian Garment Manufacturers Association and the labor unions. All three parties have played an important role in committing financial and human resources to the project and have lent credibility to the project in turn increasing buyer confidence in Cambodia. In addition, a large part of the effectiveness of the program is due to the fact that the government tied monitoring to export licenses for garment producers. More recently the monitoring program has been expanded and the government now requires all factories to be monitored which is an important step and has the potential to make further improvements throughout the industry. Any project in Africa would need a similar level of commitment, coordination and resources from key actors to build a credible and effective monitoring system with the potential to improve working conditions, reduce costs associated with labor disputes and create a positive reputation among buyers.29

Respect for rights requires systems of legal enforcement - The lack of enforcement of Cambodia’s labor law and an under-developed judicial system for dealing with labor disputes highlights institutional challenges in developing a truly effective project. Without an effective judicial system in place, workers rights are at greater risk and significant unrest is likely to remain, leading to strikes and other significant economic and political costs for the government and garment manufacturers.


Support for unions is necessary for ensuring labor rights- Government support of unions is needed for labor standards to truly be upheld. Ongoing difficulties in Cambodia for unions to register with the government and access the processes for advocating on behalf of workers contribute to the number of labor rights violations that remain in Cambodia’s factories. Any successful project in Africa requires genuine support of unions and union rights by governments to ensure that workers are properly represented and able to seek adequate remedy for rights violations.

Transparency is needed for credible monitoring- The credibility of the ILO’s monitoring project in Cambodia has to a large extent depended on the fact that results from factory visits are made available to the public. Factory owners must also agree to a high level of transparency in allowing monitors free access to their facilities and employees. This has allowed the public and buyers to see where progress has been made and where challenges remain. Such transparency must be built into the structure of any program that aims to build the reputation of a country on labor standards.

Trends must be tracked in the workplace in addition to monitoring- Until early 2006, labor monitoring focused entirely on ensuring minimum standards in any given period and did not have the capacity to identify workplace trends. As a result, changes in working conditions were not tracked in the run up to and first year and a half after the end of the MFA. While many of the changes taking place in Cambodia after the end of the MFA don’t violate minimum labor standards, they do have significant impacts on human rights. This should be taken into consideration in the structuring of any monitoring program undertaken in Africa, particularly since many African countries have been subject to fluctuations in production based on external economic and political factors much like Cambodia.

Industry-wide monitoring should be required- Until January 2006, only factories with a license to export were required to be monitored in Cambodia, leaving room for exporting factories to sub-contract to smaller factories that are not monitored. Additional challenges are posed to ILO monitoring in Cambodia by the fact that up to 10% of factories have two branches and avoid monitoring by not declaring both factories. This may have contributed to some of the rights violations experienced by workers in the country, particularly after the end of the MFA, despite the ILO’s presence and should be factored into the design of programs in Africa.

Monitoring and program development must be gender sensitive- Women workers are confronted with different types of rights violations than male workers both inside and outside the factory doors. As demonstrated by the ILO’s monitoring in Cambodia, it can be difficult to gather accurate information on abuses such as sexual harassment and rape. Changes in work conditions can also have a significant impact on women workers’

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30 As of March 2006, the ILO has moved to a new system which allows monitors to directly input data into a mechanized tablet while visiting factories. This allows for data to be analyzed more quickly and may lend itself to evaluation of trends in the future. However, no organization in Cambodia has scientifically monitored post-MFA changes in working conditions, to date. All information is anecdotal. For details on ILO monitoring see http://www.betterfactories.org/ILOMonitoring.

ability to return home safely or may make it more difficult for them to speak out against harassment by superiors and co-workers if there is increasing fear of job loss. These are issues of particular relevance to Africa. The design and implementation of any labor monitoring system in Africa or elsewhere must incorporate mechanisms for ensuring that women are able to safely report violations of a sensitive nature and are given protections against work schedules and work conditions that put them in positions of increasing vulnerability.

These recommendations not only elucidate the number of challenges that remain for improving labor standards in Cambodia. They highlight the complexities that countries in Africa and other regions of the world face as they begin to address how to balance international market competitiveness with human rights, labor standards and sustainable livelihoods. While imperfect, the model set forth by the ILO monitoring project in Cambodia, has created a foundation for others to build upon as they begin this process, providing a point of departure from which they can innovate and evaluate their own efforts with a critical eye. Nonetheless, the real challenge lies in creating binding normative frameworks that reach beyond time-limited, bilateral agreements to discourage development models and business practices predicated upon the erosion of workers’ rights.