



WOMYN'S
AGENDA FOR
CHANGE

Impact of the end of MFA on workers in CAMBODIA



Photograph by Ming Tse Chong

2006

By Sim Socheata

“So far, there have been 70 factories closed down among the 229 factories established from 1996. Two hundred and twenty factories are operating. But the labour force is slightly decreased.”—Minister of Commerce, 15 March 2005.¹

“Twelve factories have closed down and 24 suspended their operations. While 30,000 jobs were initially lost, another 13 factories opened between January and mid-March, salvaging around 10,000 of those jobs.”—Secretary-General of GMAC, May 2005.²

“Although we have achieved robust economic growth, the growth base is still narrow, which makes Cambodia’s economy vulnerable to external shocks.”—Prime Minister Hun Sen, February 2005.³

“There will be some turnover but membership in the WTO will ‘keep our current market stable and our workers’ jobs secure ... If one factory closes, workers will just have to move to a factory that is open.’”—Sok Siphana, Secretary of State of Ministry of Commerce, October 2004.⁴

“The IMF now predicts strong economic growth in Cambodia in 2005 as the end of the worldwide garment quota system will apparently have almost no impact on Cambodia this year, a senior MFA official said.”—*Cambodia Daily*, June 2005.⁵

“We had predicted no growth in the garment industry, but 10 to 20 percent growth now seems likely.”—Sok Hach, Economic Institute of Cambodia, June 2005.⁶

“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. But my wage is calculated on the basis on 275 to 300 pieces only. They said I have to accept this.”—A worker from a factory in Phnom Penh producing Old Navy brand clothing, 2005.⁷

“The entire factory closed down and the package of compensation proposed is 27 US dollars for each worker. I have been working in this factory for nearly 10 years, and it is a real embarrassment to get this amount of compensation.”—An unemployed worker at a WAC meeting, July 2005.

“I think that the establishment of the garment factories in Phnom Penh has provided a lot of jobs to young women from rural areas. Those workers help their families with the income they earn and send home, without which about 60 per cent of people in this village might go hungry.”—A farmer in Prey Veng province interviewed by WAC, May 2005.

1. Quoted in “Van Sou Ieng re-elected president of GMAC”, *Raksmei Kampuchea*, 15 March 2005.

2. Quoted in “20,000 Garment Jobs Lost in 2005”, *Phnom Penh Post*, 6–19 May 2005.

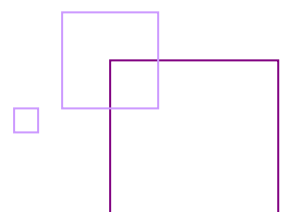
3. At the “Seizing Global Opportunity” conference, February 2005, Chaktomuk Theatre.


4. “Minister: Garment Jobs Safe”, *Cambodia Daily*, 26 October 2004.

5. “IMF predicts strong economic growth in 2005”, *Cambodia Daily*, 15 June 2005.

6. Quoted in “IMF predicts strong economic growth in 2005”, *Cambodia Daily*, 15 June 2005.

7. WAC May Day 2005 press release.





“Now we cannot just rely only on our children. We have to try hard by ourselves. We have already borrowed money to pay for food to feed our family because our children did not send money home. This year, the harvest for this village is better because there was adequate rain for the first time since the Pol Pot regime, but people from this village use a lot of chemical fertiliser.”—A farmer in Prey Veng province, father of a garment worker, interviewed by WAC, April 2005.

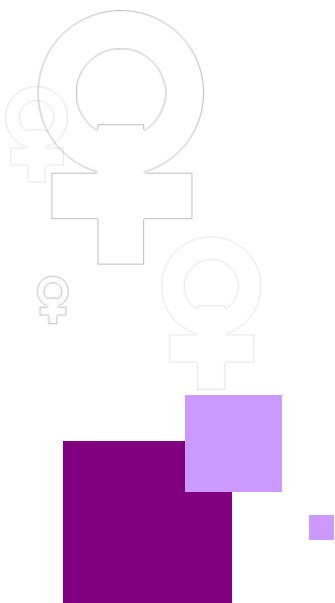
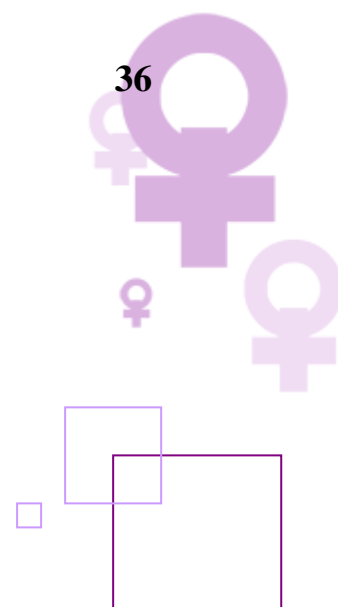


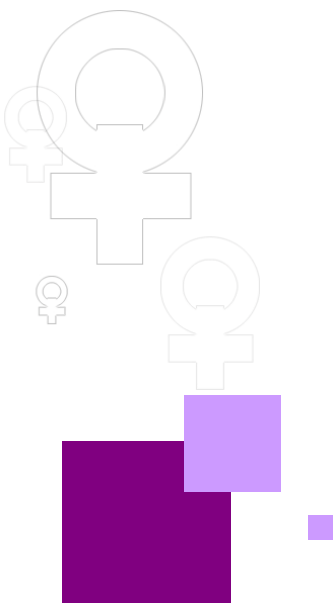
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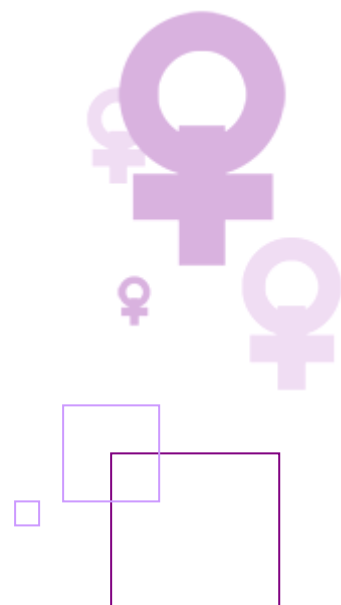
Acknowledgments

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Abbreviations

CUF	Cambodian Union Federation
DIC	Drop in centre
EIC	Economic Institute of Cambodia
GMAC	Garment Manufacturers Association of Cambodia
IFIs	International financial institutions
ILO	International Labour Organisation
MFA	Multi-Fibre Agreement
MFIs	Micro-finance institutions
NIFTUC	National Independent Free Textile Union of Cambodia
UNDP	United Nations Development Programme
WAC	Womyn's Agenda for Change
WTO	World Trade Organisation



Introduction

The Multi-Fibre Agreement (MFA), later modified as the Agreement on Textiles and Clothing (ATC), came into existence in 1974. However, Cambodia was not included in it until the mid-1990s. The country suffered civil war, US bombing and the Khmer Rouge regime in the 1970s. In the 1980s it was economically isolated. Not until the United Nations' intervention in 1992, followed by a national election, did the country show its face in the international community, and the process of trade liberalisation began to accelerate. The Cambodian garment industry started to grow in the latter half of the 1990s as a result of trade liberalisation and the quota system.

Originally, the quota system was set up to limit the amount of garments and textiles imported into the US and European markets. But although it was designed to protect the garment industry in the developed world, it also protected from competition producing countries that had not previously established strong garment industries, like Cambodia, Sri Lanka and Bangladesh.

Trade liberalisation allows capital to move wherever investors wish, often in search of cheap labour. Investors seek countries where the laws and regulations do not restrict them, but allow their corporate power and profit to be maximised. The setting up of an industry like garments and textiles for export in a developing country in the era of trade liberalisation is not a process that builds a healthy industrial sector and sustainable employment. If we look at the situation in Cambodia following rapid trade liberalisation, the country has only garments as a major export. A large majority of the garment factories are foreign owned, so the profits from garment production fly out of the country to investors' home countries. Cambodia does not have any local enterprises that produce materials to supply the industry; its attraction, aside from the quota, was mainly the cheap labour of young migrant workers, mainly from rural areas. All the materials needed have to be imported, mostly from Hong Kong. Moreover, the machinery used in the garment factories in Cambodia is not sophisticated, and employers are not required to train local people to operate the machines or to work at management level. Skilled workers are imported to fill those jobs. Neither technology transfer nor even the development of skilled labour occurs in such circumstances. Thus healthy industrialisation is not likely to occur in countries like Cambodia under the current system of trade liberalisation.

31 December 2004 marked a turning point for garment industries in many producing countries as the MFA/ATC quota system ended. Although the end of the quota system theoretically allows free trade for all producing countries, the safeguards imposed by the US and EU on Chinese products proved that there is not much free trade on the developed countries' agenda. However, the end of the MFA means that competition will largely be decided by prices, raising concerns about a race to the bottom between producing countries.

Where jobs will be relocated in the post-MFA era has been a topic for many discussions and conferences in Cambodia as well as in the region. Everyone predicts that China, with its vast cheap labour force and more advanced technology, will grab jobs from other developing countries. China has a competitive advantage in terms of technology, surplus labour from rural areas and the support of backward linkages.

China's membership in the WTO brings great concerns about the ability of other countries to produce garments and textiles and about Chinese domination of the Northern markets.

