



Case Study

Transparency in Cambodia's Garment Sector Working Conditions



BETTER WORK

 **better
factories**
Cambodia

In 2014, Better Factories Cambodia began a new programme publicly naming garment factories alongside their labour conditions with the aim of accelerating factory improvements.

In 2013, significant improvements were made in Factory A* in Phnom Penh, Cambodia. 38 out of 47 violations related to labour rights were rectified in areas that had been non-compliant with laws and standards over several years. The factory had been assessed thirteen times by Better Factories Cambodia's (BFC) monitors over a period of more than 10 years. The onset of BFC's transparency programme provided an incentive for the factory to implement many positive changes in anticipation of the factory's conditions being publicly disclosed.

This factory represents just one example in the global garment industry of where monitoring alone over many years does not result in change. Public disclosure in the form of Better Factories Cambodia's transparency programme is providing an additional lever to accelerate improvements.



Changes made by Factory A* in anticipation of transparency:

Improving emergency preparedness by ensuring access paths are free of obstructions and emergency exits are unlocked.

Paying proper attendance bonuses to newly recruited probationary or casual workers.

Ensuring that that workers undergo a medical examination before beginning work and that they understand their employment terms.

Providing chairs for workers who work standing up.

Setting up a nursing room for new mothers in the workforce.

Developing a health and safety policy in accordance with Cambodian law.

*Factory name is withheld here in order to accommodate possible changing circumstances and contribute to longevity of this document. For an updated list naming factories in accordance with their conditions please visit betterfactories.org/transparency



The Case for Transparency

The linkages in the global garment industry have become increasingly opaque in recent decades.

The connections between production and final retail outlets are complex, due to the prevalence of sourcing agents and subcontracting. Often, brands themselves are not able to verify each factory location their individual products are being produced in, and consumers and civil society are unaware of where and in what conditions goods are being made. Following the Rana Plaza building collapse in Bangladesh where more than 1134 people, mostly garment workers, were killed, some of the brands whose goods were produced in garment factories within the building reported that production in these facilities was not authorized. The magnitude of the tragedy drew an unparalleled public spotlight onto the garment industry's conditions and civil society groups called for greater information

on where and in what conditions clothing was being produced.

After the tragedy, governments, employers, buyers and trade unions in Bangladesh and elsewhere made moves towards greater transparency in pockets of the industry. The Bangladesh Accord on Fire and Building Safety is publishing all factory inspection reports and has released video footage from some inspections. Among Better Work country programmes, the Better Work Haiti project has publicly disclosed the outcomes of its factory assessments since its inception in 2009. Additional plans are underway to bring transparency programmes to all of the countries where Better Work operates.





The launch of the BFC transparency programme was accelerated in the aftermath of the Rana Plaza collapse and a partial factory building collapse in Cambodia which killed two workers just a few weeks after the Bangladesh collapse. Proponents believed that transparency was needed to apply an additional lever for change to accelerate industry progress and highlight good practices. Exposure would encourage factories providing good working conditions to continue their practices. This information would also make it easier for brands to identify the best performers, seek them out and work

with them. Conversely, factories with violations of these critical issues would feel pressured to improve. Additional rationale included the desire to bolster enforcement efforts by the Royal Government of Cambodia and uphold the Cambodian garment industry's reputation for decent working conditions.

BFC worked with its tripartite partners to develop a targeted transparency programme, disclosing compliance information about individual garment factories online. Betterfactories.org/transparency was launched in March 2014.

The Cambodian Export Garment Industry

Cambodia's garment export production industry began to emerge in the 1990's. The country was still dealing with the impacts of the genocidal Khmer Rouge regime, which killed approximately 1.7 million people during the late 1970s. The garment industry was seen as an opportunity to bring much needed economic development but its growth was accompanied by concerns about working conditions. As a response, the United States negotiated a 1999 trade deal with Cambodia which expanded access to the US market and provided quota on garment imports on the condition of Cambodia improving labour standards. The International Labour Organization set up a project, known today as Better Factories Cambodia (BFC), to monitor progress.

From 2001 to 2006, BFC publicly reported factory names and compliance information. Public disclosure lowered the probability of non-compliance an average of 4.7% according to independent research. Once factories were visited once by BFC, the prospect of their information being made public had a significant effect on the decision to improve working conditions.

In 2005, following the elimination of garment quotas, the expiration of the US trade agreement, and changes in BFC, including addition of training and advisory services, the practice of public disclosure was discontinued. Better Factories Cambodia's reports were then sent to individual factories and buyers and a twice yearly 'synthesis report' was generated, providing an overview of compliance rates in aggregate without naming individual factories.

