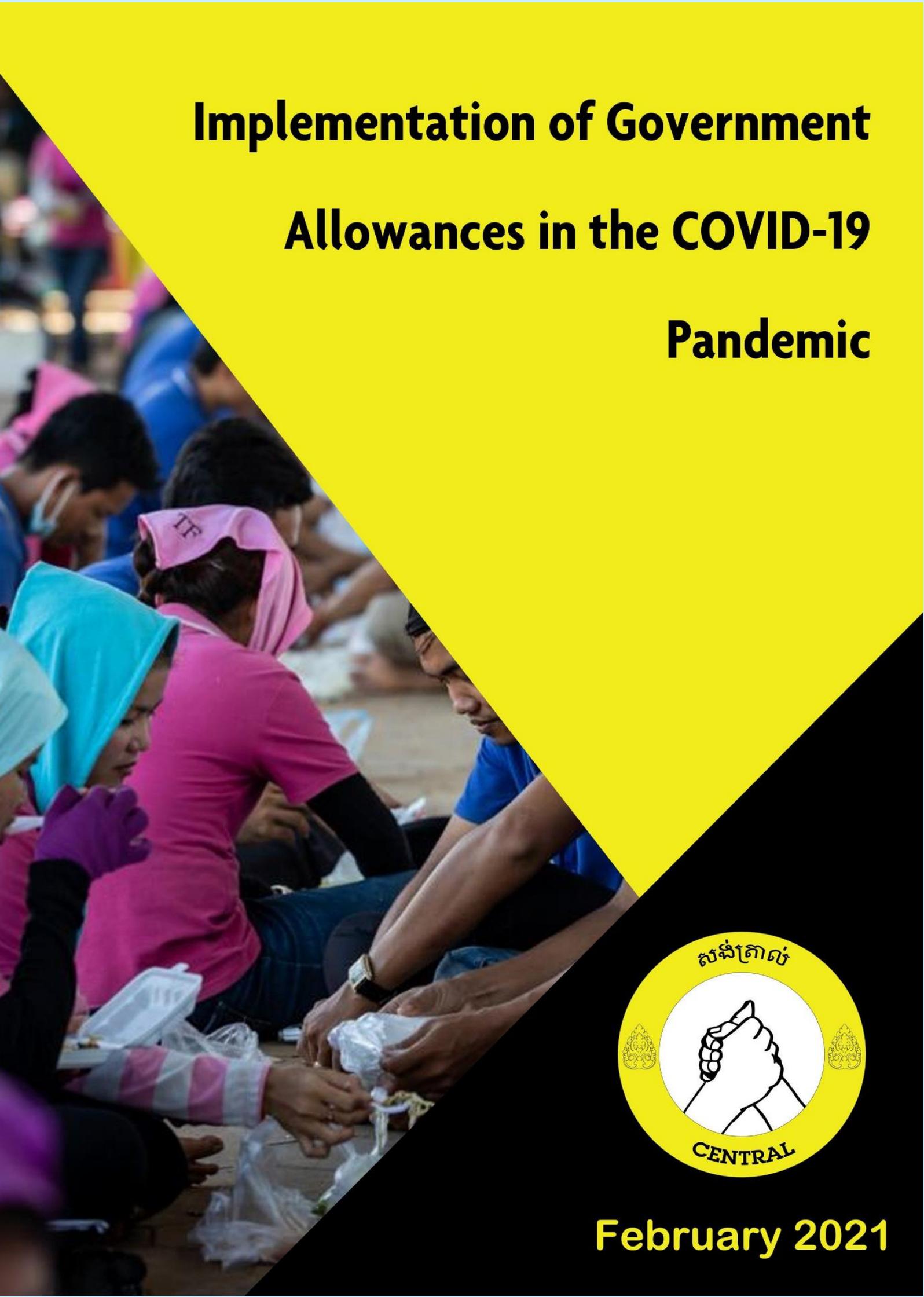


Implementation of Government Allowances in the COVID-19 Pandemic



February 2021

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1. Introduction

On 9 February 2020, Ministry of Labour and Vocational Training (MoLVT) spokesman Heng Sour first warned that employment suspensions could occur as a result of raw material shortages caused by factory closures in China which was then grappling with the first wave of COVID-19.ⁱ Two weeks later, Prime Minister Hun Sen announced a number of measures to “guarantee economic and social stability”ⁱⁱ, including the provision of 60% of minimum wage (US\$114) to suspended garment sector workers for up to six months, with 40% (\$76) paid by employers and the remaining 20% (\$38) paid by the Government.