However, big corporations stand to increase their profit margins as the end of the MFA increases competition between workers in the producing countries and thus tends to drive down wages. The retailers and corporations that own famous brands and dominate the global garment industry profit from this situation.

The Cambodian garment industry provides jobs to some 250,000 workers. Most of them are young migrant women from rural households. The Economic Institute of Cambodia (EIC) estimates that 20 per cent of the 13 million people in the country are supported directly or indirectly by the garment industry.⁸ Garments are the prime exports from Cambodia to markets in the North, particularly the US and European Union. In 2002, total exports to the US, quota and non-quota, were worth US\$961 million out of total garment exports of US\$1,350 million. In 2003, garment exports rose to US\$1.57 billion and in 2004 to US\$1.95 billion.⁹ Exports have been increasing from year to year, but does that mean increases in the living standards of workers? Does it make Cambodian industry and the economy healthy? Does it mean that workers' rights are respected and their wages are living wages? Does it create any sort of welfare system for workers?

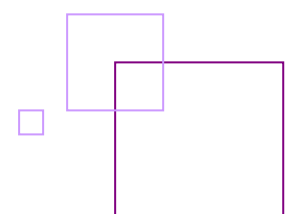
At the same time as the growth of the garment industry benefits many different interested parties, workers still struggle to make a living from factory work. Their working conditions are still poor, and their access to knowledge and information is very limited. There has been little, if any, reliable information provided to workers about the end of the quota system. Trade unions also have very limited access to information about the end of the MFA and what it means for the labour movement. How could they prepare themselves in such a situation? Some trade unions consider the post-MFA era very positively and welcome trade liberalisation. When WAC started to have discussions with workers about the issues around the MFA in 2003, none of them had heard of it. It was very new to them to have such issues raised for discussion.

In the last quarter of 2004, we witnessed changes in the garment industry. Factories closed down, suspended operations or made changes to working conditions. Newspapers splashed out articles, especially in the first quarter of 2005, about the closure of garment factories leaving many workers unemployed. The Ministry of Commerce found an average decline of about 30 per cent in the leading 20 buyers sourcing garments from Cambodia in the first three quarters of 2004 compared to 2003.¹⁰ This data is contradicted with the data of the increase in the export volume presented earlier. Thus, there might be a significant rising in export at the last quarter of 2004.

8. Economic Institute of Cambodia, "Cambodia's Garment Industry in 2005 and Beyond: A Quantitative Analysis of the Critical Challenges", *Economic Review*, July–September 2004, Vol. 1, No. 5, p 2.

9. "Garment Exports Up in 2004", *Cambodia Daily*, 9 February 2005.

10. Document obtained from meeting between Oxfam Great Britain policy advisor and Minister of Ministry of Commerce, September 2004



Information about the closure of factories and suspension of operations varies among different institutions, even between the Ministry of Commerce and the Garment Manufacturers Association of Cambodia. A list provided by the Commerce Ministry showed that 27 garment factories closed between 2003 and July 2005. These factories employed 12,619 workers, of whom 11,342 are women. However, it should be noted that from 2000 until July 2005, a longer period, 90 factories closed down, representing a total number of 26,983 workers who lost their jobs.¹¹ A list by GMAC, dated 7 September 2005, showed nine factories temporarily closed; six of those nine factories had employed 5,351 workers.¹² The data from the Commerce Ministry do always correspond and sometimes conflict with data from GMAC.

A study conducted by the Economic Institute of Cambodia, Wenner International and AIRD in February 2005 found that ‘30 factories had closed temporarily, 66 per cent of them because they had no orders. By June, when surveyed by phone, 60 per cent of the same factories confirmed to the EIC that they had reopened, while another 20 per cent were still closed temporarily. The remaining 20 per cent could not be reached due to disconnected phone numbers.’¹³ The GMAC each month provides a list of members who close temporarily. Although new garment factories open every month, the number of closed factories also continues to grow. It should be noted that working conditions are deteriorating not only in factories approaching closure but also in those that are able to maintain normal operations because of the competition between workers to secure their jobs. Thus oppression by employers is rarely challenged due to the fear of losing jobs, and workers’ rights are being downgraded.

WAC maintains a database that records newly opened, suspended and closed factories. This is compiled from various sources: the Ministry of Commerce, the GMAC list, ILO reports, newspapers and direct reporting by workers.

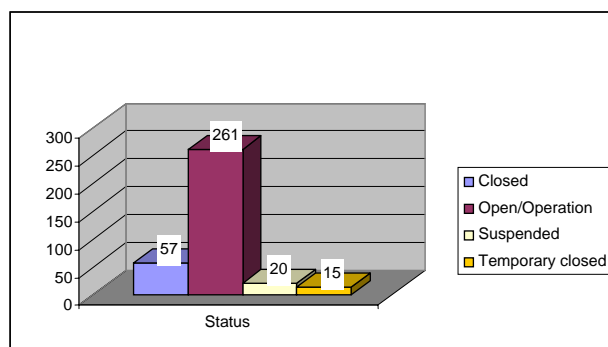


Figure 1: Operational status of garment factories in Cambodia WAC database, Analysed in September 2005

This research was conducted in order to understand how the end of the quota system affects the Cambodian garment industry and the workers involved in it. This report is not concerned with examining numbers and figures in great detail, or whether the Cambodian industry can compete with other “winners”. Rather, it tries to present what

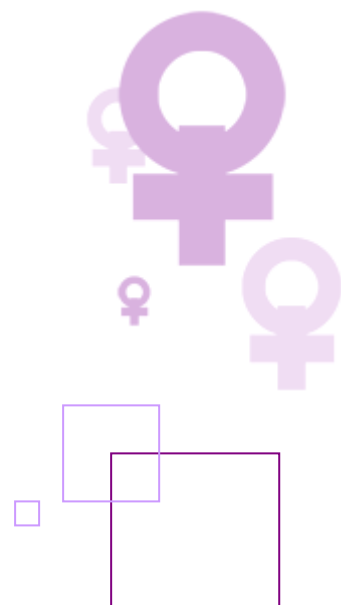
11. Ministry of Commerce, *List of definitely closed garment factories*. Technical General Directorate, Trade Preferences System Department, August 2005.

12. Garment Manufacturers Association of Cambodia, *List of Members*. 7 September 2005.

13. EIC, “Cambodia’s Garment Industry in the Post-Quota Era”, *Economic Review*, April-June 2005, Vol. 2, No. 2, p. 16.

has happened within the Cambodian garment industry and the social conditions that workers are experiencing in the post-MFA era.

The report contains three parts: part one presents the research methodology and part two elaborates on key findings. Part two is divided into five chapters. Chapter One addresses changing workplace conditions since the MFA ended, and includes a detailed case study of a garment worker. Chapter Two provides two case studies of factory closure and suspension of operations and the results. Chapter Three deals with the social conditions and implications of gender discrimination in the post-MFA environment. And Chapter Four examines the conditions in rural households which depend on remittances from garment workers, and the concerns of those families. It includes a case study of a rural household in Takeo Province.



Part One: Research Methodology

1. Primary Data Collection

The primary data presented in this report was collected using different approaches. All the approaches involved either participation by factory workers or were conducted solely through workers' initiative.

Case studies of garment workers used in the report were collected by worker organisers in the five drop in centres (DICs)¹⁴ and a WAC team every month. In the evening after work, worker organisers or a WAC team visited workers in various areas to talk to them and learn their life stories, the reasons they first migrated to work in the factories, their experiences as women workers and what they had seen change from the end of 2004 till the time of the interview.

Besides individual interviews, WAC organises quarterly gatherings of worker representatives from various factories in Phnom Penh. The process began in October 2004 and continues to date. At each of the four gatherings held so far, each worker representative was invited to talk about changes in working conditions, management's treatment of workers, the overall working environment, unions in the factory and the work they do. The information draws out the trends of changes between the pre- and post- MFA situations.

WAC also monitors conditions in factory areas monthly. This observation is conducted by organisers from each DIC, with help and guidance from the WAC team. Workers who are living in a complex of rented rooms can be best involved when monitored in their residential setting, by talking to workers in different rooms, landlords or vendors in front of the factories, to find out what has been happening in and around the area.

Between March and September 2005, WAC staff conducted interviews in rural areas of three provinces: Prey Veng, Takeo and Kompong Speu. Typically, interviewers spent one to two hours in each household, allowing sufficient time for an easy discussion in which interviewees could describe their livelihoods. In each village, the interviewers spent one day, randomly selecting households and talking with both individuals and groups of neighbours who wanted to join in, add information and respond to the questions being asked.

Selection of the provinces for the visit was made on the basis of previous WAC research which identified areas from which high numbers of young women garment factory workers came. In Prey Veng, we made two visits to five villages, one in April followed by another in May in which 49 case studies were collected. In Takeo, we

14. Drop in centres are located near factories and are run, managed and used by workers from the surrounding areas. The centres are supported financially by a WAC programme. They contain resources and material for workers related to labour law, trade and globalisation. After work, on weekends and holidays, there are usually worker gatherings, workshops or meetings taking place with activists and workers from the local areas.

