



**BetterFactories**  
Cambodia

# Annual Report



International  
Labour  
Organization



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

2020 DATA

# FOREWORD



# Cambodia

In two decades of operation, Better Factories Cambodia has evolved to have an ever-increasing impact on the garment sector in Cambodia. It was the first Programme and today remains a central part of the larger Better Work offering. Better Factories Cambodia supports sustainable solutions for industry-wide change. In 2020, factory-level social dialogue between workers and management, and tailored advisory services and training for factories, have helped mitigate the impacts of COVID-19. The programme has also focused on creating a greater sense of ownership among factory workers and management to ensure greater compliance across the sector, promoting decent, safe jobs for more than half a million workers, especially women.



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# COUNTRY CONTEXT



**597**  
factories  
enrolled



**585,764**  
workers in registered  
factories



**83%**  
of workers  
are women



**260**  
assessments  
completed



**1,162**  
advisory  
visits



**3,526**  
training  
days

## Impact of COVID-19 on the sector

The global pandemic has exposed vulnerabilities within businesses and highlighted the precariousness of workers' livelihoods in Cambodia's garment sector. As raw material shortages and production bottlenecks arose in early 2020, followed by a dramatic fall in demand, factories in Cambodia have faced threats to their viability. In 2020, garment exports, which account for 80 per cent of the country's exports, dropped by over US\$ 846 million from 2019, and the footwear sector by over US\$ 147 million. Among the workers still employed, 49 per cent reported a reduction in income due to COVID-19 production disruptions, and 41 per cent said that they had fewer working hours. Although workplace safety measures and awareness-raising activities have been implemented, workers have indicated that preventive measures such as social distancing are challenging to practice in a manufacturing environment.

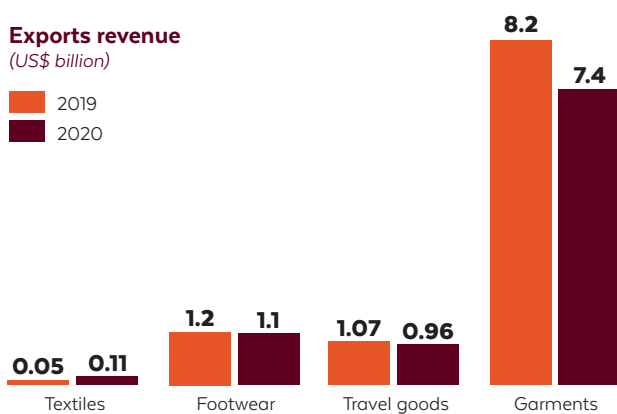


## GARMENT SECTOR STATISTICS

According to the Cambodian Ministry of Commerce, overall exports across the sector reduced by 16 per cent in 2020, most likely due to the impact of COVID-19, but the loss of the EBA in August 2020 also affected the results. Exports to the EU and Japan fell by 17 per cent (to US\$ 4 billion) and 7 per cent (to US\$ 1 billion) respectively. Although exports to the US increased by 19 per cent (to US\$ 5.2 billion), global exports are as follows:

Exports revenue  
(US\$ billion)

2019  
2020



# COUNTRY CONTEXT



## Trade agreements

In parallel to the challenges brought on by the pandemic, Cambodia also faced the partial suspension of "Everything but Arms" (EBA). This trade agreement had given Cambodia preferential access to the European Union market. This partial suspension came into effect in August 2020 following the European Commission's decision to withdraw part of the tariff preferences. The loss of this competitive advantage for the country must be countered in other ways to ensure that the garment sector continues to grow. Remaining competitive will require further investment in workers' skill sets and technology. Diversification into different industries and upskilling of the garment industry is also necessary to add value and resilience to the sector in the face of economic shocks. Despite these impacts, growth in the travel goods and bag sector grew significantly; exports in travel goods to the US grew 18 per cent in 2020, and overall, the value in travel goods exports increased by US\$ 61.5 million in 2020. Additionally, the China-Cambodia free trade agreement – Cambodia's First Bilateral Free Trade Agreement – was signed between the two countries on October 5, 2020. This is anticipated to have a positive impact on exports to China in the medium to long term.