In the early years of the BFC programme, key improvements were made in areas such as correct payments and occupational safety and health. Early success helped cement Cambodia's reputation as a place where garments were produced in non-exploitative conditions. Starting in 2010, when Cambodia's industry began to grow at a rapid pace after the global financial crisis, the speed of improvements in Cambodian factories slowed, even for factories with reputation-sensitive buyers. Although Better Factories Cambodia's efforts in educating factories, workers and the public on labour issues were noted, by 2011, BFC found the impact of its monitoring was diminishing and in 2012 efforts to return to transparency began.

A photograph of a garment factory. In the foreground, a woman in a teal uniform is working on a sewing machine. Behind her, a line of other workers in similar uniforms are also working at sewing machines. The factory has a high ceiling with large green metal rings hanging from it. The lighting is bright, and the overall atmosphere is one of a busy industrial setting.

“ Transparency brings about confidence. With confidence, both sides can take away uncertainty and animosity, then progress and growth can exist. This transparency programme shows the best example of both Government and private sector frankly communicating with each other to resolve misunderstandings and move towards the steady development of our economy. ”

**His Excellency Sun Chanthol, Minister of Commerce,
Royal Government of Cambodia**

Timeline

1999

The United States negotiated a trade deal which offered to expand access to their market if Cambodia improved labour standards. This came during the time of the Multi Fibre Agreement (MFA)- an international trade agreement on textiles and clothing that ran from 1974 to 2004 which put quotas on the amount that developing countries could export in the form of yarn, fabric and clothing to developed countries.

2001

The International Labour Organization established a project, known as Better Factories Cambodia, to monitor progress - the first of its kind in the world.

2004



The end of the Multi-Fibre Agreement and with it the preferential access to the US market

2008 - 2009



Downturn in Cambodia's garment industry due to the global economic crisis

2011

Recovering from the global economic crisis, the Cambodian garment industry began to grow rapidly, absorbing production leaving higher wage countries.

2013

The Rana Plaza building collapse in Bangladesh killed more than 1100 people, mostly garment workers. Shortly after this tragedy, a partial building collapse in a shoe factory in Cambodia resulted in the deaths of two workers. In September, BFC announced the programme's return to transparency.

2014



BFC released the programme's first transparency report

“ Transparency has been successful in highlighting not only areas where improvements are still needed, but also the performance of factories that succeed in maintaining good working conditions. Transparency is helping to accelerate change in factories that have resisted change for years, but the momentum needs to continue. The Royal Cambodian Government is focusing its enforcement efforts on the most difficult cases, but all those involved in the garment industry need to find solutions that move beyond individual factory changes to industry-wide improvements.”

Dan Rees, Director, Better Work.

“ While we support the public disclosure programme of BFC, we should all acknowledge that this is a double-edged sword and more effort must be put in to manage the potential negative impacts of such disclosure.”

Ken Loo, Secretary General, Garment Manufacturer's Association in Cambodia

The Case for Transparency

The BFC programme has three types of transparent reporting:

- Critical Issues** Factories are listed alongside their compliance with 21 basic legal requirements including the ILO core labour standards, covering the most fundamental issues that impact workers' lives. These include child labour, forced labour, maternity rights, discrimination and remuneration. (See Table 1). This category covers all of Cambodia's export garment factories that have had two or more assessments by BFC. Factories can request one verification visit to confirm improvements before disclosure. Results are published quarterly and factories are able to post information about their performance.
- Low Compliance** Factories with the lowest compliance levels that have had three or more BFC assessments are listed in a Low Compliance category. To determine factories included in this list, all factories are measured against 52 legal requirements. As factories make improvements, they can be removed from this list. Factories can request one BFC verification visit.
- Strikes** Strikes that do not conform with legal requirements are also disclosed as above, naming the union(s) leading the strike.

Table 1 BFC's Critical Issues List:

Fundamental Rights	No unremediated child labour
Fundamental Rights	No forced labour
Fundamental Rights	No discrimination against workers
Fundamental Rights	No dismissal of pregnant workers
Fundamental Rights	No dismissal of workers during maternity leave
Fundamental Rights	No sexual harassment
Fundamental Rights	Equal pay for men and women
Fundamental Rights	No discrimination against workers based on union membership
Fundamental Rights	Workers join and form unions freely
Fundamental Rights	No control of union by employer
Fundamental Rights	Job is not dependent on union membership
Fundamental Rights	No management interference with union
Fundamental Rights	Workers are free not to join a union
OSH/Emergency	Factory conducts regular evacuation drills (every 6 months)
OSH/Emergency	Emergency exits are unlocked during work hours
OSH/Emergency	The number of emergency exit doors is sufficient
OSH/Emergency	Dangerous machine parts have safety guards (not needle guards)
OSH/Emergency	Clean and sufficient drinking water
Wages	Correctly paid minimum wages
Wages	Correctly paid overtime wages
Contracts	Bonuses, allowances, leaves count entire employment period

A young woman with dark hair, wearing a blue patterned headscarf, a white collared shirt, and a striped vest, is smiling at the camera. She is wearing a green lanyard with a badge. In the background, a man in a dark striped shirt and glasses is standing, also wearing a lanyard. The setting appears to be a large industrial or manufacturing facility with bright overhead lights.