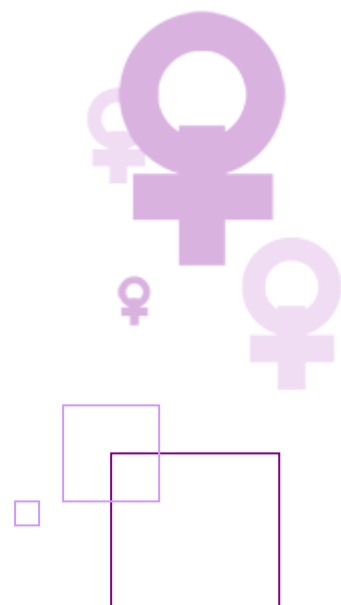
made one visit in August to three villages in which 50 case studies were collected. In the three villages in Kompong Speu province, we collected 25 case studies.

Monitoring conditions in and around the factories, case studies and the village research have been core activities for WAC since 2002. Through research and field visits, we have observed some of the same and some different villages every few months to talk to people, learn about their situations and monitor changes in the lives of people. Thus WAC has rich information and knowledge about the changes that have taken place over the last few years.

The data collection for this study used a feminist, participatory research methodology in which women workers joined in gathering data, collecting case studies, field visits and sharing their stories and experiences. Through the process, the voices of women workers and rural people enriched the analysis.

2. Secondary Data Collection

The secondary data has been collected from various sources such as newspaper articles and reports by institutes that work on labour issues locally and internationally. WAC monitors the local press for articles on the MFA and garment industry-related topics. The researchers also used information published in the Ministry of Commerce bulletin twice a month, the regularly updated list of factories that are GMAC members and the Economic Institute of Cambodia's *Economic Review* for data on the closing and opening of new factories. Details can be found in the references section at the end of this document.



Part Two: Key Findings

Chapter One: Working Conditions

The most visible effect of the phasing out of the MFA, besides job losses, is changes in working conditions. In the following discussion, three issues regarding changes in working conditions are outlined, namely the increasing threat of dismissal, increased pressure for higher productivity and the decline of workers' rights.

Increasing Threat of Dismissal

This point is always at the top of the list concerning conditions in the post-MFA era, not only in garment factories in Cambodia but in many other countries in the region.

From what workers have reported to WAC teams during each of the gatherings, conditions in the workplace have grown more and more intense since the last quarter of 2004, before the MFA actually ended. Workers in different factories were asked to revise their employment contracts, moving from permanent status to being on contracts of three to six months. The revision of the contracts was done without management informing workers in advance of the reasons for it. In some factories, employers asked workers to sign a paper choosing between taking annual leave or continuing working. A decision would be made based on the majority of signatures, but workers had heard a rumour that employers might strip the machinery from the factory while they were away, so they did not want to take leave. The laying off of workers is also a common occurrence. Some factories laid off hundreds of workers and employed new workers on short-term contracts.

“This factory had about 1,200 workers but now 400 workers have been laid off. The employer did not say whether the factory will close or suspend operations. It manufactures jeans and the employer is from China.”—WAC worker case study, March 2005.

Another common change is the suspension of operations for certain periods. During times when the factory does not have work, the employer demands that workers take leave. The suspension may happen for a set period of time during which the workers are paid 50 per cent of the minimum wage (US\$45 per month). In some factories when work is suspended, they ask each worker to sign a weekly record to confirm they are still employed by that factory and are not working elsewhere. In the other cases, workers in different lines or sections are asked to come to work on different days of the week and their wages are calculated based on the amount of production. However, employers usually force workers to accept the period of suspension as annual leave, so that employers do not need to pay them for any other leave time owed to them.

A change from base salary to piece-rate payment has taken place over the last few years. Workers report this change as a way employers use to push workers to work harder to gain the wage they are entitled to under the Cambodian labour code. Usually workers in different lines are paid differently. Those in a fixed line, meaning that their section is not as important as, for instance, the sewing section, are paid a base salary,

but in sections that are potentially important for the flow of production, workers are paid by the piece.

Under the system of piece-rate payment, workers receive lower wages, in some cases much lower than the minimum wage. It is not enough for them to survive in the city because the cost of living is rising. To wait for the time when their factory might have more work for them again puts them in a very precarious situation. For some workers, this can be the trigger for them to leave the factory and return home because they cannot afford to live in the city on the wage they receive. In other cases, workers leave their factory to seek jobs in other factories. In these cases, usually the benefits they are entitled to after years of working in the factory are not met.

The return of workers to their villages as a result of being laid off or their factory having no work for them signals to parents and relatives the changes in the garment industry in the city. It is usually in these hard times that parents in rural area express their concerns about remittances not being sent home by their daughters or the amount sent being smaller than usual. They report the situations in their households as very unstable, and that the threat of starvation pushes them into borrowing money.

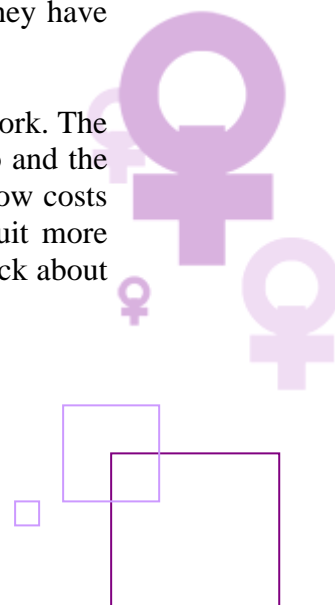
Competitiveness


In the factories that operated both before and after the end of the MFA, more pressure is put on workers to increase productivity. Employers and line managers always talk about competitiveness, about being able to compete with countries like China, in order to maintain their markets and orders. With this tactic in cases of both base salary and piece-rate payment, employers force workers to work harder and faster, setting up higher quota allocations for each to finish within the same working period. Workers complain that the quota keeps increasing while the price of pieces declines. As a result, workers force themselves to finish their quotas each day or management threatens them with dismissal for working too slowly.

“Before the MFA phase-out, I had to finish 300 pieces in 8 hours and worked only on one machine. But now I am given 550-600 pieces to finish in 8 hours and operate two machines. They said I have to accept this.”—A worker from a factory in Phnom Penh producing Old Navy brand clothing.

Another factor in the increased level of competition is the decline of the rate for piece production. Workers report a continuing decline in the price for the same kind of product. At the same time, workers’ power to negotiate prices is also decreasing because managers usually inform workers about drops in price only when they have completed their work or when they get their pay.

“Since 2004, there have been a lot of changes in the factory where I work. The number of blocks or lines was reduced; there is not much work to do and the price of production dropped. A T-shirt that used to cost 3,800 riels now costs only 2,500 riels and the style is more complicated. Employers recruit more non-contract workers, and there have been more strikes within the block about the production price.”—WAC case study, July 2005.





Not only have they changed the form of payment to piece rates, but employers have also introduced other working systems. A number of factories in Cambodia, especially those manufacturing for Adidas, adopted so-called lean manufacturing production model in early 2003, and it became more common in the period just before the MFA ended. Lean production, as cited in the Fair Labour Association's annual report, is an approach to managing the supply chain to improve quality, eliminate waste, reduce total cost and shorten lead times. The methodology includes fostering a company culture of continuous improvement in which all employees improve their skill levels and production processes so that the organisation achieves greater delivery and efficiency goals.¹⁵

Basically, the lean system makes workers put pressure on themselves, instead of pressure coming from employers or line managers. They compete with each other to maximise their production through the operation of more than one machine. While each group or line might get some small incentive to finish its quota within the same period, employers benefit from it by paying less to workers as the price of production declines. As workers comment, at the end of the day it is not the employer who looks bad in the eyes of many workers, but their co-workers, who are seen as lazy, slow and causing the whole production line to slow down.

Re-contracting the permanent workers or laying off permanent workers and rehiring them on a non-contract basis, or keeping them on probation longer than allowed in the law¹⁶ is another way to reduce production costs. The non-contract workers have their ID cards changed every three months and are paid below the minimum wage. Usually, a contract worker gets US\$40 a month and no entitlements provided by the labour code; probationary workers get about US\$35 a month because their overtime rate is lower than that for permanent workers.

The *Stop Trading Away Our Rights* report by Oxfam presents employers' strategy down the supply chain. Workers who are at the bottom of the chain are pressured the most to comply with requirements of the buyers and brand corporations. Those requirements are the criteria for competition with other countries—basically fast, cheap and good quality production.

Taking time off from work has always been a difficulty faced by workers. However, in the post-MFA era it is even harder. On the one hand, employers are using annual leave as a reason for workers not to come to work when the factory has fewer orders so they do not need to pay the daily wage. On the other hand, in the factories that have work, taking time off is very difficult, especially sick leave, and it is becoming harder.

Declining Union Bargaining Power

As of June 2004, there were one labour confederation, 19 federations and 660 local labour unions registered with the Ministry of Interior¹⁷. Thus, the average number of unions per garment factory in Cambodia is between two and three, given that there are

15. *Fair Labor Association Annual Report: Adidas-Salomon Compliance Programme*. http://www.fairlabor.org/2004report/companies/participating/complianceProgram_as.html (10 January 2006)

16. Article 68, Cambodian Labour Code, 1997.

17. http://www.interior.gov.kh/q_view.asp?qid=20.

roughly 200 factories. New unions are usually formed as a result of conflict within an existing union. Although around 90 per cent of the workers in the garment industry are women, the leaders and representatives of unions and federation are mainly male. For this reason, many issues faced by women workers are excluded from consideration. A progressive federation has set up a women's issues committee in which issues such as sexual harassment, maternity leave and breast-feeding time are taken into consideration and brought forward when the federation negotiates with employers.

