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Cambodia to Raise Monthly Minimum Wage to \$140

By [Dene-Hern Chen](#)

PHNOM PENH, Cambodia — The Cambodian government set a new minimum wage of \$140 a month on Thursday morning for workers in the apparel industry, a 9 percent increase from the current monthly wage of \$128.

The new amount — which will be instated nationwide in January — came after two weeks of negotiations between the employers and unions, who both pushed for differing figures ranging from \$133 to \$160. While employers argued that the \$5.7 billion industry suffers from a lag in productivity and could only stomach a wage raise dependent on inflation, unions felt that the amount should be able to cover a worker's living costs, which a recent study showed averaged about \$207 a month.

The Labor Advisory Committee (LAC), a tripartite governmental body tasked with producing a final figure, decided on Thursday that the wage should be \$135 a month. Shortly after, Prime Minister Hun Sen stepped in and added \$5 to that amount.

Albert Tan, treasurer of the Garment Manufacturers Association in Cambodia (GMAC) — which represents the 700 exporting factories — said that the new amount, which is much higher than GMAC's initial proposal of \$133, could see factories cutting jobs to accommodate the increase.

“We don’t think the industry can accept such a high increase,” Tan said. “We are really suffering from a lack of orders. Orders are inconsistent nowadays, and many factories have already reduced capacity due to losses, and many factories are less able to afford overtime now.”

Despite Tan’s laments about losses, data from the Cambodian Ministry of Commerce shows that exports have actually increased by about 10 percent during the first six months of 2015 compared to the same period last year, totaling more than \$2.7 billion.

In addition, a U.S. Commerce Department report shows that apparel and textile imports from Cambodia saw the largest increase in August among the top 10 supplier countries: They jumped 33.6 percent compared to the year before to 120 million square meter equivalents.

Ath Thon, head of the Coalition of Cambodian Apparel Workers Democratic Union, decried the decision of the government and the LAC, which he believes is unfairly stacked against the workers. He explained that the members making up the LAC include 14 representatives from the government, and seven each from the unions and the employers. Within the seven from the unions’ side, Ath Thon said that only he and one other member voted for the union-proposed \$160, while the government-aligned unions voted for \$135.

“Among the unions, there are some who are not independent — they don’t vote for workers’ amounts, they voted for the government’s or the employers’ amount,” Ath Thon said. “My feeling is that this amount [\$140] is too low and it cannot allow for the survival of the workers’ livelihoods.”

Both Ath Thon and GMAC’s Tan said that the prime minister’s addition of \$5 was for political reasons. “He wants to have more support from the workers,” Ath Thon said.

This is not the first time Hun Sen has stepped in. Last year, after months of debate and deadlock between unions and employers, the LAC finally decided to increase the minimum wage from \$100 a month to \$123 for 2015, only to have Hun Sen up it by \$5, bringing it to the current amount of \$128.

Heng Sour, a spokesman of the Labor Ministry, said that it is the “tradition of the government” to do this.

“This is his authority to decide. If he thinks economic growth is positive and if there is room for productivity improvement, then he can make it higher,” Heng Sour said.

He declined to comment on the economic reasoning behind the prime minister's decision to increase it by \$5.

Calling it a "short-term fix," William Conklin of the Solidarity Center, a labor rights organization affiliated with the AFL-CIO, said a longer-term approach is needed in order to get a minimum wage high enough to meet basic needs, such as instating a commitment to achieve a base wage in a number of years.

"A longer-term approach will at least bring predictability on wages to brands, which they want," he said, adding that the new wage will still force workers to rely heavily on excessive overtime hours to supplement their take-home income.

He added that the negotiation process, and the LAC body itself, has always leaned in favor of the government's desired outcomes, as the pro-government unions will always follow the government.

"The negotiation process was also not allowed to continue as the government forced a vote today, even though both sides were far apart," he said. "These are just a couple aspects of a process where the outcome was preordained."

A local economist, Chan Sophal, who serves as the director of the Center for Policy Studies for Cambodia Development, said that this seemingly arbitrary topping up of the minimum wage — without a transparent explanation — could be problematic from a potential investor's perspective.

"It creates a few problems. One is the perception of the interference by a politician in the minimum wage, and the other issue is whether the wage is properly calculated," he said.

But Sophal contended that, because the prime minister has stepped in before, it has become "predictable."

"I think companies looking to invest in Cambodia care more about the wage level itself than the predictable political adjustment. So long as it is predictable, the negotiation teams may have factored in this addition and thus it should not be such a big deal," Sophal said. "Politically, this practice makes the prime minister look generous and workers may have gratitude for him."