

KEY FINDINGS: DECLINING INCOME, RISING LIVING COSTS, AND SPIRALLING DEBT POST-COVID



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EVIDENCE OF WORKERS IN DISTRESS: DECLINING INCOME, RISING LIVING COSTS, AND SPIRALING DEBT POST-COVID

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As the Cambodian economy has been recovering from the Covid-19 crisis, its effects on the livelihoods of Cambodian garment workers continue to persist. Several recent surveys conducted among workers indicate that the vast majority have incurred large sums of debt during the Covid-19 lockdowns, with many unable to repay their loans. Moreover, the findings suggest that the effective income of many workers has decreased, while basic living expenses have increased due to inflation. This paper compares the key findings of surveys conducted by CNV, AFWA, and the independent Cambodian trade unions CCAWDU and CATU in 2022 and 2023. Each of these studies highlights different aspects of the increasing immiseration of Cambodian garment workers. The objective of this paper is to summarize and synthesise these findings in order to provide a concise overview that asserts the need for significant wage increases in the Cambodian garment industry ahead of the 2023 national minimum wage negotiations.



4 Workers eating lunch during the noon break.

Making the case for higher wages in the Cambodian garment sector (CNV, 2023)

A digital survey conducted among Cambodian garment workers by CNV International in 2023 demonstrates the need for higher wages in the Cambodian garment sector. Its findings suggest that the effective take-home wages of Cambodian garment workers have declined since 2022, despite the increase of the statutory minimum wage from 194\$ to 200\$ in 2023. Moreover, the costs of basic expenses have also increased dramatically due to price inflation. Meanwhile, the vast majority of workers is still struggling to pay interest on, let alone service, huge debts that were accumulated during Covid-19, when there was widespread job loss, reduced working hours, and insecurity due to emergency measures, order cancellations, and the global economic downturn. Despite the post-pandemic economic uptick, this survey report demonstrates the continued immiseration of Cambodian garment workers, whose real wages are falling and many of whom are trapped in a vicious cycle of interest and debt.

For this report CNV has surveyed 1,197 Cambodian garment workers through a digital survey application in April and May of 2023. The survey asked questions pertaining to earned income, living expenses, debt, and working conditions. Female workers accounted for 78% of responses, 90% of respondents were union members, and 94% of them production workers. Although this sample is not statistically representative of Cambodian garment workers in general, and the sample is different from that of the 2022 survey, the results can nevertheless be regarded as indicative of the larger development of workers' livelihoods in 2023.



6 Worker buys sun-dried river clams for lunch.

Income Decline

Among surveyed workers there was very little variation in reported wages, as 97% reported earning a basic salary of 200\$ to 225\$ per month. As the median reported basic wage was 200\$, this suggests that the vast majority of workers earns no more than the 200\$ basic minimum wage. Supervisory positions, disproportionately held by men, were likely in the higher pay categories, while regular workers, who are mostly women, were earning just the minimum wage. On top of the basic wage, workers receive a mandatory 7\$ travel allowance, and a 10\$ monthly bonus for perfect attendance (which 71% reported receiving), as well as seniority benefits depending on the duration of employment and a skilled labour bonus for certain jobs. Furthermore, 80% of workers reported working overtime, earning a median overtime bonus of 20\$ per month plus the mandatory 0.50\$ daily food allowance for overtime work, which amounts to a median of 10\$ per month. As such, basic wages plus mandatory benefits and additional bonuses amounted to a median reported take-home salary of 257\$ per month. This marks a significant decrease from the 271\$ median income that was reported in the CNV survey of 2022, despite the 6\$ increase of the minimum wage in 2023, suggesting that bonus payments from overtime work and other benefits have significantly decreased.