The Cambodian government uses the labour rights compliance the country has earned to attract more foreign direct investment. In a survey by the World Bank, among the top 15 buyers sourcing from Cambodia, nine intended to increase sourcing in Cambodia while the other six planned to continue at the same level. More than 60 per cent of buyers in this survey said compliance with labour standards was one among the many criteria such as price, quality and lead times buyers consider when sourcing.¹⁸ It was reiterated by the GAP representative at the "Seizing Global Opportunity" conference in Phnom Penh that buyers are looking to source from countries where there are good labour standards, but it is not the only criterion, and they also take into account the cost, speed and quality of production.¹⁹

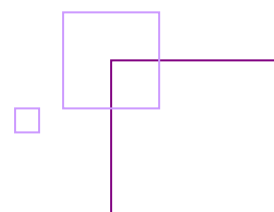
When the MFA end was approaching in December 2004, the concerns of labour activists and unions were the worsening of workers' rights and labour standards. In the gatherings that WAC organises every three months, one of the most sensitive issues raised by workers was the co-option of unions by the employers, and fighting between unions within factories. In the atmosphere of job insecurity during this period, employers use various tactics to break or co-opt the unions.


Sometimes worker representatives, shop stewards and unions are selected by employers to set up yellow unions. These unions use different strategies to prevent workers from demanding anything and in negotiations with employers they encourage workers to accept the conditions they are facing or the prices for the products they are making.

"What is embarrassing is when unions in my factory are fighting verbally with each other to get members for their own causes during working hours, and all the workers are so fed up with this. Each one says very good things about their own union and talks badly about others to attract more members. So when there is negotiation inside the factory about working condition or the production price declines, one would only sit and watch while the other negotiates. Not only do they not help to improve the situation, but they worsen it. When they are divided like that, only workers' benefits are lost."—A worker at WAC quarterly gathering.

18. World Bank Survey of Textile and Garment Buyers Sourcing in Cambodia, 2004. <http://www.betterfactories.org/content/documents/WB%20survey.pdf>.

19. D. Henckle, vice-president for global compliance at GAP, "Seizing Global Opportunity" conference, Phnom Penh, February 2005.



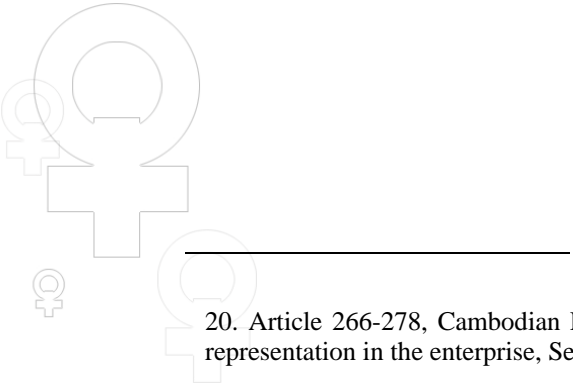


Freedom of association, granted to every worker in the Cambodian Labour Code, is crucial for workers to exercise their rights in the workplace.²⁰ However, when unions are divided, their power becomes weaker, and that can affect workers because during negotiations agreement is hardly ever reached. Solidarity and unity of the various unions in a factory helps to ensure that their employer complies with the law and pays compensation to workers if the factory closes. With workers' participation and the sharing of information between unions and workers, there is more support for handling such cases.

Very often, workers blame an unsatisfactory situation on their union, or they expect that once one worker or a small number of them demand something from a union representative, the issue is going to be solved. But the power of the workers comes from large numbers, hundreds or thousands, not one or 10 or 20. The larger the number, the more power they have to make the unions accountable to them. In the time of the ending of the MFA in particular, when it is easier for unions to sell out for money offered by the employer, the solidarity and unity of workers is very important, and they need to work closely with trusted leaders.

Usually, the expectation that workers have of their democratically elected institutions is very high compared to their role in those institutions. The mind set is that once they elect a leader or a structure of an institution is set up, then they have finished their part of the job, and the institution or leaders will do everything possible to improve the difficult situation they are in. That is not the reality. Without the participation of workers in every part of the operation of the unions, democracy, true workers' representation and transparency are not likely to be practised.

The case study that follows shows the factors that push workers out of their villages to work in the factories and the situation in one of the many factories where working conditions have changed, and how that affects workers' lives. This study has much in common with the life stories of many other workers in Cambodia, and in other developing countries.



20. Article 266-278, Cambodian Labour Code, Chapter eleven: Trade union freedom and worker representation in the enterprise, Section one: The right to form a trade union, 1997.

WAC case study
March 2005

I am 23 years old, single, and from Kandal province. I have three brothers and five sisters, and I am the second child. My older brother is married. All my younger siblings are still studying. My family livelihood depends on rice farming and weaving mats. We have a plot of farmland to grow rice just for ourselves, but we often cannot produce enough to feed the family.

When I first came to Phnom Penh to look for a job, I waited for three months. I stayed in the house of my relatives but they were renting too. I had to pay \$70 to get the job in the factory. In a month I spend between \$30 and \$40. I once participated in a three-day course on reproductive health.

I am working in a factory in the Tuek Thla area. Before that I worked in the Lucky Zone factory for five years. I get \$45 a month. I decided to come here to work by myself because there was no work available in the village and many of my friends had left the village for factory work in the city. I changed from Lucky Zone to LA because Lucky Zone closed down. They calculated compensation for the workers according to the number of years worked. One years' work was worth one month of minimum wage, \$45.

When I first started working in a factory, I was very scared about the closure of the factory but now I have changed factories, it feels normal. I think that since I came to Phnom Penh and become a garment factory worker, I have helped my family a lot and am very happy about that. The remittance I send my parents is used for buying fertiliser for our rice field or rice seed and to support my younger siblings' education. But since the previous factory closed down and I started working in the new one, my wage is not enough to save some money to send home. When I am not able to send money home, my family faces difficulties. I hope that it is not very serious. They have planted some vegetables that they can sell. I know that sometimes my mother makes cakes to sell in the village.

In the factory I'm working in now, I am in the sewing section. My wages are piece-payment but I am usually not able to finish the quota set for me. Very often I get blamed for not sewing fast enough to meet the quota and they force me to stay extra time to finish my work, even past overtime. They do not pay me for the time I have to stay to finish the work. When I complained to the employer about not paying for my overtime work, they said it is because I am slow and not able to finish my duties. They then withdrew my piece-record and give it back when I am done with my job.

I am working eight hours a day, one hour lunch break. I usually do two to four overtime hours. Very often I have to do two hours' overtime work without payment because I cannot reach the quota. In this factory, even if a worker asks for one hour leave, the incentive pay will be deducted. Normally, the factory operates only one shift, but when an urgent order arrives, night shift workers will be recruited.



I do not know much about entitlements that workers should get such as annual bonus, because this factory has not been operating very long and we do not even have worker representatives or a union yet. In the LA factory there was a union. I do not know much about maternity leave either, because I have not seen any pregnant workers taking maternity leave yet. I know that marriage leave is three days, and if any worker takes five days' leave, they will fire you right away. Any worker who wants to take leave because she or he is sick, the group leader or administrator will tell him or her to stop coming to the factory.

I do not like doing overtime work. It would be OK if it was only two hours, but I do not want to work longer than that because I am very tired and when I get my wage, it is still low.

There are visitors coming to the factory too, and each time people from the administration tell workers to be quiet and make everything neat. There are only two exit doors in the factory, and I don't think that it is enough to accommodate all the workers in the four floors. Each line has about 40 workers, and it is not safe at all if a fire takes place. There are 10 toilets, seven for women and three for men, but it is not sufficient for all the workers.

I have had diarrhoea, vomiting and high fever but I did not go to the hospital. I had treatment at home, just buying medicine from the drug store. There is one clinic in the factory, but it cannot serve all the workers sufficiently because we have many so the service is not good. Many of the workers will not visit the clinic if they have minor illness; it is far from the workshop anyway.

I share a room with four friends. It costs \$20 a month and we share the rent. In the whole compound where I rent my room, there are two bathrooms, which is not enough. We do not have TV in our room and we have only one key for all of us. We spend \$5 on electricity and 5,000 riels for water in a month. I buy electricity from the landlord's house.

When I have free time, I go sightseeing but not very often, once every two or three months. Each time I spend around \$5. I cook food for myself; each of us spends between 2,000 and 3,000 riels per day.

Before I sent \$30 to \$40 a month home to my family, but now I do not have enough money to send home. In the future, I want to do business. If I have any children, I want my son to have a good education because it is difficult to find work. If the factory closes, I have no choice but to go back to the village.

The changing of working conditions described in this section is a story repeated by workers in both Asian and Central American countries. In the post-MFA era, employers seem to be generalising the tactics of threatening to move factories, demanding higher worker productivity, restricting time off and hiring on short-term contracts.

Chapter Two: Cases of Factory Closure

This chapter focuses on the mechanisms that employers have used when closures took place and how workers participated in the closures.

In the following cases, it is shown how the power of unions is declining as a result of co-optation combined with the instability of the factory environment in the post-MFA era. The information has been compiled from reports by workers involved in each of the cases of factory closure.

Case One: Sam Han (Cambodia) Fabric Company Limited **Information collected on 30 May 2005**

For workers in the Sam Han factory, conditions are very difficult. Sam Han is a South Korean-owned company that started a factory in Cambodia in 1995. It is a knitting and sewing factory that produced shirts for the GAP brand. Until recently, it operated two shifts, from 7 am to 6 pm and from 7 pm to 6 am.


