

THE IMPACT OF COVID-19 PANDEMIC ON SUSPENDED WORKERS IN CAMBODIA: How can the suspended workers be supported directly and indirectly?

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Introduction and Methodology

In Cambodia, the COVID-19 pandemic has resulted in widespread job suspension and/or loss and a substantial reduction of income for workers and their families. By June 2020, as many as 234 factories in the garment and footwear industry requested the suspension of their operations in Cambodia, and hundreds of thousands of workers were suspended from their jobs. In the tourism sector, mainly hotels and guesthouses, the sharp decline in international tourists has led to mass workforce reduction.

The purpose of this research, conducted by the Centre for Policy Studies (CPS) in cooperation with the Solidarity Center¹ and The Asia Foundation (TAF)², is to explore how the COVID-19 pandemic has impacted workers in four of Cambodia's key labour sectors: i) Garments, ii) Footwear and Travel Goods, iii) Hotels and Guesthouses, and iv) Other Tourism Services³. The findings and recommendations are intended to inform policymakers for responsive policies and targeted support for workers and their unions facing the negative consequences of the pandemic.

The overarching research question was: *“How can the suspended workers in the garment manufacturing, footwear/travel goods, hotel/guesthouse, and other tourism services industries be supported directly and indirectly during the COVID-19 pandemic?”*

The study is based on desk research, interviews with key stakeholders, worker survey, and focus group discussions in 27 villages of various agro-regions. The worker survey was conducted in August 2020 through phone interviews with 1,525 workers randomly picked from the approximately 125,000 workers in the garment, footwear/travel goods, hotel/guesthouse, and other tourism services industries who were officially suspended for at least 30 days between March and July 2020 as their enterprises had to close due to the impact of the COVID-19 pandemic.⁴ For industry-level analysis, the samples are grouped into four major industries: i) garment, ii) footwear/travel goods, iii) hotel/guesthouse, and iv) other tourism services, which mainly comprises restaurants, travel agencies, souvenir shops, and casinos.

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³ The “other tourism services” industries include travel agencies, souvenir shops, restaurants, and casinos.

⁴ All workers in the sample group were officially suspended for 30 days or more due to the impact of COVID-19. However, as their employment situation may have changed by the time of this survey (whether they have resumed their job, found a new one, or even been laid off), the surveyed workers were asked to report their employment experience since the outbreak of COVID-19 in March 2020.

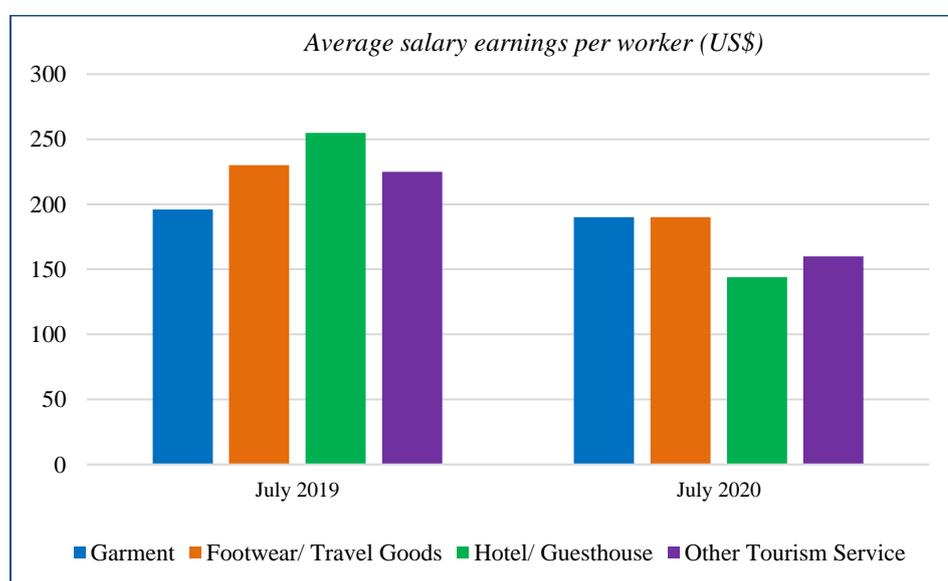
Impact of COVID-19 Pandemic on Officially Suspended Workers

The impact of COVID-19 pandemic on workers was immediately prevailing from the onset. 17 percent of the suspended workers had their jobs suspended in March 2020. Then, the level of job suspension continued to increase thereafter, reaching 80 percent in June but indicated a slight decrease in July 2020. Overall, the workers were suspended for 11 weeks on average. Workers in the hotel/guesthouse industry were most heavily affected. They experienced the longest suspension period at 15 weeks on average.