Increasing Expenses

The 257\$ effective median monthly income falls short of the World Bank's LMICs Poverty Line Wage for Cambodia, which is set at 263\$ for 2023. Indeed, median reported income falls well short of the 425\$ median monthly expenditure reported in the CNV survey. On average, 42% of total monthly expenditure consisted of food expenses, 52% of non-food expenses, and 6% of remittances. While 71% of workers reported having a second earner in the household, with a median income of 250\$ per month, 63% of workers reported (severe) dissatisfaction with their current income level. Moreover, 70% reported being unable to save any money for emergency use, while 40% even reported working a second job to get by. This 425\$ median reported monthly expenditure is a tremendous increase from the 345\$ median expenditure that was reported in CNV's 2022 survey. This implies that living costs for Cambodian garment workers have increased dramatically, suggesting that prices of basic necessities have

increased at a much higher rate than the official 5.3% inflation rate reported for Cambodia in 2023.

Structural Indebtedness

As a result of this structural immiseration as well as the lingering effects of the Covid-19 crisis, 77% of workers report being in debt. The median reported debt was a staggering 5000\$, which is equivalent to nearly two years of wages. Reportedly borrowing at a great variety of interest rates, this level of debt could require interest payments anywhere from 100\$ up to 250\$ per month, suggesting that the majority of workers are spending a significant part of their wages merely paying interest on their debt. Indeed, 11% of those in debt even reported borrowing to repay another loan. Other reported reasons for taking up loans were renovating the house, buying a motorbike, covering medical expenses, and buying food. Of all indebted workers 70% reported borrowing from a bank, 20% from a microfinance institution, 6% from private lenders, and 4% from friends and family.

The findings of the CNV survey thus suggest that the economic position of Cambodian garment workers is deteriorating as income is stagnating, or even declining, while the cost of living has dramatically increased. This, furthermore, means that workers are unable to escape the often-extreme levels of debt that they find themselves in. According to the survey 63% of workers reported needing at least 300\$ to 500\$ per month to cover basic expenses, which would require a 50% - 150% increase in basic wages. In any case, substantial wage increases are required to reverse this trend of immiseration and allow workers to get out of debt. Therefore, the CNV report calls upon employers, clothing brands, and the Royal Government of Cambodia to work towards significant wage increases.



9 Workers get in the car to work at 5 o'clock in the morning.

Asian Floor Wage Alliance living wage survey for Cambodia (AFWA, 2022)

To understand the effects of the deteriorating economic position on the lives of garment workers, a 2022 survey conducted by the Asian Floor Wage Alliance (AFWA) has investigated the food expenses and nutrition of Cambodian garment workers. A cross country comparison of the conditions in South and South-East Asian garment producing nations was also conducted to establish an appropriate living wage level for each country. The findings of the survey conducted by the AFWA in Cambodia in 2022 suggest that Cambodian garment workers are structurally cutting back on food expenses, as well as non-food expenses, because of insufficient income. This raises concerns about widespread (qualitative) malnutrition among workers in the industry. The report details the findings of a household consumption expenditure survey conducted in Cambodia between January and March of 2022. The survey details the food and non-food expenditure of 213 Cambodian garment workers, 82% of which were women, reflecting the heavily gendered workforce. The report also establishes a living wage level on the basis of the actually required food and non-food expenditure for the households of garment workers.

Earnings Below Living Wage

Surveyed workers reported an average monthly income of 254\$ per person and an average of 378\$ per household. Yet, 45% reported being the single earner of their household, and the majority of workers reported having to provide for (young) children. Furthermore, only 45% of workers reported receiving additional bonus payments, such as festival allowance or for reaching production targets. The average combined reported monthly food and non-food expense per household was 424\$, which is well above the average household income. AFWA, therefore, proposes a living wage of 2,334,677 KHR (562\$) per month, while AFWA's 2022 cross-country comparison even proposes a 701\$ living wage.

Cutting Back on Food Expenses

On average, surveyed workers reported spending 11,819 KHR (nearly 3\$) per person on food, amounting to 2521 Kcal of nutrition per day. While this is just above the international poverty level of 2400 Kcal, more than one third of nutrition reportedly came from rice, instead of more costly fresh food, which raises concerns over qualitative malnutrition. The international comparison furthermore reveals that basic food expenses in Cambodia are much more costly than in most other garment producing countries in South and South-East Asia. As such, the average monthly food expenditure of 207\$ per household is only at 68% percent at what is estimated that it would be if workers were earning a living wage. Average monthly non-food spending was reported at 217\$, which is only 78% of what it would be at living wages.