By 1 April, the MoLVT reported that 91 factories were under suspension with approximately 61,500 workers affected.ⁱⁱⁱ On 17 April 2020, following complaints from the Garment Manufacturers Association in Cambodia (GMAC), an employer representative body, that factories were unable to pay the full 40% ordered^{iv}, the Minister of Labour and Vocational Training issued Instruction No. 045/20 K.B/S.N.N.Kh.L on the Suspension of Employment Contracts and the Postponement of NSSF Contributions for Factories, Enterprises and Establishments in the Garment and Tourism Sectors Severely Affected by COVID-19. In particular, these Instructions established procedures for payment of allowances to suspended workers based on the length of each individual work suspension:

- US\$25 for suspensions of 7 – 10 days in one month (\$10 paid by employers and \$15 paid by the Government);
- US\$50 for suspensions of 11 – 20 days in one month (\$20 paid by employers and \$30 paid by the Government);
- US\$70 for suspensions of 21 days in one month up to a full month (\$30 paid by employers and \$40 paid by the Government).

Whilst the payments represented a decrease on what was originally promised by the Prime Minister, they were extended to certain tourism sector workers. On 26 May 2020, the Ministry of Labour and Vocational Training issued the first Notification on the payment of these allowances. Since then, as of the time of writing, 50 such Notifications have been issued by the Ministry detailing further payments. Each Notification notes the total number of workers to whom allowances of the Government have been paid, along with the names of enterprises whose workers received those payments.

Center for Alliance of Labor and Human Rights (CENTRAL) has collected each of these Notifications, the analysis of which provides an insight into the devastating effects that the COVID-19 pandemic has had on two of Cambodia’s most vital industries.

2. Findings

As of the time of writing, Government allowances have been paid to employees at 613 enterprises in the garment and tourism sectors. 203 enterprises were in the tourism sector and 410 in the garment sector. It should be noted that for the purposes of these allowances, the “garment sector” is used by the MoLVT as a catch-all word to encompass a number of manufacturing industries including textile, footwear and bag factories as well as a smaller number of toy and plastics producing enterprises. The “tourism sector” similarly, includes hotels, guesthouses, restaurants and travel agencies. A more detailed breakdown of the sectors represented in those enterprises which received allowances of the Government is included in Table 1.1 below. In February 2020, the MoLVT reported a total of 1,209 “garment sector” factories.^v Whilst it is unclear if the definition of a “garment sector” factory there is the same as that used in Instruction No. 045/20, if it is, this would mean workers at just under 34% of enterprises in the sector received Government allowances between May 2020 and January 2021.

Table 2.1: Sectors represented in enterprises whose employees received allowances of the Royal Government from 26 May 2020.

Sector*	No.
Bag	71
Casino	2
Food & beverage services	8
Footwear	54
Furniture	2
Garment	250
Hotel/guesthouse	113
Plastics	9
Restaurant/bar	34
Textile	20
Tourism (other)	13
Toys	3
Travel agency/tour operator	33
Umbrellas	1
Grand Total	613
*Based on each company’s registered activities with the Ministry of Commerce and their current, public business activities.	