Employment dynamics among suspended workers (percent of workers)

	Garment	Footwear/ Travel Goods	Hotel/ Guesthouse	Other Tourism Service	Overall
Being Employed	64	59	62	47	60
Reduced work	1	0	24	14	8
Resume old jobs	45	36	25	14	34
Get new paid jobs	13	16	5	11	12
Become self-employed	6	6	7	8	6
Being Suspended	36	41	38	53	40

- As of August 2020, about 40 percent of workers were being suspended. The situation was most dire with those in the other tourism service industry, more than half of them were still suspended. About 60 percent reported having jobs: eight percent had reduced work; 34 percent resumed their old jobs; 12 percent found new paid jobs; and six percent became self-employed.
- In July 2020, about 45 percent of the workers earned salary/wage while 49 percent relied on the suspension allowance of US\$40-70 per month (US\$40 paid by Cambodian government, and US\$30 by their employers which is not mandatory in the tourism sector). The remaining six percent of workers earned nothing at all. Given that workers reported a monthly expenditure of \$69 on average on food alone, the allowance is insufficient to cover living expenses.



- Despite having jobs, workers were employed fewer hours and earned less. On average, a worker works about 20 days per month in July 2020, a significant drop from 26 days per month in July 2019. Workers in the hotel/guesthouse industry experienced a disproportionately high reduction of work, with only 15 work days in July 2020 compared to 26 days in July 2019.
- Those who have jobs and earn in July 2020 reported an average salary of US\$190, a 14 percent drop from US\$220 in July 2019. Workers in the hotel/guesthouse industry experienced the most severe reduction of monthly salary earnings, with a 44 percent drop from US\$255 per month in July 2019 to just US\$144 in July 2020.

- Female workers earned a lower income than their male counterparts both before and after the COVID-19 outbreak. Men and women worked roughly the same number of days (26) in July 2019, but women earned 20 percent less than men. In July 2020, women worked more days than men (22 days for women vs. 18 days for men), and still earned less (US\$185 women, US\$196 men).

Coping Strategies for Daily Livelihoods

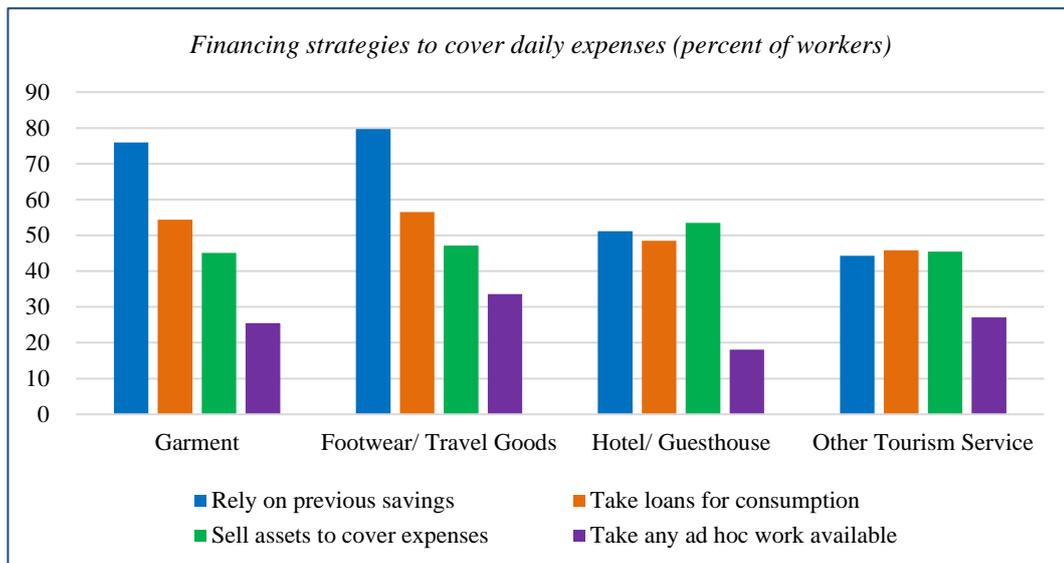
To cope with the loss of jobs and income, workers adopted several strategies:

- Expenditure cut for daily consumption is a widely adopted strategy. About 80 percent of workers reported they had reduced their expenditure on food, although it is not known if those food items are essential or non-essential. Limiting food consumption appears more prevalent among workers in the hotel/guesthouse industry. That reflects the fact that their income dropped more significantly. Expenditure on non-food consumption was also affected. More than 90 percent of workers said they had cut back their consumption on items other than food.
- More than 50 percent of workers were no longer able to send remittances to their family/parents as a result of pandemic-related losses. This strategy is more common among workers in the garment and footwear/travel goods industries. Up to 58 percent reported that they stopped sending remittances to support their family/parent.
- About 25 percent of workers negotiated restructuring of their debt service. This reflects the worsening situation of their income earning and they, therefore, could not repay the debt. A greater number of the workers in hotel/guesthouse and other tourism service industries requested debt restructuring while five percent of the workers reported they defaulted on their debt repayment.
- Nearly 33 percent of the workers reported they had returned to their home villages in order to save on living expenses. With regard to the change of accommodation, 17 percent of the workers in the hotel/guesthouse industry sought a cheaper place to house themselves and/or their families.