## Partnerships

An on-going partnership for Better Factories Cambodia has been established with CARE, an international humanitarian agency. The goal is to develop industry-wide guidelines for Gender-Based Violence and Harassment in supply chains in Cambodia, an issue that remains in the garment industry globally. The programme wants to ensure the industry can tackle these problems through shared guidelines focusing on prevention and awareness in supply chains. The guidelines are built based on the ILO Convention on Violence and Harassment, 2019 (No. 190) to ensure all actors in the supply chain understand best practices to address this issue.



# ACHIEVEMENTS

## Joint efforts to ensure compliance in difficult times

As the country faced severe social and economic concerns due to the pandemic, Better Factories Cambodia was redeployed to offer factories and workers support on crucial health and safety and industrial relations issues. Rapidly transitioning its approach, the team developed virtual service delivery focused on responding to these issues. A worker outreach campaign on preventative measures was carried out. The team worked side-by-side with the Ministry of Labour and Vocational Training (MOLVT) and other partners to develop, deliver and scale relevant interventions. The ILO joined forces with national partners in a global Call to Action to catalyze the garment industry to support manufacturers to survive the economic disruption caused by the COVID-19 pandemic and protect garment workers' income, health and employment. At the national level, Better Factories Cambodia and the ILO convened



stakeholders to respond by facilitating inclusive dialogue and collaborating on the disbursement of funds from the German Federal Ministry for Economic Cooperation and Development (BMZ) for cash transfers (around US\$ 1.8 million) to workers. Constituents and brands are also committed to finalizing and implementing the Joint Plan for Sustainable Compliance for the industry and creating sustainable social protection systems for a more just and resilient garment industry.



**COVID-19  
RESPONSE**

## A survey with workers showed the effectiveness of messages on COVID-19

Better Factories Cambodia collaborated with factory management to provide visual awareness-raising communication materials on protection and prevention best practices.

A survey of 374 workers between May and June 2020 showed the following results:

**70%**

received updates on COVID-19 from their employer while at work through loudspeakers

**66%**

received updates through posters or other written/visual communications

**84%**

of workers used social media to stay informed

**80%**

say the factories check the temperature and encourage as frequent hand washing as possible

**74%**

have received personal protective equipment from their employer

Better Factories Cambodia continued building and enhancing partnerships with trade unions during COVID-19, particularly in relation to industry knowledge sharing, programme related changes and priorities, and health and safety information.



# ACHIEVEMENTS



## WORKING WITH GOVERNMENT

### Best timing to improve OSH in workplaces

In partnership with the MoLVT, essential training materials on several topics were developed and delivered at the national and provincial levels. Cambodia's annual World Day for Safety and Health – organised by the MOLVT, unions and GMAC, Better Factories Cambodia and the ILO OSH project – was held virtually and brought together over 350 participants. Emergency preparedness was the main agenda item. Tripartite partners agreed that momentum to improve Occupational Safety and Health systems in the workplace was important in the wake of COVID-19 prevention.

Through the Joint Plan for Sustainable Compliance, the programme continued to support the industry on its path towards a culture of good performance and compliance. The government, unions, GMAC and brands agreed on a roadmap during two MoLVT-

chaired meetings in 2020, which will guide this work in the coming years to transform the industry into one where factories are not dependent on external audits. Out of these meetings came a concrete action plan outlining common areas of work by the MOLVT and Better Factories Cambodia over the coming years. This includes knowledge sharing and capacity development to replicate the Better Work approach, tools and guidelines for assessing working conditions, and joint engagement to address low compliance factories. The programme will also work with labour inspectors on assessment and advisory techniques for the travel goods and bags sector. These government representatives will be able to take over Better Factories Cambodia's role as the primary assessment body in this specific industry.



## PROMOTING GENDER EQUALITY

### Survey shows that the programme can drive positive change on gender equality

Better Factories Cambodia published an independent impact assessment [Harnessing Compliance to Improve Well-being and Productivity](#) in 2020, with surveys conducted between 2015 and 2018 with 3,024 workers and 105 managers in factories within their first three years of enrolling in the programme. The results provide evidence that engagement with the Better Work's initiatives and improved compliance can drive positive changes across a broad range of areas, including gender equality. There was a 5 per cent reduction over the three years in how workers reported being treated differently by their supervisor or manager because of their gender. However, there were no significant differences in training and promotion opportunities between male and female workers.

