

Challenges and opportunities for labor in Post-MFA Cambodia

**"Industrial Upgrading, Offshore Production, and
Labor"**

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Discussion Topics

The presentation will focus on trade union and NGO efforts to promote labor rights within and outside of the ILO's Better Factories Program. Looks at the nodes of production in Cambodia and how different actors are engaging them.

1. The Cambodia context/Better Factories Programme and US-Cambodia TATA.
2. Social impact of the industry—challenges and opportunities.
3. Activists' interventions

- Cambodia's lack of quota restrictions on the US(/EU) market from the mid-1990s until 1999, combined with constraints on other producing nations in the region led to significant expansion of the industry.
- In June 1998, labour groups in the US petitioned the US government to review the alleged abuse of workers' rights in Cambodia's factories. Around the same time in 1998, the US T&G industries called for imports from Cambodia to be constrained.

- Clinton administration initiated the US-Cambodia Trade Agreement on Textile and Apparel (1999-2004)
- TATA is unique in that it linked annual increases in market access to improvements in labour rights, positive rather than negative incentives.
- In 2001 (-present) ILO began monitoring conditions, which helped inform US decisions on quota increases. ILO monitoring and the ethical producer label attracted both CSR conscious buyers and those who are not.
- However, much of costs to improve conditions passed on to suppliers and the Cambodian government

Implications of the experiment linking trade and labour rights

- Work conditions in factories have improved, despite remaining problems. Yet, the reality is often different than the perception: TU and others pressured to accept conditions in order to maintain investment and not damage the nascent industry, Cambodia's only significant export industry
- a dramatic proliferation of trade unions in Cambodia, 892 plant level unions in 270 (GMAC member) factories; 40-50% of T&G workers are TU members; 18 Federations in T&G; union leadership dominated by men, despite 90% women workers;
- A-B and (C) TU categorization
- Competitive nature of 'representing' workers leads to inter-union conflict and lack of cooperation among unions and between NGOs and unions. A number of corrupt TU tarnish the image of all unions
- Industrial relations are in a very poor state, yet the conditions make it difficult for the independent unions to advance the interests of their members and expand membership---only 3 CBAs in the entire T&G industry is an indicator

- Flexible labor and informalization of work—increased threat of dismissal
- Widespread corruption throughout the garment sector in Cambodia
- Upgrading of the industry is being addressed by USAID, GMAC, ADB, and others to increase productivity, improve management, efficiency, ease import/export etc. This is necessary if the industry is to be competitive.

Minimum wage has been \$45 per month since 2000, negotiations after 2 Indy TU threatened a general strike in July. The US is not likely to grant Cambodia privileges under the TRADE Act, which employers cite as a reason to not agree to a significant wage increase (to \$82-living wage level).

Wage and working hours are rank and file workers primary concern—Brands 'hands-off', passed to suppliers

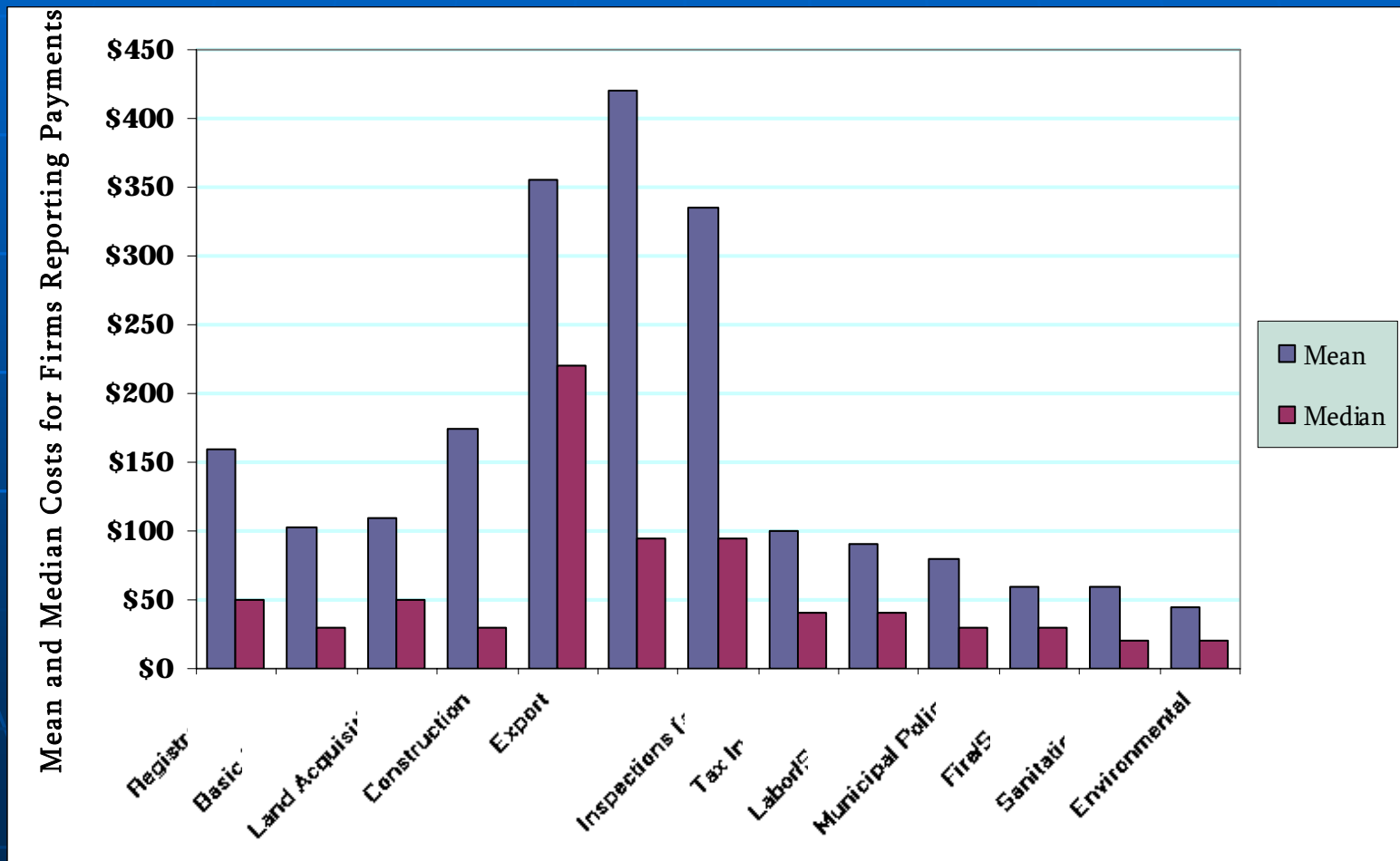
Major concern is how unions can effectively engage employers from East Asia in negotiations

Activists' efforts to improve labor rights implementation

- In terms of quantity, there is no shortage of programs, particularly compared to other countries in the region. Workers knowledge of their basic rights is relatively high, but a number of factors complicate implementation
- Many CSR initiatives including the Clean Clothes Campaign, Oxfam campaigns, and more recently WRC, FLA etc.
- CSR has been successful in many cases, but widespread impact on the T&G nodes of the GVC at point of production is questionable.
- Local to regional links via the ATNC network—Building a systematic approach to East Asian productive capital in Asia

Bribe Costs Associated with Regulations in Cambodia

(Amin, Magdi M. (2004) "Use of Value Chain Analysis to Support Investment Climate Reform", World Bank Group, Private Sector Forum, 20 April, power point presentation.)



Longest Time in Last Year to Clear Customs (Amin 2004)