Coping strategies adopted during May-July 2020 (percent of workers)

Coping strategies	Garment	Footwear/ Travel Goods	Hotel/ Guesthouse	Other Tourism Service	Overall
Expenditure-cut					
Reduce food expenditure	79	78	84	80	80
Reduce expenditure other than food	89	93	93	89	91
Cost-saving					
Return home to reduce living cost	36	26	27	32	31
Move to cheaper accommodation	6	5	17	13	9
Restructuring cash outflow					
No remittances to family	58	57	47	38	52
Restructure debt service	21	23	32	30	25
Debt default	7	2	3	7	5

To finance their living expenses, four major coping strategies that were generally adopted by the workers are i) relying on previous savings, ii) selling available assets, iii) taking loans for consumption, and iv) accepting any ad hoc work available to them.



- As many as 80 percent of the workers in the garment and footwear/travel goods industries rely on their previous savings. The same strategy is only reported among half of the workers in the hotel/guesthouse industry.
- On top of their savings, many workers sold some of their current assets in order to keep up with their living expenses. Nearly 50 percent of respondents undertook that measure.
- With regard to loan taking, the study did not explore whether such loans were undertaken formally or informally, but more than 50 percent of the workers had borrowed to cover their consumption.
- The other 25 percent, who might be in a more severe situation, reported they would accept any ad hoc work available to them in order to earn some meager income.

Intervention Programmes and Needed Assistance

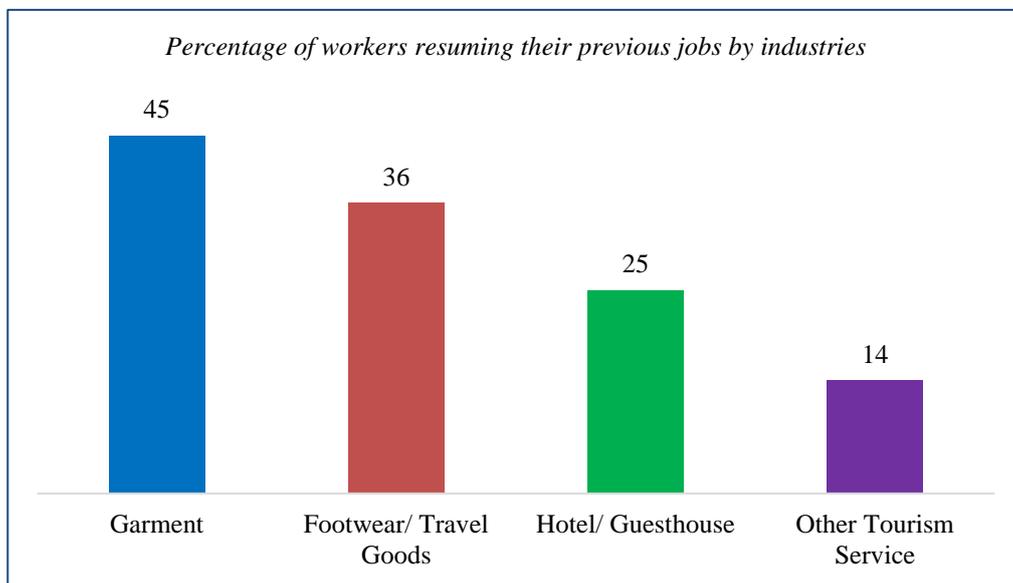
In response to the needs of suspended workers during the COVID-19 pandemic, the government created several intervention programmes, including a suspension allowance, a skill improvement training programme, and a cash transfer programme for poor households.

- The suspension allowance from the government is widely known and accessed by workers across industries. Around 95-97 percent of the workers in garment and footwear/travel goods industries had received that suspension allowance.
- The suspension allowance from the employer is commonly received by workers in the garment and footwear/travel goods industries (respectively 93 percent and 87 percent).
- Employers in the hotel/guesthouse and other tourism service industries were not required to pay the US\$30 co-support, but 24 and 35 percent of workers in these industries, respectively, did benefit from this support.
- The cash transfer programme for poor households was not specifically targeting the suspended workers. About 58 percent of the workers were aware of the programme, but only six percent of them had received the cash transfer.

- The awareness of the government-sponsored training programme is very low. Approximately 22 percent of the workers know the programme and only eight percent of them benefited from the programme.
- When asked which one option they would choose among several assistance options, 32 percent of the workers opted for the suspension allowance as their top choice; 20 percent selected the skill improvement training; 19 percent preferred the cash transfer for poor households; and 13.5 percent would rather choose debt restructuring. Debt restructuring was most popular with workers in other tourism service industries. 19% of them chose this option as their top priority.