# ACHIEVEMENTS



## WORKING WITH BRANDS

### Partnering with brands for improved compliance

As the main source of up-to-date and relevant information on the COVID-19 situation, Better Factories Cambodia collaborated closely with brands in response to the challenges of COVID-19 on jointly raising awareness of preventive measures and appropriate tools. It was essential at the height of the crisis that messaging from stakeholders was aligned. Better Factories Cambodia worked with brands and GMAC on ensuring concise, clear and united messaging; for example, a joint document on COVID-19 measures, OSH risk assessments in factories and guidance around retrenchment issues. The programme was the primary source of information on the ground in Cambodia and ensured brands had regular, responsive and timely updates on the situation in factories. Through on-going quarterly calls and information sessions, the programme worked with individual brands and manufacturing groups to push for compliance with their suppliers, pulling from up-to-date data and other qualitative information gathered directly from factories. A working group was also formed with five major brand partners in developing guidelines for preventing and remediating sexual harassment and violence. It continues to support the transportation working group, in which 15 brands are members, in the prevention of traffic accidents for garment workers in Cambodia. Through the transportation working group, Better Factories Cambodia worked directly with the Asia Injury Prevention Foundation (AIP Foundation). With this institution, the team conducted a risk analysis in factories to identify which factories' workers are at the highest risk of traffic accidents. Using this information, Better Factories Cambodia advocated with brands and factories to take specific measures to prevent traffic crashes. Over ten of the most at-risk factories are currently enrolled in a traffic accident prevention programme with AIP.



## WORKING WITH EMPLOYERS

### Focus on management systems to eradicate child labour

Over the past decade, child labour has decreased sharply in Cambodia's garment and footwear sector. Better Factories Cambodia and GMAC conducted a Child Labour Management virtual workshop in 2020, which addressed the links between management systems and child labour and identified concrete solutions for factories to prevent this. Attended by 299 participants, this workshop has been a critical marker in ensuring sustainable manufacturing mechanisms to avoid child labour. There are plans to expand the roll-out of these workshops in 2021. Collaboration with GMAC also included understanding ILO OSH guidelines, facilitating dialogue with brands, and jointly communicating COVID-19 prevention measures to factories.

### **FACTORY AMBASSADORS PROGRAMME AIMS TO ENSURE COMPLIANCE**

Better Factories Cambodia launched the 'Factory Ambassador' programme to increase engagement with partners and stakeholders to find joint solutions to garment sector issues. The Factory Ambassadors are compliance staff and workers' representatives empowered to have greater ownership in the factory's improvement process. The initiative was established in nearly 100 factories, equipping 200 participants with skills, tools, and techniques to play a crucial role in factory services. When the team could not make in-factory visits, ambassadors played a vital role in supporting effective virtual assessment and advisory interventions. Participants of this programme are coached and trained to strengthen their knowledge, competencies and skills to implement changes to their workplace.

# ACHIEVEMENTS



**WORKING WITH  
TRADE UNION**

## Partnerships with unions to disseminate COVID-19 messages

Besides the information on health and safety to face the pandemic (see COVID-19 response), the engagement with trade unions also focuses on ensuring gender-inclusive representation. This issue was highlighted during a training course in May 2020 on gender responsiveness for the programme's trade union contact group in Cambodia. Alongside other stakeholders, the team supported unions in the global garment sector Call to Action, working closely with union federation leaders to ensure their input and collaboration in the Joint Plan for Sustainable Compliance in the Cambodian garment and footwear sector (see Working with government, page 6).



***I can use my knowledge from the OSH course to promote a safe working environment, train employees and reward them for safe behaviour. I can also use it to implement safety protocols right from the start."***

*Kong Dara Rath, a Pharmacist and the OSH trainer, OSH Department of Ministry of Labour and Vocational Training*

## ON THE GROUND BENEFITS

### Leadership during the pandemic

Developing good, resilient leaders was the aim of Better Factories Cambodia's Crisis Leadership training with MoLVT officials. The trained government officials have been at the frontline of ensuring COVID-19 protection and awareness in garment factories. The team used a training-of-trainers approach to ultimately train other labour inspectors to scale impact.