The working conditions in the sewing and knitting departments are very similar, but the workers in the sewing department are under more pressure from the boss to work quickly and do overtime to finish their work. If they do not work quickly enough, they are given a warning. Sometimes workers are in the factory from night until morning and through to noon the next day. In some cases, workers have fainted from exhaustion.

In the knitting department, workers are not under as much pressure, but conditions are still difficult. They are not allowed to join unions. They are paid by the number of pieces they produce, and the price varies depending on the style being made. If it is a difficult design, one shirt costs 3,700 riels (US\$0.93). If the factory has a lot of works for workers to do, in one day a skilful worker is able to finish six or seven shirts, including overtime work. However, there are only six months of the year when there is a lot of work, while the rest of the year isn't very busy.

In 2000, workers led by the Free Trade Union went on strike to remove the Cambodian manager from the sewing department. The strike was successful; however, pay for the days that the workers were on strike was deducted from their wages.

At the end of 2003, workers didn't have much work and were warned not to join any unions. Some workers remained union members nonetheless. In 2004, there was an increase in work and the factory began to make many changes. There was no longer overtime, and workers were on eight-hour shifts. There was an increase in the number, of temporary workers and the number of workers overall was significantly cut. Out of 27 blocks of workers in the weaving department, five were taken away and the workers transferred to other departments. This was very difficult for them because they were not familiar with their new jobs, made many mistakes and had to spend extra time correcting them. Sometimes it took up to a week to finish a piece. The piece rate also fell. For example, workers used to be paid 3,700 riels per shirt, but this fell to 2,800 riels for the same style of shirt.





At the end of 2004, there were a number of problems in the factory and increasing instability. The piece rate continued to drop, and night shift workers were not paid for two months. There was also a reduction in work. From then on the workers worked only four or five days a week.

Previously, when a new style was introduced, workers were told how much they would be paid for a specific model of shirt. But the workers worked half a month before they were told how much they would earn for the work they were doing. When they were given the price, it was less than they were paid for the same model the previous year. The union helped them to protest about the prices. This raised the prices on some of the models of shirts, but only by 100 riels (US\$0.025), while the others were not raised at all.

There have also been problems with getting paid. Workers are given their salary on the fifth day of the month. But, sometimes if the fifth doesn't fall on a Saturday, the employers don't want to pay the salaries on time. At the end of September, the workers went on strike because the factory owner hadn't paid the workers for the overtime shifts they worked over the course of two months. They were supposed to be paid on the fifth of September, but it wasn't until the 20th that they received payment. When the employers paid, they told the workers that they would not pay them for the overtime hours because the shirts were damaged. The workers went on strike almost until Phchum Ben (an annual holiday in October). When they were given their salary, they didn't get all that they were owed, and some workers were paid more than others. After that, they were told that the factory would suspend production for two months.

At the end of the two months they went back to work, but there was not enough work for everyone. The prices for sewing decreased. Those workers who didn't have work only came to sign papers for their absence from work for that week. They went back to work in December but weren't paid until the middle of February, and the company kept making excuses about why it couldn't pay and changing the dates it would pay on.

In February, the workers went on strike again. The police fought with the workers and isolated them, keeping them from having contact with the union. Then workers were called to a meeting at the Ministry of Social Affairs, at which no agreement with the workers' suggestions was reached, so they decided to go to the National Assembly. Outside on the street, the police forbade them to continue and took them to the police station. The day after, they were given their salaries but only for the months of December and January. The union made an agreement with the factory to suspend production for two years, despite the fact that the workers did not agree. Workers went on strike once again because the law allows suspension of a factory only for two months.

“We demanded that the factory calculate our compensation as if we were being laid off”, said one worker, “but the police at the factory began to throw tear gas and shoot their guns”.

Nevertheless, the workers continued to pursue the issue and wrote letters of complaint to various institutions. Over the next three months they were broken into factions. Some found new jobs and some went home to look for other jobs.

As of February 2006, the case of this Korean-owned factory had not been settled, but appeared stalled in the municipal court. The case was more active in the first half of 2005, but there is hardly any news about it now. Capital mobility has left several thousand Sam Han workers with fading hopes of receiving their compensation packages.

Case Two: Mighty Spectra Factory
Information collected in August 2005

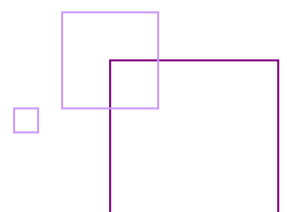
Mighty Spectra is a factory that largely produces for GAP and Banana Republic. It is owned by an investor from Hong Kong and is located in Prek Lieb sangkat, Russey Keo district, Phnom Penh. Until recently, it employed approximately 2,000 workers.


Every year during December, Might Spectra usually had no work in some sections for about a fortnight; during that period those who received their wage only 50 per cent of the minimum wage. However, starting from September 2004, parts of the production line started to have no work, and the number kept increasing until, in mid-December, the whole production line had no work. Between September and December, workers who had no work to do were asked to come and sign on their piece records every two weeks, and they received 50 per cent of the minimum wage, while those who remained in work received piece-rate wages.

Workers were frustrated with what was going on, because many of them who had gone back to the village while they had no work could not afford to come back and put their signature on the piece record. The situation was not improving but getting worse. Many factories were facing a similar situation and either closed down or suspended operations. Finally, the management at Might Spectra factory announced the suspension of operations for two months, from 22 February to 22 April 2005. Now no workers received wages, only payment for their accommodation, which varied from \$4 to \$9 a month depending on their years of service in the factory.

On 22 April 2005, the workers returned to the factory. When they arrived, they were told that the factory would close and were asked by the owners to give their thumbprints to verify documents about the length of their employment before the closure. Management began to calculate salaries for workers in the factory's three departments. Workers were then made to sign documents regarding their salaries. However, the workers were forced to sign before they had time to read the documents. The administration also took the workers' identification cards when they paid them, so the workers no longer had the right to enter the factory. The administration then gave the workers their labour books, which contain information on the workers' skills and experience in the factory. At the time, there was one union federation deputy present to oversee the process, who reported not having seen anything unusual. The workers were surprised by this, but could do very little because the police had been brought in to intimidate them. They were told that if they didn't leave, something bad would happen to them, which made them disperse quickly.

The workers asked the GAP representative in Cambodia about the factory closure and were told that the company was unaware of it, but that if the factory did close it would have to present them with documents. He also mentioned that it was illegal for the





factory to calculate salaries for the workers unilaterally and that they could complain to the court. However, at the time, only one worker wanted to complain.

Workers also investigated the closure of the factory with the ILO, which is in charge of monitoring any factory that exports from Cambodia. The ILO said it didn't know why the factory had closed and had heard from GMAC that it had only suspended production. The ILO representative also said that if factory operations were suspended, the workers should receive seniority and annual pay. However, the workers were told by a union representative that a friend had read about the sale of the factory in a Chinese newspaper and that there had recently been many Chinese visitors.

Following further inquiries, the workers discovered that the president of the union federation, NIFTUC, was unaware of the closure even though representatives from her union had a meeting with the factory owner and worker representatives. When she read about the closure in the newspaper, she called the factory union representative. He confirmed the news and claimed that the factory paid all of its workers according to Cambodian regulations, including announcing the closure in advance, calculating appropriate salaries for the workers, paying workers who had worked only a few days out of the month, compensating workers properly and giving pay for seniority and annual bonuses.

The workers were aware that in fact the factory management had not followed these regulations. The workers were told that they would have to collect thumbprints from all the factory's workers if they wanted to file a complaint.

On 26 June 2005, the workers called the president of the NIFTUC after gathering together 200 workers who wanted to complain about the closure. The president of the union said that the factory had announced it would be sold and that the workers should file their complaints as soon as possible. At this point, the union representative resigned from the factory union and the federation.

The workers tried to find the documents that the union and the factory owner signed and agreed upon. They contacted the union leader by telephone. He told them that there was an agreement on paper. However, he told them that the people from the Cambodian Union Federation (CUF) had the document. He also said that he went to a meeting on 24 June 2005, [with whom?] at which it was said that the factory would reopen in October 2005. However, when he went with the president of the CUF to the Ministry of Commerce, their records showed that the factory had completely closed according to law. Because workers had already given their thumbprints and received their salaries, the union leader felt it would be hard to bring a complaint.

The closure came after several factories suspended operations and negotiated with workers to reduce the piece rate. In December 2004, the factory owner and managers had met with 40 workers and union delegates. Management proposed paying workers \$2.50 for each 8 hour day worked on a new style of garment they would be producing. They were also told they could earn more if they worked extra hours. The workers resisted and eventually the proposal was dropped. Both sides agreed that if the factory were to make a new style, they would renegotiate the price.

On 15 February 2005, the factory payday, the union, worker representatives and the factory managers had a meeting. The 40 workers present were told that the factory had very few orders and would suspend production for two months, from the 22 February to 22 April 2005. This is the maximum time for suspension allowed by law. The factory paid for their accommodation during this time. The newest workers would receive \$5 per month, while those who had worked five years or more would receive \$9. Workers who lived in factory housing would receive less. The factory also paid workers their salaries from 1 February until February 22. After collecting their last salaries many of the workers returned to their home towns.