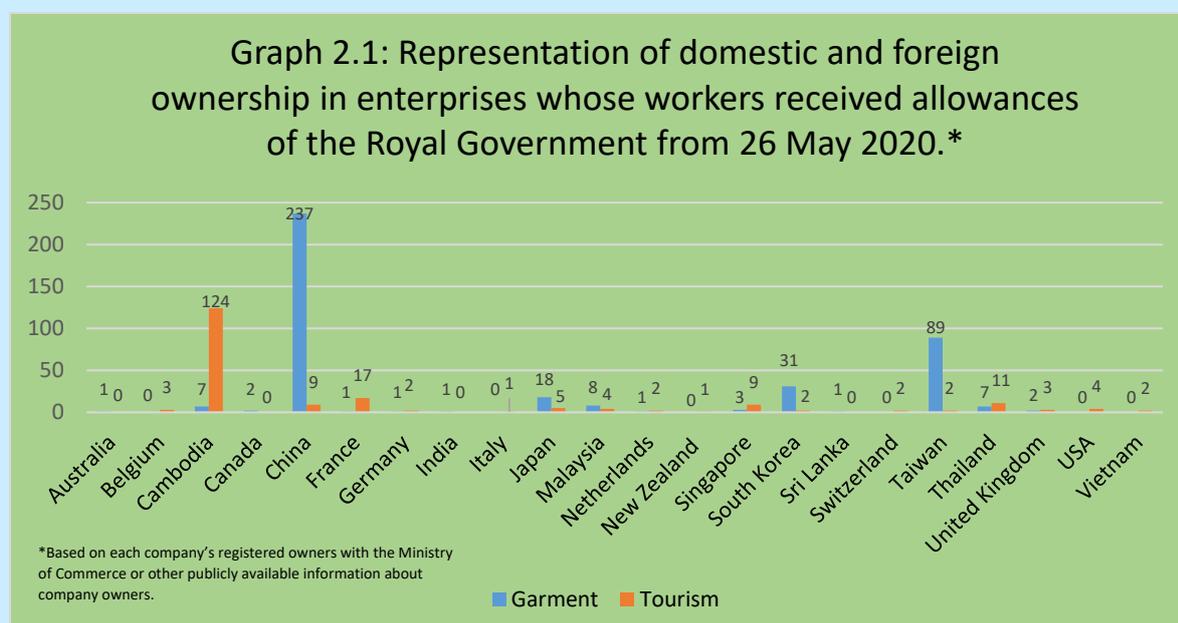
This number is unlikely to reflect the total number of garment and tourism sector enterprises which have suspended operations during the COVID-19 pandemic as some would have suspended operations prior to the introduction and implementation of Instruction 045/20. For example, in March 2020, MoLVT spokesman Heng Sour announced that fifty factories had suspended 20,940 workers during raw material shortages in the early months of the year whilst the virus was still largely contained to China.^{vi} At the end of April, this had increased to over 130 factories, affecting more than 100,000 workers after major outbreaks across Europe and the United States; Cambodia’s primary export markets in the garment sector.^{vii} In December, MoLVT spokesman Heng Sour announced that between February and 30 September 2020, 506 factories had suspended operations affecting 323,208 workers^{viii}; a higher number than the number of garment sector factories whose workers are reported to have received allowances of the Government (410).

Similarly, the number of tourism sector enterprises whose workers received allowances of the Government (203) does not reflect the total number of suspensions in the industry. In part this is because, unlike the garment sector, provision of allowances of the Government for tourism sector employees is restricted only to those companies located in Phnom Penh, Siem Reap, Preah Sihanouk, Kep or Kampot. In contrast, in January 2021, the Ministry of Tourism announced that over 200 hotels and more than 300 guesthouses had closed in 2020 because of the COVID-19 pandemic, with the worst-hit provinces including Svay Rieng, Banteay Meanchey and Battambang; all provinces not included in the Government’s allowance scheme.^{ix} Consequently, it seems clear that further support is necessary for tourism sector enterprises across the country, not just in the five regions currently included in Instruction 045/20. To this effect, the Government should extend the provision of

employment suspension allowances to tourism sector employees all across the country as is currently practiced in the garment sector.