Employment Opportunities and Prospects

Amid the pandemic and job suspension, some workers were recalled to resume to their previous jobs while the others were still seeking alternative opportunities.



- Less than half (45 percent) of the affected garment industry workers were re-hired to their original jobs as of August 2020. Job prospects in the tourism sector remained even more limited, with only 25 percent and 14 percent respectively of workers in hotel/guesthouse other tourism service industries were called back to their jobs.
- About 12 percent of the suspended workers reported finding an entirely new paid job. Those who worked in the garment and footwear/travel goods industries before the suspension tended to have a higher chance of finding new employment.
- While construction has become a new source of employment, it did not provide many employment opportunities either. Only 2.5 percent of the affected workers found jobs in the construction industry. They were also vulnerable to deception and non-payment of wages.
- About four percent of suspended workers have turned to self-employment; some reported selling used goods online; others have become petty traders or vendors of vegetables and fruits or transport service providers.
- Only 1.2 percent of the affected workers obtained employment in the agriculture sector. FGDs at the village level confirmed that rural villages offer limited jobs: vegetable and cash crop villages offered more job opportunities compared to rice and livestock villages; however, job opportunities were most available in new land villages.

- Out-migration before the COVID-19 pandemic was reportedly high in four village types: rice, vegetable, livestock, and cash crop villages. Such high levels of out-migration are a suggestion of the low levels of employment opportunity in the villages in the first place. This out-migration is low in other two village types: new land and tourism. The new land villages generally receive the migrants as it has spare resources. Despite some available jobs in and outside the villages, all of these opportunities cannot absorb all the laid-off/returned workers.

Conclusion and Recommendations

The study found that the COVID-19 pandemic has severely affected the approximately 125,000 workers that had their jobs suspended for at least one month. Those in the tourism sector were more heavily impacted. As high as 80 percent of surveyed workers ever got their jobs suspended in June and July 2020. The loss of income had forced workers to reduce their consumption on both food and non-food items. About 50 percent of them could no longer send remittances to their families/parents. Besides relying on previous savings, the affected workers turned to selling their assets and taking loans to finance their living expenses. Approximately 25 percent of the workers negotiated the delay of debt repayment. Nearly one third of the workers reported they had returned to their home villages in order to save on living expenses.

As contribution to addressing the current situation of employment and income crisis, the below recommendations are proposed for further consideration and discussion among concerned stakeholders.

- 1) **Increase the suspension allowance and extend it to other sectors:** The US\$70 allowance per month for workers in the garment and footwear/travel goods industries is helpful and appreciated by workers, but is barely enough for a worker's food consumption. Suspended workers in tourism and other sectors are entitled to even less.
- 2) **Maintain the current cash transfer programme to assist the most vulnerable poor households and expand the coverage of the health equity fund:** A large proportion of workers can no longer afford to send remittances to their family. Therefore, the cash transfer programme is necessary to support eligible households who need financial assistance. Expanding the coverage of the health equity fund would also support poor households and workers in the informal sector and ensure people can access necessary healthcare in such time of income crisis.
- 3) **Expand skill improvement training programmes:** This will help mitigate the current employment crisis and address the demand for a higher skilled labour force in the future. Workers also clearly express their interest for such programmes.
- 4) **Maintain debt restructuring and relief programmes and ensure cooperation from creditors:** Debt repayment is a significant burden for affected workers and their families. Debt restructuring would reduce the workers' burden.
- 5) **Expand targeted cash for work:** This programme should help provide temporary employment opportunities. It should be expanded to address priority issues such as roads and other rural infrastructure projects.
- 6) **Create urban jobs and off-farm employment:** Big-push investments are needed in labour intensive projects with decent work conditions to generate significant numbers of employment opportunities.
- 7) **Encourage the formation of labour unions to represent workers, especially in the informal sector:** Workers can be more vulnerable to exploitation and unsafe conditions since COVID-19 outbreak, and therefore require protection measures. Unions will support workers to collectively raise issues and facilitate easier communication between stakeholders.
- 8) **Strengthen COVID-19 prevention measures at workplaces and on transportation:** Prevention measures have been widely adopted by employers, but there is a need to further improve these in practice such as ensuring adequate supply and access to hygiene facilities, particularly at garment and footwear/travel goods factories. Workers who share transport are at increased risk and prevention measures on collective transportation are not being adequately implemented.



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Disclaimer

The views expressed in this publication are the author's alone and are not necessarily the views of USAID, the United States Government, Solidarity Center, the Australian Government, The Asia Foundation, or the Centre for Policy Studies.

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