While the workers were away, there were two meetings with the factory managers, the workers and representatives from three unions. The union leader under NIFTUC did not tell the federation about the meeting because he did not want to make the meeting too complicated or time consuming. He said that he demanded that the factory pay full compensation to the workers according to Cambodian law. However, when the other two union leaders agreed to the arrangement proposed by the factory, he agreed, out of fear for his own safety. When the workers came to get their money, he wanted to tell them about the decisions reached during the meeting, but was unable to because of the number of police present in the factory.

A second meeting of 18 people was held in April 2005. During this time there was no talk of the factory closing, and participants were told that the workers would come back to work. Some workers who didn't return to the countryside heard about the meetings and wanted to participate but were not able to because the decision to close had already been made. They were given a paper by the factory about calculating salaries and told to share the information with their friends when they returned to the city.

A group of around 200 workers wanted to file a law suit against the lack of proper compensation, so they searched for assistance. The Human Rights in Cambodia Project was contacted and a meeting was held between the workers and the lawyers group to understand the whole situation. The lawyers began an investigation of the case and found that the factory had made a collective bargaining agreement with two of the three local unions in the factory. This agreement gave workers less than what they were entitled to in the Cambodian Labour Code, and it was invalidated on 31 April 2005. In late January 2006, Might Spectra started recruiting new workers for starting operations on 20 February. The former workers of the factory were considered for hiring, but there was discrimination against those older than 25 years.

These two cases of factory closure give the actual examples of the way employers can easily move out of a country without taking full responsibility for their workers.



Chapter Three: Social Conditions and Gender Discrimination

The absorption of young women workers from rural households to work in the garment industry has brought great change for Cambodian women. For generations, women have been strictly taught to behave as good, pure women who should stay at home doing household chores, taking care of the family, children and elderly, and this is reinforced by the Women's Code of Behaviour.²¹ Women have been taught that society considers them to be bad if they are behaving differently from what they are taught, such as travelling away from home or living alone when they are still single. More specifically, they are expected to preserve their virginity.

A previous WAC study on the social conditions of women workers in the Cambodian garment industry documented discrimination and stigmatisation that women workers faced in the early days when young women started to leave their villages for work in the garment factories.²² Society treated women workers as bad girls because they were away from the control of their parents. It was assumed that they would have contact with many men and have sex. One garment worker stood up at one of the WAC gatherings and, speaking with tears rolling down her face, told how angry it made her to hear people in the village calling her "bad girl" because she left home to work in the factory.

However, the situation has gradually changed. As more young women have entered garment factory work, discrimination from people in the rural villages, very often the older generation who stick to traditional norms, has been reduced and reactions are not as strong as in the early days. When WAC interviewers talked to parents in the villages, they smiled and said that it is impossible to discriminate against young women who are working in the factories because almost every household has daughters doing so. If you accuse your neighbour's daughter of being bad, you are discriminating against your own daughter(s).

"The villagers used to have a bad view of garment workers because they left home to stay alone in the city. But now it's different. They have stopped talking badly about them because women who work as garment workers earn money to support their families and pay their parents' debts. Above all, most of the villagers' daughters have gone to work in garment factories in Phnom Penh."—WAC case study 11, Village 1, Prey Veng

However, new forms of stigmatisation have emerged against women workers in the post-MFA period when a lot of factories closed down or were suspended. Different groups have suggested that women workers who are not able to find jobs in the factories any longer will turn to the other industry where young women are also predominant, the sex industry. This form of stigmatisation weighs more heavily because a number of NGOs have voiced concerns in various forums that huge numbers of women workers will enter the sex industry as a result of the closure of

21. There are two codes of behaviour that are usually referred to by Cambodians, the Women's Code and the Men's Code. As in other patriarchal societies, the code for women is always held up as an example of behaviour women have to follow, while most people, even men, are vague about what is in the Men's Code. Both codes were written by a famous male poet (Krom Ngoy),

22. Womyn's Agenda for Change, *Label to Wear Out: A social study of women workers in the Cambodian garment industry*, Phnom Penh, 2002.

factories. Their main concerns are about the spread of HIV/AIDS. One survey, cited in a UNDP report, claims that 60 per cent of sex workers in one area in Phnom Penh were former garment factory workers.²³ However, when this researcher tracked down the original source of this survey, there was no clear explanation about how the survey was conducted, apart from the interview having taken place at the Ministry of Women's and Veterans' Affairs.

Women's organisations have been working in Cambodia for a decade or more on issues such as human rights, women's rights, gender equality, non-violence and non-discrimination. Yet one of their main concerns seems to be women workers turning into sex workers. The fear that these women are spreading HIV/AIDS is given more attention than the fact that they are barely able to survive because of increasing living expenses, their economic difficulties once they have no jobs or how their families in the villages depend heavily on their remittances.

Sex workers have been a convenient group about which different organisations could draw up project proposals and apply for funding. The target now seems to have become women garment workers as a new social group that will spread HIV/AIDS.

If some former garment workers do enter sex work, the question one should ask is why these women choose this job. Is it because sex work is lucrative? Or is it because there is no other job available? The economic difficulties that the Cambodian population faces include the privatisation of basic social services, the high cost of growing rice for family consumption and the increasing involvement of the private sector in providing services to people at unaffordable costs. These have made people's situation harder and harder. Under the new model of development, women have become the new cash crop of the Third World. In countries like Cambodia their bodies are used either for cheap labour or for sex.²⁴ Conditions in the garment industry have changed for workers, but they have to feed their families, brothers and sisters. What alternatives are there for them to survive?

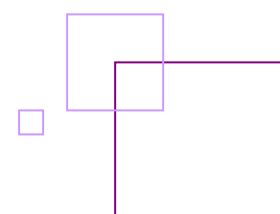
The popular alternative life-skill training that is usually provided to women by various charitable organisations—such as sewing, hair-dressing or beauty therapy—has not really work out well over the last two decades. There are very few success stories of market shares being taken by women making their livings with these skills. In one of the women's organisations, PADEK, that provides life-skill training to some unemployed and employed workers who want to leave the garment industry, only 10 percent of all the students have been able to finish the course and finally get a business started, even with much support from the organisation.²⁵


At the same time, the rate of unemployment in Cambodia has risen. The Economic Institute of Cambodia has predicted that the great challenge the country will face from now until 2008 is an additional one million young people added to the existing million

23. Beresford, M., 2004. *The Macroeconomics of Poverty Reduction in Cambodia*. Phnom Penh: UNDP, p. 157.

24. Barbero, R. quoted at www.yellowboxstudio.com/marketbound_trailer.mov.

25. Boua, C., PADEK, presentation at UNIFEM "Policy Dialogue on the Impact of Trade Liberalisation on Women Worker" forum, 14 January 2005





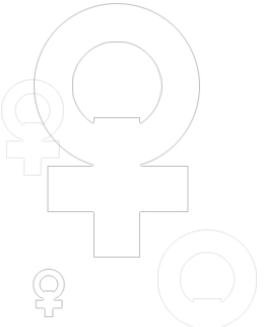
or so jobless.²⁶ Laid-off women workers cannot compete for jobs with youths who have graduated from the various private universities.

Unemployed workers from a number of factories whose owners ran away have suffered various forms of discrimination. Some have been chased out of their rented rooms because they did not have the money to pay the rent. Workers from the Sam Han factory, for instance, have been refused rooms because landlords were afraid they would not be able to pay for them. On the other hand, unemployed workers from the weaving factories find it very hard to get jobs in the more plentiful sewing factories because of their specific skills. A lot of these workers experience age discrimination when they are waiting to be called for an interview.

“The people from the factory did not point at us or call us because they see from our faces that we are old workers. They only point at the fresh, newly arrived girls to be employed”, recalled one of the unemployed workers in a WAC meeting. If these workers are hired, they are likely to work as trimmers because of their skills. Otherwise, they often end up working in more informal economic activities that are not protected by law.

The difficulty for workers in obtaining compensation in some factories has become a bad example used by employers, management and even unionists to pressure workers to accept the conditions or amount of compensation offered during labour disputes.

“Do you want an experience like the Sam Han workers?”, management and union representatives have asked workers. In the labour history of Cambodia, everyone remembers this example.



26. Sok, H., “Labour Force, Incomes and Poverty” in *Cambodia Economic Watch*, Economic Institute of Cambodia, April 2005, p. 34.

Chapter Four: Impact on Rural Households

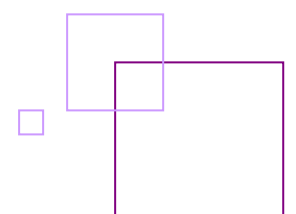
Trade liberalisation was introduced to Cambodia in the early 1990s. Since then, rural households have faced increasing hardship. Subsistence agriculture, which used to provide for the more than 80 per cent of the Cambodian rural population, is now hard to rely on. Trade liberalisation in agriculture and the free trade agenda mean the Cambodian government has committed to lowering tariffs on imports to the local market. Under the WTO agreements, Cambodia has committed to lowering tariffs to an average of 30.88 per cent.²⁷ Poor farmers who own small plots of land for growing rice and other crops for family consumption, and sometimes a small surplus to sell locally, cannot compete with cheap imported agricultural products available in the local market on the one hand, or with big cash crop plantations producing for export on the other. Cambodia does not provide any subsidies to its farmers now, although it did in the 1980s, and the country has agreed to bind export subsidies to zero.²⁸ Small farmers have to depend solely on good yields for their survival. But today, when the cost of production is much higher than the price of imported products, a poor yield caused by flood or drought or insect plague will push a family into debt because it usually has to borrow money to buy seed, fertilisers, pesticide and fuel for pumping water. Money is borrowed at the beginning of the season and expected to be paid back after the harvest.