The findings of the survey thus suggest that Cambodian garments workers are structurally cutting back on food expenses because their wages are insufficient to cover the basic costs of living. While wages are barely sufficient for workers to buy enough food, the results also indicate that workers might not be able to afford a nutritionally healthy diet. While a cross-country comparison reveals that nominal wages in Cambodia are higher than in many other South and South-East Asian garment producing nations, basic food costs are also much higher. This difference in purchasing power must therefore also be reflected in living wages in Cambodia, which AFWA has estimated at 701\$ for 2023. Moreover, the fact that most Cambodian garment workers are women (as they are in most other garment producing countries) means that childcare and other forms of non-wage labour and expenses that are typically performed by women must also be taken into account when determining the living wage.



12 Workers get out of the car to go to work.

Independent Union Factory Survey (CENTRAL, 2023)

While the problems of declining income, rising prices, and growing debt persist across the Cambodian garment industry, a survey conducted among workers by independent trade unions CCAWDU and CATU, which provides detailed case study information about a number of Cambodian garment factories and the livelihoods and working conditions of their employees, demonstrates that conditions differ per factory. The results of the survey suggest that, in general, workers' earnings have decreased since the Covid-19-era, as many earn lower base wages and there is structurally less overtime work available. Moreover, production targets, in the form of piece rate pay, are increasingly used to discipline and punish workers instead of as a reward for high productivity. As a consequence of debt incurred during the Covid-19 era, decreasing income, and rising price, more and more workers are in ever greater amounts of debt. This survey, furthermore, shows that that these problems are more pronounced in some factories than in others.

This survey was completed by 308 garment workers, 69% of which were women, and most of whom were union members, between December 2022 and January 2023. The report provides detailed insight into the different conditions of 7 garment factories. The report compares the results of the latest survey with those before Covid-19, showing that conditions have worsened across the board.

Decreasing Overtime Income

The results of this survey suggest that, in general, the effective salaries of Cambodian garment workers have been reduced in comparison to pre-pandemic levels. In this latest survey 75.5% of workers reported earning a base wage of 200\$ (or less), compared to only 51% before Covid-19. Paradoxically, this implies that, despite the 10\$ increase of the minimum wage between 2020 and 2023, many workers are earning a lower base wage than before. As such 65% of workers reported earning insufficient wages to get by. The report shows that this change has been much more pronounced in some factories than in others. Moreover, opportunities to earn more income through overtime work have also decreased as 67% of workers reported not receiving overtime work at all, compared to only 21% in 2020. Whereas 53% was working more than 10 hours of overtime per week before 2020, currently this is only 4%. As such, average

monthly overtime pay has decreased from 34\$ to 11\$ in this period. Again, while this seems to be a common trend among all factories, it was much more pronounced in some than in others.

Certain factories reportedly even provide less work than the standard 48-hour work week due to a lack of orders, effectively reducing the base wage by forcing workers to take unpaid leave on certain days, which also meant that they would not receive their full attendance bonus either. As such many workers are not able to earn overtime or piece rate bonuses, because there is not enough work to do. And, while piece rate pay used to be another way that workers could increase their earnings through hard work, production targets increasingly seem to be used to put pressure on employees to work harder or even punish them when they fail to meet their targets, even if overtime work is unavailable.

Unable to Repay Debts

Due to the economic shock of the Covid-19 crisis and the current deterioration of the economic position of Cambodian garment workers, almost all workers reported being in debt. 91% of respondents reported being in debt and 70% of them reported that their debt had increased since Covid-19, because of factory suspension during the lockdowns, as well as income reductions and increasing costs of living since then. 37% of workers even reported having to pay off multiple loans. While most reported loans from official lenders, such as banks and microfinance institutions, 27% reported borrowing from loan sharks and 18% from friends and family, against 20% monthly interest. As such, 54% of workers reported often being unable to make debt repayments. Often, inability to afford interest means that some workers have to sell property, such as land titles, to make payments or it can put workers in a compromised position vis-à-vis lenders.