The programme's team leaders delivered the training. It took a deep dive into a range of leadership skills, including managing stress, crisis communication processes, ensuring safe and inclusive workplaces and managing retrenchments. Thirty labour officials took part in the training (13 from the Department of Occupational Safety and Health, six from Svay Rieng and seven from Kampong Cham provinces). It is too early to analyse the impact of the training (delivered in December 2020), but MoLVT has requested more leadership initiatives for its senior officials in 2021.

***It has not only helped us to train or work with factories, but, internally, our teamwork has improved because we are more open-minded and are actively discussing how we can better reach out to factory stakeholders."***

*Ms. Khieu Socheat,  
a participant from  
Kompong Cham MoLVT*



# TACKLING CHALLENGES

## Joint collaboration towards an increasingly sustainable Cambodian industry

To ensure Cambodia recovers from this economic crisis, the sector's stakeholders are working to build a local industry that respects workers and the environment and is increasingly managed by Cambodians. Developing local skills and knowledge remains an essential part of the sector's recovery and evolution. Integral to that is a willingness to embrace the shift toward an increasingly digitized sector. Gender inclusiveness and ensuring that workplaces are equitable must also be at the heart of the sector's strategy, alongside developing a deeper pool of skills and knowledge.



## Working towards gender equality

Although more than 80 per cent of Cambodian garment sector workers are female, women mainly occupy the lower-paid and lower-skilled jobs, with limited career advancement opportunities. While improvements in this regard are being made, this remains a persistent problem. The programme has been focusing on increasing the number of women involved in skills-building training and working with men and women in factories on leadership approaches that ensure female voice and representation. The programme also guarantees that stakeholders, such as GMAC, unions and the MOLVT, take these same steps to ensure more gender-balanced workplaces. This includes, for example, working with unions on representation of female and male members,

working with the MOLVT on increased capacity of labour inspectors to carry out inspections for more inclusive workspaces for women. To reach this goal, Better Factories Cambodia provided an induction of three months to its new staff focused on gender-inclusive assessment and advisory techniques. GMAC trainers were also trained on these same topics and gender analysis and facilitation skills. The programme aims to mainstream the sense of importance of gender equality throughout its team. This includes regular analysis of gender-related compliance data, monitoring and evaluating the number of women reached by the programme's initiatives, and continuous and long-term training and awareness-raising on this topic among Better Factories Cambodia staff.

# ISSUES AND ACTIONS

## ISSUES

**The need for a rapid development of virtual services to continue supporting factories to address OSH issues related to COVID-19 while also enabling effective social dialogue.**

## CORRECTIVE ACTIONS TAKEN

The team quickly transitioned to a virtual service model, delivering training and advisory services online by the end of the first quarter. This included the Virtual Compliance Check roll-out — a programme developed, piloted and delivered by the team to more than 90 factories. The VCC was supported by Factory Ambassadors — worker representatives whose role is to ensure the continued implementation of factory services. VCC has enabled Better Factories Cambodia to assess factories through trained compliance officers and Human Resource managers (Factory Ambassadors). The two roles supported the VCC process logistically, ensuring all relevant documents were accessible to assessors. Interviews were able to take place virtually with the right people in a setting that accommodated the sensitive nature of the assessment process. Better Factories Cambodia will also systematically carry out VCCs, and staff has received further training on this. Factory Ambassadors continue to be engaged in advisory factories to ensure they can support the effective set up of VCCs both from a logistical and technical standpoint.

**Creating a safe environment in factories to enable the workforce to return to work in a way that minimizes the risk to their health and the spread of COVID-19, while avoiding the suspension of factory operations.**

The programme offered support to factories on a large scale to disseminate tools to help managers and workers take concrete steps to stay safe. Better Factories developed the instruments in line with international best practices, adapted to the Cambodian garment and footwear context. Better Factories Cambodia, MOLVT and the factories themselves also rolled out a worker outreach campaign mentioned above.