When families in hardship are driven into deeper poverty, girls are taken out of school or the household to go and find work in urban areas where the choices are becoming a worker in a garment factory or selling their bodies if they have nothing else left and cannot afford to get a factory job. Most households visited have or have had daughters working in the garment industry. The interview teams visited not only households that have daughters working in the factories but also families that have no children working in the factories to see how they perceive the changing situation. Agricultural families in Cambodian rural areas have encountered the increasing price of agricultural inputs which are out of the reach of the poor. Very often, the same reasons push farmers to borrow money. If they cannot repay their debt, they lose their land, or go hungry when a bad yield occurs or a family member falls ill. The remittances sent home by the garment workers help the family to survive, to pay back debt, to pay for health care.

“Now that we have our daughters working in the factory, our situation has changed. Before we had a lot of debts that we had to work hard to repay, but we were not able to do so. Now we still have debt because we took a loan from the micro-credit programme but we have our daughters helping us repay the debt. With their remittances, we do not need to worry much. If the girls do not send us money, we have to sell the rice we got from the field to repay the debt when the official comes to collect every month, and when they send us money again we buy rice to eat.”—WAC case study, Takeo, August 2005

27. Womyn’s Agenda for Change, *Cambodia’s Accession to the WTO*, August 2004.

28. Oxfam International, *Cambodia’s Accession to the WTO: How the law of the jungle is applied to one of the world’s poorest countries*, 2004






Although young women who are working in the garment industry have experienced a sort of independence and empowerment, they are not economically better off even after years of work. Instead, they have more burdens put on their shoulders because of their families' conditions back in the village. The families' expectation of remittances from these women workers becomes a reason for them to accept even the worst conditions in the workplace. Their wages each month are sometimes barely enough to keep themselves and their families alive. What would one feel, emotionally and psychologically, in a situation of being at risk of losing a job or having already lost the job and having to return home with no savings after years as a factory worker?

It is true that those families that have more than two daughters working in a factory and able to send remittances home every month have seen their living conditions improve, and have been able to build new houses or renovate, buy pumps or buy home items like TVs. In some families with more than one daughter in a factory, the parents feel encouraged to take out more loans from micro-finance institutions because they use the remittances to make repayments every month. Thus, with the post-MFA conditions, where workers can be easily lose jobs and employers run away, or factories have fewer orders, the risk of going deeper into debt also rises.

“I see that people who have grown-up children can send them to work in a factory. The remittance the daughter sends home can help the family, at least to pay back some debt. I think that if I had a grown-up daughter I would also send her to work in a factory in Phnom Penh, but my children are too young.”—WAC case study, Prey Veng, May 2005)

However, many rural families that have only one daughter working in a factory are still struggling to sustain their livelihoods, because the remittance goes only towards buying food, paying off debt or covering medical treatment when a family member is sick. The road the workers and their families are walking is very fragile and has no strong base; it can easily cave in when disasters such as drought or illness occur.

“Since the start of 2005, we have not had the overtime work, and my wage decreased markedly because we have less work to do. My total wage (base payment and overtime work) fell from \$70 to \$43. I have not been able to send \$20 a month to my family as usual. I can send only \$10, or nothing in some months. It is very difficult because my family depends heavily on me and I know they have more debt now because I send less money.”— WAC worker case study, July 2005



Some families are waiting for their daughters to send money home, so when the situation becomes urgent, as in the case of illness, they take loans at high interest rates, assuming the repayment will be possible once the daughters send money home. In an interview with one family, we found out that officials from micro-finance institutions take requests for loans from families that have daughters working in garment factories more seriously. They arrange the time for monthly payments of interest and principal for right after workers get their wages from the factory. This picture of working conditions allows employers to force staff to work for lower wages because they know the vulnerable situation they are in, and how powerlessness they are. It explains how they are easily exploited and agree to take whatever is put on the table for them rather than risking losing a job. The picture also explains why many

workers agree to take whatever package of compensation is offered when their factory closes.

Many of the families visited talked about how expensive it is to grow rice now, under the free market system. They have to buy everything they need for their crops, and the investment has become more than they can afford. This is often what pushes them to borrow, to lose their land, to have family members migrate to find work in other places and so on. Every year, the cost of a sack of fertiliser increases about 10,000 riels, and the farmers the interviewers talked to expressed feelings of powerlessness to do anything about increasing prices. The amount of fertiliser needed is increasing because, after a certain amount of time using fertiliser, the natural fertility of the soil is reduced. Chemical fertilisers now play a role not only as an additional component to boost rice crops, but have become like an addictive substance that farmers need more and more of, season after season, in order for their rice to grow. Poor farmers who cannot afford to buy fertiliser with cash take it on credit and pay back when they harvest, paying interest on top of the cost according to local borrowing practices.

“The price of agricultural inputs is increasing from year to year. For instance, fertiliser costs 73,000 riels a sack this year and cost 65,000 riels last year. The fuel price has also gone up. Farmers grow rice by buying pumped water, so the fuel price determines how much they have to pay. If they hire a pump, it costs 4500 riels per hour. The rent of a *koryun* (an improvised tractor used for ploughing), which last year cost 70,000 riels per hectare to plough one day, costs 120,000 riels this year.”—WAC case study, Takeo province, August 2005

“The quality of land has decreased a lot, and there has not been enough water to grow crops for the past few years. On top of everything else we face, the price of fertiliser has been increasing. Last year one sack of DAP fertiliser cost 45,000-55,000 riels, but this year it costs 70,000 riels if we pay cash up front. There is another kind of fertiliser that is more expensive, 80,000 riels per sack, but if we buy it on credit it costs 90,000 riels. We don’t know why the price of fertiliser increases every year.”—WAC case study, Prey Veng province, May 2005

“We have never had to use as much chemical fertiliser as we do now. In the past, after transplanting, we saw our crops grow well with good yields. Now everyone uses fertiliser. The price of fertiliser increases and now we do not have enough money to buy fertiliser to feed our land.”— WAC case study, Prey Veng 2005

Debt has been and is still a key cause of people becoming landless. In one of the villages visited in Takeo, 30 families have lost their land because they took credit from micro-finance institutions.²⁹ The high interest rate charged, 3–5 per cent per month, makes it extremely hard for farmers to repay the loan and escape the debt cycle.

29. WAC field interview about the effects of the end of the MFA on rural families in Takeo, August 2005.



It must be noted that many of the micro-finance institutions (MFIs) like Prasac,³⁰ ACLEDA³¹ and AMRET³² that operate in most parts of rural Cambodia were born from international development agencies. They now lend money to poor rural Cambodians at rates that are the equivalent of simple interest of 43 to 83 per cent per annum, while Cambodian law states that interest rates cannot exceed five per cent per annum.³³ ACLEDA has received an award from the World Bank's International Finance Corporation for being a "role model" enterprise,³⁴ while charging borrowers interest rates of 3 to 4 per cent per month. Many of the interviews carried out by WAC in its debt research project reveal the negative results of this kind of loan: landlessness and an unbroken cycle of poverty.³⁵ At such high interest rates, it is generally not possible to run a business that makes enough profit even to pay the interest of the loan. If people borrow for non-productive purposes, such as paying for health care or buying food, which are very common reasons for borrowing, how can they ever repay the loan?

Interestingly, the majority of rural Cambodians do not see these MFIs as private institutions, because usually a local official acts as a middle person to distribute money and collect payments. So rural people often refer to such a loan as a loan from the government. So the belief that the government lends them money at these high interest rates, comes to the village every month to take the interest and has forced them to sell their land, houses and assets screens MFIs like Prasac, ACLEDA and AMRET.

It is now a time when the most frightening thing for rural households is the possibility that someone in the family will fall ill, because of the inability to afford health care. Under the new free market system, the government has been unable to provide basic services like health care to its citizens for free or at subsidised prices. A user-pays system that is part of the cost-recovery regime has been introduced to Cambodia through the Ministry of Health and operates within public hospitals. It has left Cambodians unable to keep family members healthy without having to lose land or fall into debt. Oxfam Hong Kong/Womyn's Agenda for Change ongoing research in five Cambodian provinces where 240 families were interviewed revealed that 36 per cent of borrowing activity by the families interviewed is used for medical treatment, 18 per cent of total borrowing is used to purchase food, and more than 20 per cent of land owners interviewed have sold or mortgaged their land.³⁶

"Don't ask for money from me. Ask from the sick daughter lying there because she is the one who earns the income to support the family."—WAC case study, Takeo

30. PRASAC Microfinance Institution, Ltd. started in 1995 and was funded by the European Union until the end of 2003. In 2002, it registered as a rural credit operator. See:

http://www.bwtp.org/arc/cambodia/II_Organisations/MF_Providers/PRASAC.htm (16/01/2006)

31. ACLEDA Bank, Plc., with the ILO and UNDP as godparents, was established in January 1993, is now operating through its network in 22 provinces and cities in Cambodia. See:

http://www.acledabank.com.kh/FF_history.asp (13/03/2006)

32. AMRET is born from GRET, a French NGO, which the interest rate ranges from 3.5% to 3% a month. See: <http://www.amret.com.kh/category/aboutEMT/aboutemt.php?sel=1>

33. Article 51, Cambodian Contract and Other Liabilities Law, 1988.

34. "World Bank-IFC to Honor Aceda as 'Role Model'", *Cambodia Daily*, 23 September 2005.