The results of this union-led survey show not only that real wages have been falling due to inflation, but also nominal wages have decreased for many workers, since 2020. On top of decreasing base wages, overtime wages and piece rate bonus are also increasingly unavailable. Debts accumulated during the Covid-19 crisis continue to burden the vast majority of workers, many of whom struggle to pay the interest, let alone repay the principle. While these trends are visible in all surveyed factories, they are much more pronounced in some than in others, as these problems are most

extreme in factories that were hit the hardest by the Covid-19 crisis. The findings of this survey thus affirm the need for substantial wage increases that would allow Cambodian garment workers to cover basic needs and get out of debt.

16 Worker is having breakfast before going to work.



Conclusion & Recommendations

The findings of the surveys discussed in this report reveal the worrying trend of increased immiseration among Cambodian garment workers, whose incomes are declining, whose purchasing power has decreased, and who are burdened by large amounts of debt. While the survey samples might not be statistically representative of the Cambodian garment industry as a whole, and the longitudinal comparisons over the years were not conducted with the same samples, these surveys nevertheless report similar findings, thus indicating the same development. As they all focussed on different aspects of the issue, their results can thus be used to interpolate the more general trend.

The First Trend

The first trend that these reports show is that effective take-home wages in the industry are declining. The CNV survey shows that there is very little variation in basic wages across the industry, reporting that the nearly all workers earn no more than the 200\$ minimum wage as the base wage. This is confirmed by the independent union survey, which reports that 75.5% of workers earns the 200\$ minimum wage as a basic wage, up from 51% before Covid-19, suggesting that base wages are in fact falling even though the statutory minimum wage has increased. Furthermore, additional income from overtime work and other benefits such as piece rate bonus and attendance bonus, which account for a large part of effective income, has also decreased. The independent union survey reports that average monthly overtime pay has fallen by 22\$ (from 34\$ to 11\$) per month since 2020. Similarly, the 2023 CNV survey reports a median income of 257\$, which is 14\$ lower than the 271\$ that was reported in 2022. The AFWA survey reports a similar level of monthly income at an average of 254\$ per person and 378\$ per household. Due to the purposeful complexity of the wage breakdown into base wage plus various benefits, allowances, and bonuses, Cambodian garment workers have experienced an insidious wage decrease, despite increases in the sector's minimum wage.

The Second Trend

The second trend that these surveys show is that the basic living expenses of Cambodian garment workers are increasing and that they are structurally higher than actual income levels. The CNV and AFWA surveys report very similar levels of monthly expenses at 425\$ and 424\$ respectively. This is well above the average monthly household income that AFWA reports at 378\$. Moreover, this is a huge increase from the median expenditure of 345\$ per month reported by CNV in 2022, which suggests that price levels for basic necessities have increased at a much higher rate than the official inflation rate of 5.3%. As such, it is no wonder that CNV reports that 40% of workers have a second job (on top of a 48-hour work week plus overtime) to make ends meet. Moreover, the surveys shows that garment workers are structurally cutting back on food expenses and are unable to save money for emergencies.

The Third Trend

The third trend that these surveys demonstrate is that the vast majority of Cambodian garment workers are stuck in a vicious cycle of debt. The CNV survey reports that 77% of workers are in debt with a median debt of 5000\$. The independent union survey even reports that 91% are in debt, with 54% unable to make repayments, and 34% even having multiple loans. It, furthermore, reports that 70% of workers have suffered increased debt since Covid-19, when they were forced to borrow money to survive.

These surveys thus show that, in general, the income of Cambodian garment workers has declined, while living expenses and debts have increased. Despite marginal increases in the national minimum wage over the last few years, Cambodian garment workers are faced with continual impoverishment. As such it becomes clear that Cambodian garment workers need significantly improved wages to cover basic living expenses and repay their debts. Moreover, increases in the minimum wage have to outweigh loss of additional income from overtime work, bonuses, and benefits to ensure that effective take-home wages are actually increased. The CNV report suggests a necessary minimum wage of ranging from 300\$ to 500\$ to meet the basic needs of workers, while AFWA suggests a living wage of 701\$ for Cambodia. In any case, a substantial increase of the minimum wage is required to move towards a living wage in the Cambodian garment industry.

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