**Understanding the specific concerns of workers during the pandemic, from health risks to the impact of factory closures, reduced working hours, or income, was difficult as the team could not make in-person visits to factories.**

Better Factories Cambodia completed a telephone survey of 374 workers across 100 different factories in mid-2020 to understand their situation and their challenges during the pandemic. This survey helped amplify the voices and concerns of workers. It guided factory efforts in sharing relevant OSH information. It also informed outreach efforts across the sector, particularly concerning the type of information channel workers were using and if they trusted COVID-19 information. The most common concerns cited by workers during the phone calls were related to personal finances and the immediate safety and well-being of individuals and family members. Half of the employees reported being unable to maintain recommended social distance while at work and while commuting. The survey results supported the type of visual awareness-raising communication materials used to engage workers on COVID-19 safety and awareness measures. They also informed virtual advisory visits to factories which re-focused on communicating in a crisis and COVID-19 prevention and awareness in the garment factory context and at home.



# OPPORTUNITIES AND LESSONS LEARNED



## Hotline, calls, social media and apps: new channels with workers

This year, Better Factories Cambodia focused more on worker outreach, exploring different communication options. Some of the initiatives worked well, and some were less successful. The team connected with a large sample of workers when the pandemic hit, quickly obtaining a general picture of their challenges and concerns (see workers survey mentioned above). The staff also developed relevant communication materials for workers, recommending behavioural changes shared on social media platforms and throughout factories. A COVID-19 mobile phone hotline was

set up, which was used less than the workers' shared Facebook page (the social network is the primary source of news for many). Focal group discussions were helpful to explore the potential use of apps to communicate with workers, something that has not yet taken off in garment factories in Cambodia. A range of apps is already under development. One of them is a new labour law app for workers in partnership with GIZ, which is based on the Cambodian labour law guide. The programme is also creating and sharing relevant behavioural change communication materials.

***“With the suspension of factories, loss of jobs, and livelihood concerns, Better Factories Cambodia collaborated with partners such as the government, GMAC, unions and the UN to support the sector. This is essential to address the crisis and to ensure decent work and social justice are at the core of building a better future in Cambodia.”***

*Sara Park, Programme Manager of Better Factories Cambodia*



## A plan for the industry's future

There is increased support across major industry stakeholders for a Joint Plan for Sustainable Compliance in the Garment, Footwear, and Travel Goods Industry, which will be finalized and adopted in 2021 – now seen as even more relevant in the COVID-19 recovery. A core focus in 2021 will involve facilitating and coordinating a collaborative development process in partnership with stakeholders, ensuring their ownership and leadership in implementing and monitoring the plan. The main goal is to improve working conditions and social dialogue, focusing on addressing gender discrimination issues. The team will keep up its efforts to engage brands and develop strategic partnerships around capacity building, gender inclusiveness and effective worker outreach.



### EMPLOYERS

***For the industry's future, it is important the country expands and diversifies trade and that we see increased development of skills in Cambodia. We are already moving in the right direction by expanding Better Factories Cambodia's coverage to the travel goods and bag sector from 2021 onward. Better Factories Cambodia and GMAC together will ensure that new sectors coming into Cambodia comply with both national and international law."***

*Ken Loo, Secretary General, GMACK*



### TRADE UNIONS

***Worker safety must remain the top priority for the Cambodian garment sector. This is key to ensuring longevity, growth and a stable future for an industry that is responsible for the income of almost a million women and men in Cambodia."***

*Ms. Tep Kimvannary, Cambodian Federation Independent Trade Union*



### BRANDS

***As we continue to increase our focus on addressing social dialogue and industrial relations as fundamental to sustainable improvements in the workplace, we have partnered with suppliers and Better Factories Cambodia to implement their Industrial Relations Leadership programme. It is an essential first step for factory management, union representatives, and workers to strengthen their mutual communication and collaboration to improve working conditions, labor rights and productivity. The aim is to further grow and sustain a successful garment and footwear sector in Cambodia."***

*Graham Cronshaw, Country Director, Cambodia, VF corporation*



### GOVERNMENT

***We must all come together: employers, unions, and buyers to ensure the industry's longevity. The Joint Plan for sustainable compliance must be the priority for the industry and requires ownership from every stakeholder. With Better Factories Cambodia and stakeholders, the MOLVT commits to improving labor rights, working conditions, competitiveness and productivity in the garment, footwear and travel goods and bag sectors in Cambodia."***

*HE Heng Sour, Secretary of State, Ministry of Labour and Vocational Training*



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