35. Womyn's Agenda for Change, *The Debt Bondage*, Phnom Penh, 2004.

36. *Ibid.*

From one village to another, people are saying that it's a tradition that people in Cambodia have always borrowed from each other or from a local moneylender, but they have never experienced the rapid loss of land, houses or property that happens when they take out loans from credit programmes run by NGOs or MFIs. The deadline of the loan cycle has become a time bomb for these households, which have to sell land, animals or houses or take out other loans at even higher interest rates to make repayments.

The sustainability of the garment industry means very much for hundreds of thousand of lives in rural households. Many workers have sadly expressed to us: "If I lose my job, it is not only me who will go hungry or die, but many other people that rely on my remittance will also die."

Below is a case study of a household in Takeo province that provides a small picture of the rural Cambodian situation in the time of trade liberalisation.

Rural Household Case Study **Takeo Province, August 2005**

This family consists of the parents and seven children—three sons and four daughters. Two of the sons are married and live separately from the family. Two of the daughters work in garment factories in Phnom Penh and the others stay in the village to help with the farming. The remaining son is studying in grade 8 and the youngest daughter is in grade 6. There are five family members living in the home now.

At first, the interview was held with the mother and a few neighbours, but then the husband came down and joined us. He spoke most of the time, with some interjections from his wife.

The family possesses about 1.5 hectares of rice-farming land. During the land distribution of the 1980s, the family got 30 ares for each family member, and there were five of them who were old enough to receive a parcel. The married sons received 30 to 40 ares each to make their livings. Now there remains a little less than one hectare for the family to farm. It is not in a single plot, but in small pieces here and there.

The two daughters have been working in garment factories for a few years now. They send home remittances every month, between \$20 and \$30. Before they entered the factories, the girls learned sewing skills while they looked for employment opportunities. One of the girls is working in a factory in Phnom Penh and the other works in Kandal province.

The mother said that her daughters never tell the family about the conditions in the factories or problems they are facing, but usually say that if they try to work hard they will get more money and that they dare not take leave. Now, one of the girls does not have much work to do; sometimes she has work, other times not. She gets only 50 per cent of the minimum wage. One of the girls complains to the mother when she comes home that now the situation is



difficult because her wage is calculated by piece rates and the employer does not tell the workers the rate until after they have finished the work, or sometimes not until they get paid. The piece rate is getting lower and lower now. When she gets paid, the salary slip doesn't break down the wages into production or overtime payment; the administrator only gives the sum total of the wage. Permission for leave is very strict too. The mother used to go and visit her daughters, but now she does not, and instead the daughters come home after they get paid.

"If either of them gets a wage of only \$30 or \$40, they do not send the remittances because they need to spend for their living too. They have to pay for everything, from their room to utilities to food and health care and many other expenses. We use the remittances they send home for our rice growing and hiring people to work on the field. It also goes to paying our debt."

Usually the rice yield is not enough to feed the family, and they need to buy more rice. When the daughters come home during the month, they also bring rice.

"Now that we have our daughters working in the factory, our situation has changed. Before we had a lot of debts that we had to work hard to repay, but we were not able to do so. Now we still have debts because we took a loan from the micro-credit programme, but we have our daughters helping us repay the debt. With their remittances, we do not need to worry much. If the girls do not send us money, we have to sell the rice we get from the fields to repay the debt when the [MFI] official comes to collect every month, and when they send us money we buy rice."

The mother recalled that the two daughters in the factories get sick very often and every time they are ill, they come home for treatment. When they get better, they hurry back to work because they are afraid that they will be dismissed. She claimed that they decided to work in the factory because they saw many young women from their village going to the factories to work. Living in the village, there is not much work with steady income; sometimes they get labouring work in the fields, and when the rice season is finished they go to collect morning glory to sell. Still, this is not enough for the family to survive on. The parents did not really want them to go because they were afraid that the girls would be cheated and be sold to a brothel, but there were also many girls from the village going.

The family grows rice twice a year. They use fertiliser on the fields but the amount used depends on how much they can afford to buy. They do not have any oxen to help with farming. This year they lost about one million riels in their dry-rice growing because rats destroyed the crop. They usually use IR66 (a strain of rice) for dry season rice (which takes around three months to grow). This seed requires a lot of water. From the wet season rice, they got around 10 sacks, each of which contains four to five *tao* (a *tao* is approximately 12 kilogrammes).

Their rice field needs to have water pumped into it. The lower field (for the dry season rice) was not good for the last few years because the rats have destroyed the crops and they do not know what to do. Now is time for the rainy season rice and they are very worried because the river water is rising and flooding the farming areas. They have never been able to grow enough rice to eat because the rats destroy the crop, on top of the expensive agricultural inputs. The price of fuel keeps going up. The fertiliser price increases every year, and there is not enough water for the crop to grow. They do not know what else to do besides growing rice because they have been doing that all their lives.

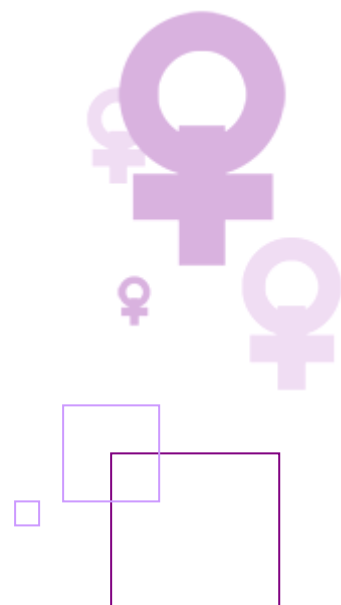
"If we borrow money, the interest is high and keeps accumulating, so we do not have money to pay them. But if we just keep the money to buy rice to eat, it can be more expensive than if we use it to farm our own rice. After the farming season, we have no work to do besides catching rats, collecting snails to eat or to sell sometimes."

It must be noted that people in this village have never caught rats in the past, but now that conditions are getting worse, they are using rats for food. From family to family, the people are saying that the price of basic food like pork or fish is increasing and people find it very hard to buy them. The situation of people in Takeo province is getting more and more difficult.

"Micro-finance institutions like Prasac and ACLEDA provide credit to people. When it was difficult to borrow, it was difficult to lose our property and land as well. Now that it is easier to borrow, we are quick to go into debt and lose everything we have. No matter how clever you are, once you take a loan, sooner or later you will lose your property, especially land. You borrow from financial institutions and then take the loan from a private moneylender to repay it, and at the end you will have to lose to meet their deadline. It is really scary what is happening to people now."

When the interviewers asked what the most frightening thing that can happen to the family is, the response was illness.

"When anyone in the family gets sick, no matter how hard the conditions in the family are, we have to cure that person. It is a question of living or dying, so we are ready to sell everything we possess to cover medical treatment."

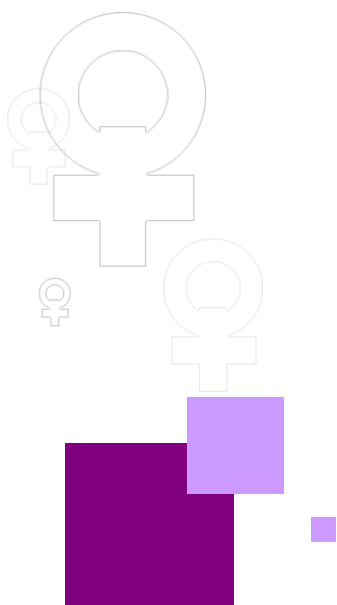


Conclusion

After a year of observing trends in the garment industry in the post-MFA period, we can see great changes in the life of Cambodian workers. Besides the immediate job loss suffered by many, the changed conditions in the factories remain a great challenge for those who are struggling to keep their work. The pressure that workers are confronting in the workplace to increase production, finish the higher quotas, increase their work speed to follow the new system or work for a survival-only wage leads them, to a certain extent, to suffer poor health. As the WAC 2004 study on the health of workers also revealed, workers' health deteriorated when they were faced with long working hours and a workplace that is not a health-friendly environment.

The job insecurity of workers, when they completely lose their jobs or their factory suspends operations, or they are employed as non-contract or probation workers, clearly affects their families in rural areas. Trade liberalisation and privatisation make people's lives descend into hardship because they have to pay more and more money to access basic social services like health care, which are often out of their reach. When the remittances that are usually sent by their daughters in the factories suddenly disappear or decrease, parents in the rural areas fall into deeper debt, having to borrow money for the survival of the family. The Cambodian Contract and Other Liabilities Law should be enforced and applied to lenders operating in Cambodia to ensure that people are accessing credit at an affordable and productive interest rate.

It is impossible to measure all the effects of the end of garment quotas. Jobs can disappear over night. We can count and report the number of workers who have lost their jobs, been suspended or fired after their three or six months, but the psychological impact of the job loss on the women workers and their families is carried for a long time. The social stigmatisation that in the early days labelled them "bad girl" now has changed to "potential sex worker". Why doesn't the contribution workers have made to the country's economy, their families' survival and to the services supporting the garment industry get acknowledged when they lose their jobs because of the changing atmosphere of the global garment industry facilitated by the WTO?



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