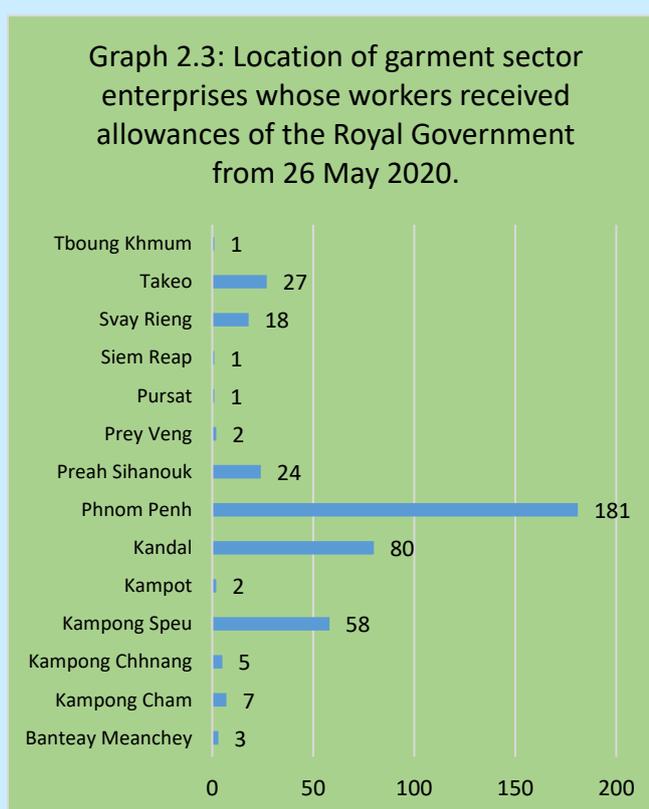
Also of note is the discrepancy between publicly reported numbers of hotels and guesthouses having suspended operations and the number of hotels and guesthouses whose workers have received allowances of the Government. For example, in June 2020, the Siem Reap Provincial Department of Tourism reported that 172 hotels in the province alone had suspended operations, with 18 having closed altogether.^x However, of the 113 hotels/guesthouses whose workers received allowances of the Government, only 84 were from Siem Reap. Even assuming for misclassification of some hotels/guesthouses as other types of tourism sector enterprises, workers at only 133 tourism sector companies in Siem Reap have received Government allowances. At the same time, in June 2020, whilst the Siem Reap Provincial Department of Tourism reported that 172 hotels in the province had suspended operations, employees at a total of only 30 tourism sector enterprises in Siem Reap province had received allowances. It is unclear what the cause of this discrepancy is, though there are several possible explanations. Some of those 172 reported suspended hotels may have resumed operations, or now be amongst the hundreds of hotels reported by the Ministry of Tourism to have closed in 2020 and hence their employees were ineligible to receive Government allowances. Whilst unlikely given how widespread publication of the Government allowance scheme was, some hotels may have been unaware of the scheme or the procedures to apply for it. On the other hand, others still may have suspended operations with disregard for the provisions of Instruction 045/20. Nevertheless, the relevant provincial and municipal labour inspection departments should actively investigate any such discrepancies between those numbers of suspended enterprises reported to and by the Ministry of Tourism with the numbers of enterprises applying to the MoLVT for their employees to receive allowances of the Government. In the event that enterprises were genuinely unaware of the existence of or the procedures for applying for inclusion in the Government’s allowance scheme, then MoLVT officials should guide them on those processes and make up shortfalls in allowances that were not previously paid to employees for time suspended from employment. If, though, officials find that a company has acted contrary to or with disregard for the provisions of Instruction 045/20 in suspending employees, the MoLVT should both sanction the enterprise in question and hold it responsible for compensating employees for time suspended.

Of those companies whose employees received allowances of the Government, just under 80% were foreign-owned or invested companies. Graph 2.1 below provides a detailed breakdown. Primarily this



came from the garment sector, where more than 98% of enterprises were foreign-owned or invested. In contrast, more than 61% of enterprises in the tourism sector were domestically owned.

Workers from enterprises in Phnom Penh and Siem Reap were the largest beneficiaries of Government allowances, making up 39% and 21% of total enterprises respectively. However, of those enterprises in Siem Reap, all but one were tourism sector enterprises. In the garment sector, outside of Phnom Penh, Kandal and Kampong Speu provinces were the most highly represented, comprising 19% and 14% of garment sector enterprises. Graphs 2.2 and 2.3 below provide a detailed breakdown of the locations of enterprises whose workers received allowances of the Government.