“ It sets a benchmark and motivates the management team not only to maintain the current situation but also to always pursue a higher standard.”

Peter Chang, Vice President of Production, Grand Twins International (Cambodia) Plc.

Key transparency findings thus far:

- One third of 51 factories made improvements in anticipation of their inclusion in the first transparency report
- Notable findings include the number of factories discriminating against workers dropping from 14% to 9%, the number of factories conducting emergency evacuation drills rising from 55% to 73% and the number of factories properly paying seniority benefits rising from 65% to 73%.
- The total number of Critical Issues violations fell from 134 to 87 between April and June 2014—a 35% improvement.
- By July, one third of an additional 92 factories had made improvements in anticipation of their inclusion in the second transparency report
- 13 factories in total were listed in the low compliance category in the first two transparency reports. Four of these made sufficient verifiable changes to move off this list
- By October 2014, information from about 248 factories (about half of Cambodia's export factories) was included in the transparency database. Comparisons to those same factories' most recent pre-transparency assessments reveal a 19% increase in compliance with the requirement to regularly hold evacuation drills, a 8% increase in compliance with the requirement to ensure that workers are free from discrimination, and a 14% increase in compliance with the requirement to include workers' entire period of employment when calculating benefits and entitlements.
- In the third transparency report, one quarter of the 95 factories added to the Critical Issues list made improvements in anticipation of their inclusion in the report. A 30% improvement was found across critical issues violations as a whole in this group of factories, falling from 109 issues to 75 issues between July and September.
- Out of 13 factories included in the low compliance category of the third report, two made sufficient improvements to move off this list.
- None of the strikes included in the transparency database in the first, second or third report fully met all legal requirements

Transparency in Action

Reductions in Discrimination against Workers

Factory B*

Saveoun, is one of many male workers who had been kept on casual worker contracts in Factory B over several years. Saveoun started working in the factory packaging section. He began working with a six-month contract which was later renewed for three months, following which he remained on continuous 20 day casual work contracts. Cambodia's labour law states that it is "not proper to use casual (or floating) employees on a regular basis for long periods of time." The country's Arbitration Council has found that if casual workers work more than 21 days per month for more than 2 months in a row then they should be considered to be probationary or regular employees.

Factory B was put on the BFC Transparency programme's low compliance list due to overuse of casual worker contracts and other areas of non-compliance. The factory responded by giving male casual workers regular worker contracts from June 2014 onwards. Saveoun says that he is happy that his new contract has given him greater benefits and stability. "Now I have my own regular contract, I can get my bonuses," he says.

Conducting Regular Emergency Evacuation Drills

Factory C*

BFC determined that Factory C had not conducted regular emergency evacuation drills as required by law. In order to not show this area of noncompliance on BFC's critical issues list, the factory has begun holding regular evacuation drills. Mai, a union leader in the factory, says that the factory has improved its awareness of and attention to emergency preparedness.

Proper Payments of Bonuses, Allowances & Leave

Factory D*

In Factory D, BFC found that the factory was hiring casual workers under one-month contracts and renewing them with new starting dates after the expiration of each contract. This led to workers never being eligible for seniority bonus, paid maternity leave and annual leave. Public disclosure through BFC's transparency website led to the factory correcting this process. Oun, a union official in the factory, says that the factory has stopped recruiting casual workers and all casual workers had become probationary workers. The factory now records workers' original starting dates and pays seniority and all related benefits correctly. Oun says that this has improved conditions as casual workers are no longer dismissed when there is less work because they have proper contracts.

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The Way Forward

In Cambodia in 2014, the number of export garment factories surpassed 500 - up from 185 exporting factories in 2001.

The industry remains a backbone of the country's economy, worth over \$5 billion in exports in 2013 (nearly 80% of Cambodia's exports). The garment industry is the country's largest formal sector employer. Through employment, remittances and supporting industries, garments and footwear contribute to the livelihoods of an estimated two million Cambodians- over 10% of the population. The magnitude of this industry means that the conditions in these factories impact upon numerous lives. BFC's transparency programme represents an additional lever to raise workplace standards within the sector and

afford greater rights to workers. It is hoped that this impact will soon be replicated as additional BetterWork countries are in the planning stages of launching their own transparency programmes. However, in order to truly make sustainable changes and to improve Cambodia's reputation as an ethical sourcing destination, transparency must be just one of several approaches taken. Demonstrable commitment and diligence by national constituents, international brands, the trade union movement and factories at an individual and collective level is needed in order for broader industry changes to be realized.