The data on provision of Government allowances provides an insight into the devastating impact that the spread of COVID-19 had on both workers and the Cambodian economy. As of the time of writing, a total of 566,929 individual payments have been made to workers. It should be noted that this does not reflect the total number of workers who have received allowances of the

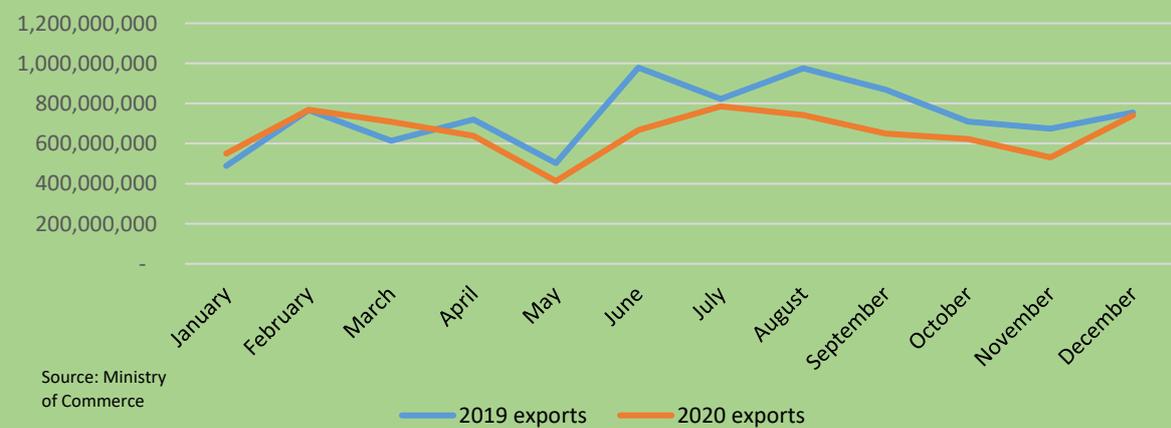
Government. As most enterprises have suspended on more than one occasion, many workers are likely to have received Government allowance payments on more than one occasion. At the end of December 2020, Prime Minister Hun Sen, referring to a report of Ith Samheng, Minister of Labour and Vocational Training, stated that, as of 28 December, Government allowance payments had been provided to 329,091 workers totalling more than US\$20 million.^{xi} The provision of these payments peaked in July 2020, when more than 207,000 individual payments were made. This then dropped to approximately 40,000 payments per month for the period of August to October 2020, before dropping slightly again to approximately 20,000 payments per month in November and December and then further again to just over 14,000 payments in January 2021. These drops are reflected in the MoLVT's report that as of 28 December 2020 there were 43 factories under suspension, affecting 14,578 workers.^{xii}

Graph 2.4: Number of individual Government allowance payments made per month May 2020 - January 2021



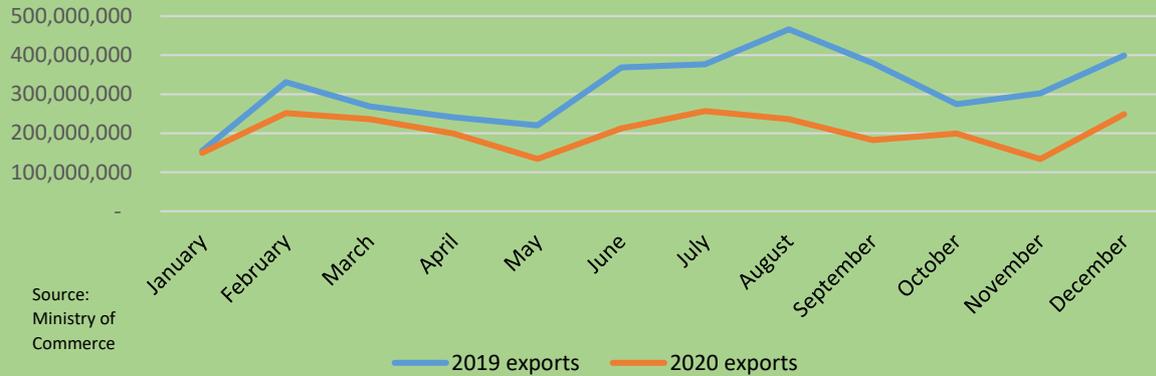
The drops in numbers of workers receiving monthly allowances is hopefully indicative of an industry on the rebound, in no doubt helped by Cambodia’s successful health response to the COVID-19 pandemic if compared to other garment producing nations such as Myanmar and India. This is in part reflected in the trend of garment, footwear, textile and travel goods export numbers which, although still down on 2019 figures, improved in December coinciding with Christmas in the United States and Europe, ending just 1.9% lower than December 2019 figures. Overall, though, garment, footwear, textile and travel good exports under Generalised System of Preferences (GSP)/Most Favoured Nations (MFN) systems were down by just over US\$1 billion in 2020 compared to 2019, an 11% drop.

Graph 2.5: Cambodian garment, footwear, textile and travel goods exports under GSP/MFN systems 2019 & 2020 (\$US)



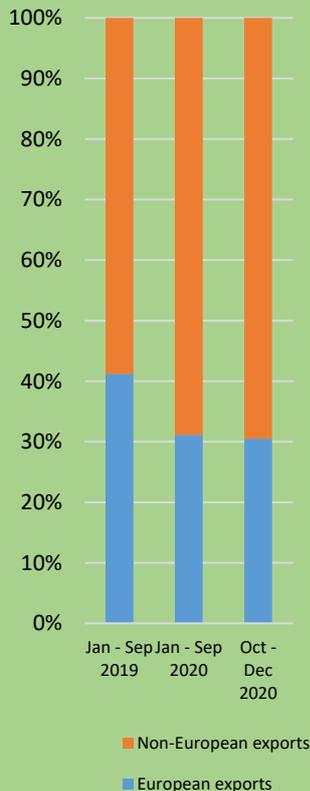
In many ways, COVID-19 could not have come at a worse time for the Cambodian economy, with the cancellation of orders due to the pandemic compounded by the loss of European orders following the European Commission’s decision to withdraw 20% of Cambodia’s tariff-free access to the European market for selected garment and footwear products and all travel goods and sugar.^{xiii} Consequently, garment, footwear, textile and travel goods exports to the EU have dropped by more than 35% in 2020, equivalent to US\$1.3 billion.

Graph 2.6: Cambodian garment, footwear, textile and travel goods exports under GSP/MFN systems to the European market, 2019 & 2020 (\$US)



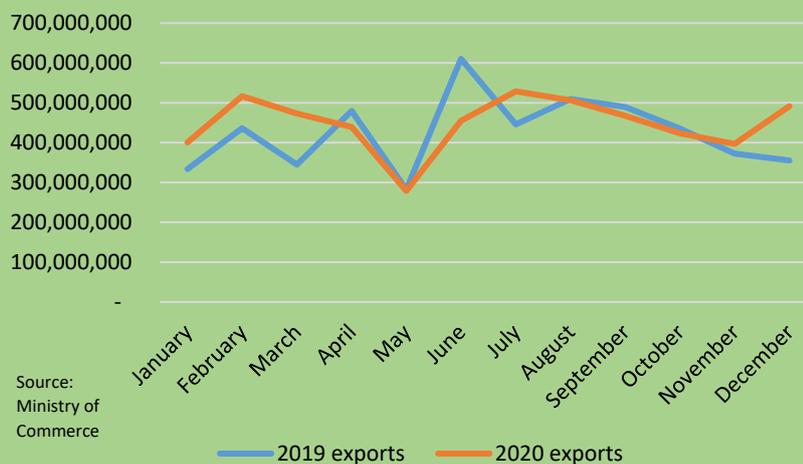
Whilst the enormous drops in garment, footwear and travel goods exports to the European market were widely expected, there have not yet been corresponding changes in the proportions of exports to the European and non-European markets. For example, in the period January – September 2019,

Graph 2.7: Proportion of garment, footwear, textile and travel goods exported to European and non-European markets under GSP/MFN systems



the European market accounted for more than 41% of all Cambodian garment, footwear, textile and travel goods products exported under GSP/MFN systems.^{xiv} In the same period in 2020, exports of these goods to the European market had dropped by more than 36%, or just over \$1 billion, yet the share of goods being exported to Europe reduced by only 10% to just over 31%.^{xv} In the period October to December 2020, the proportion of garment, footwear, textile and travel goods exported to Europe marginally reduced further to 30.5%. Meanwhile, exports of these products to non-European markets appear to have remained largely stable in 2020 based on 2019 trends.

Graph 2.8: Cambodian garment, footwear, textile and travel good exports under GSP/MFN systems to non-European markets, 2019 & 2020 (\$US)



However, whilst the trend of MoLVT allowance payments indicates a hopeful resurgence of the garment, footwear, textile and travel goods industries, they seem to tell an opposite story in the tourism sector. Since November 2020, the number of tourism sector enterprises whose workers received allowances has outweighed the number of garment sector factories, with the trend noticeably increasing from December to January 2021. This underlines the necessity for further support to the tourism industry and in particular for the extension of provision of MoLVT allowances to workers in tourism sector enterprises across the country. As the proportion of tourism sector enterprises has increased, the total number of workers to whom allowances have been paid has declined, reflecting the smaller number of workers per enterprise in the tourism industry compared to the garment industry. In this sense, the added burden to the State in extending coverage of MoLVT allowances to workers in tourism sector enterprises across the country is easily manageable in circumstances where the number of high worker density factories in the garment sector constitute a lower percentage of suspended enterprises.



3. Conclusion

Putting to one side the issue of whether the US\$70 per month provided through Government allowances is sufficient to cover workers' basic needs during periods of employment suspension, the processing and provision by the MoLVT of more than 560,000 individual payments to workers during the pandemic is an exceptional achievement. Most importantly, it has proven that Cambodia has the capacity to implement large scale social assistance programs during periods of emergency. The successes in the MoLVT's allowance program during the COVID-19 pandemic can and should be taken to inform and support further social protection programs in Cambodia. The current program, for example, could be changed from a temporary measure into a permanent protection scheme covering all workers in all sectors in Cambodia.

The current trend of increasing proportional suspension of tourism sector enterprises highlights the need for further Government support for this sector. Whilst the draft roadmaps to recovery prepared by the Ministry of Tourism are a start in this regard, the Government should consider extending the provision of employment suspension allowances to tourism sector industry workers across the country. In particular, the Ministry of Tourism has recognised that tourism sector enterprises in Svay Rieng, Battambang and Banteay Meanchey provinces have all been particularly hard hit during the pandemic.

As well, the discrepancy in reported numbers of enterprise suspension and closure, particularly between the MoLVT and the Ministry of Tourism for the tourism sector, should encourage the MoLVT to actively investigate any instances of enterprises suspending workers' employment not in accordance with the provisions of Instruction No. 045/20. For those enterprises which were genuinely unaware of those procedures, MoLVT officials should guide them and then make up shortfalls owed to workers. However, for those enterprises which deliberately disregarded the provisions of Instruction 045/20, the MoLVT should impose fines on them whilst holding the company directly liable for repayment of amounts owed to workers during periods of suspension.

4. Recommendations

- Extend the provision of current employment suspension allowances to tourism sector workers across the country, especially in provinces recognised by the Ministry of Tourism to be among the worst-affected by the impacts of the COVID-19 pandemic.
- Actively investigate any instances of enterprises suspending workers' employment not in accordance with the provisions of Instruction No. 045/20 and ensure workers receive amounts owed to them during periods of suspension.
- Consider the transformation of the current employment suspension allowance scheme into a permanent social protection program extended to cover all workers in all sectors in Cambodia.

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- ^v Report on Summary of 2019 Work Results and Work Direction of the Ministry of Labour and Vocational Training in 2020, p. 4.
- ^{vi} <https://cambojanews.com/50-factories-suspended-operations-amid-coronavirus-driven-supply-shortage/>
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- ^{xiii} https://ec.europa.eu/commission/presscorner/detail/en/ip_20_229
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