



*Project on “Monitoring the Impact of the Expiry of the ATC on  
Cambodia’s Garment Industry and Enhancing Forward-Looking  
Industrial & Employment Policies”*



*Labor Market Programs to Protect  
Retrenched Garment Workers in Response  
to the Expiry of the MFA:  
Areas of Cooperation with CSO*

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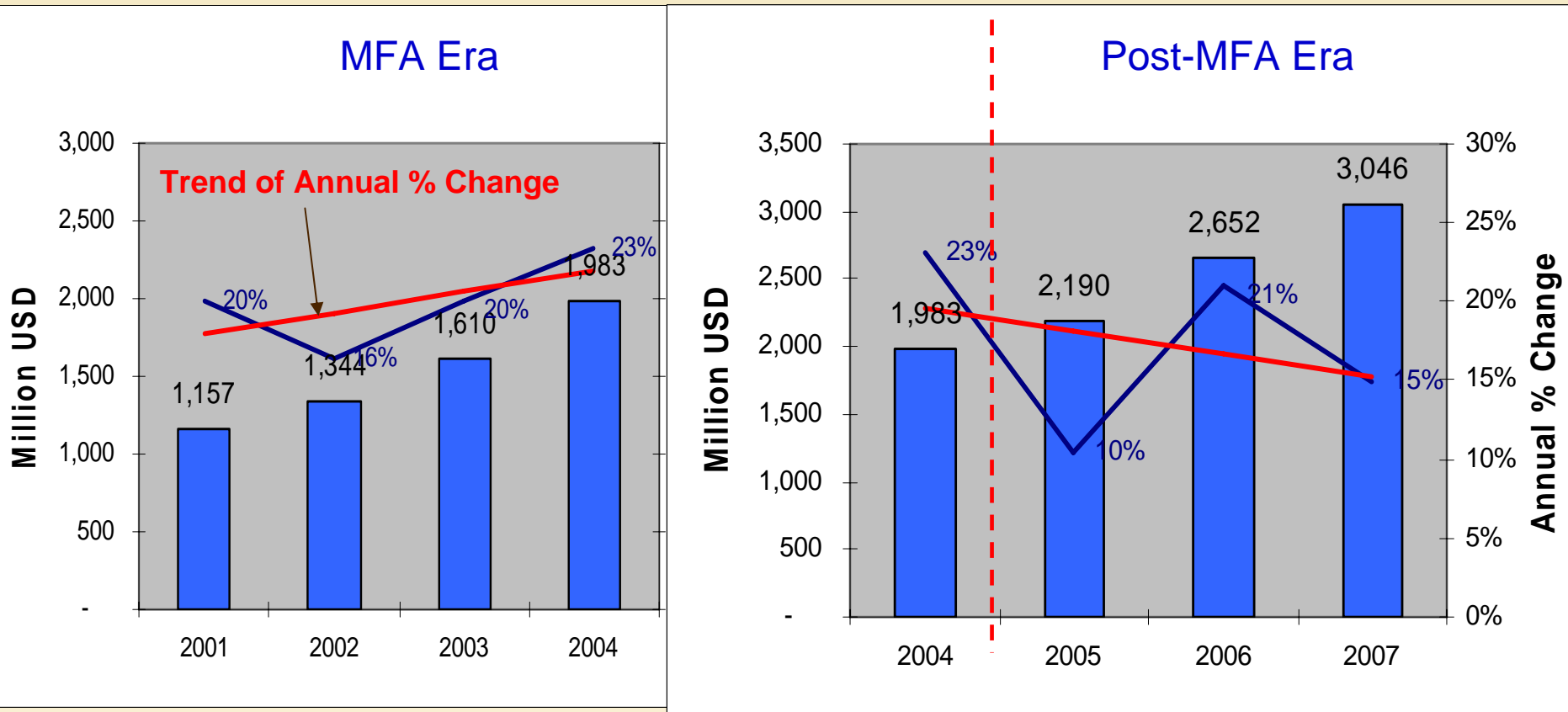
# Trend of Garment Industry in Post-MFA Era

## Summary:

- Garment export growth decelerating
- Aggregate level of factories and employment steady
- But factory closures and lay-offs a concern
- Growth of job creation is treading downward
- Inflation is outpacing growth in wages

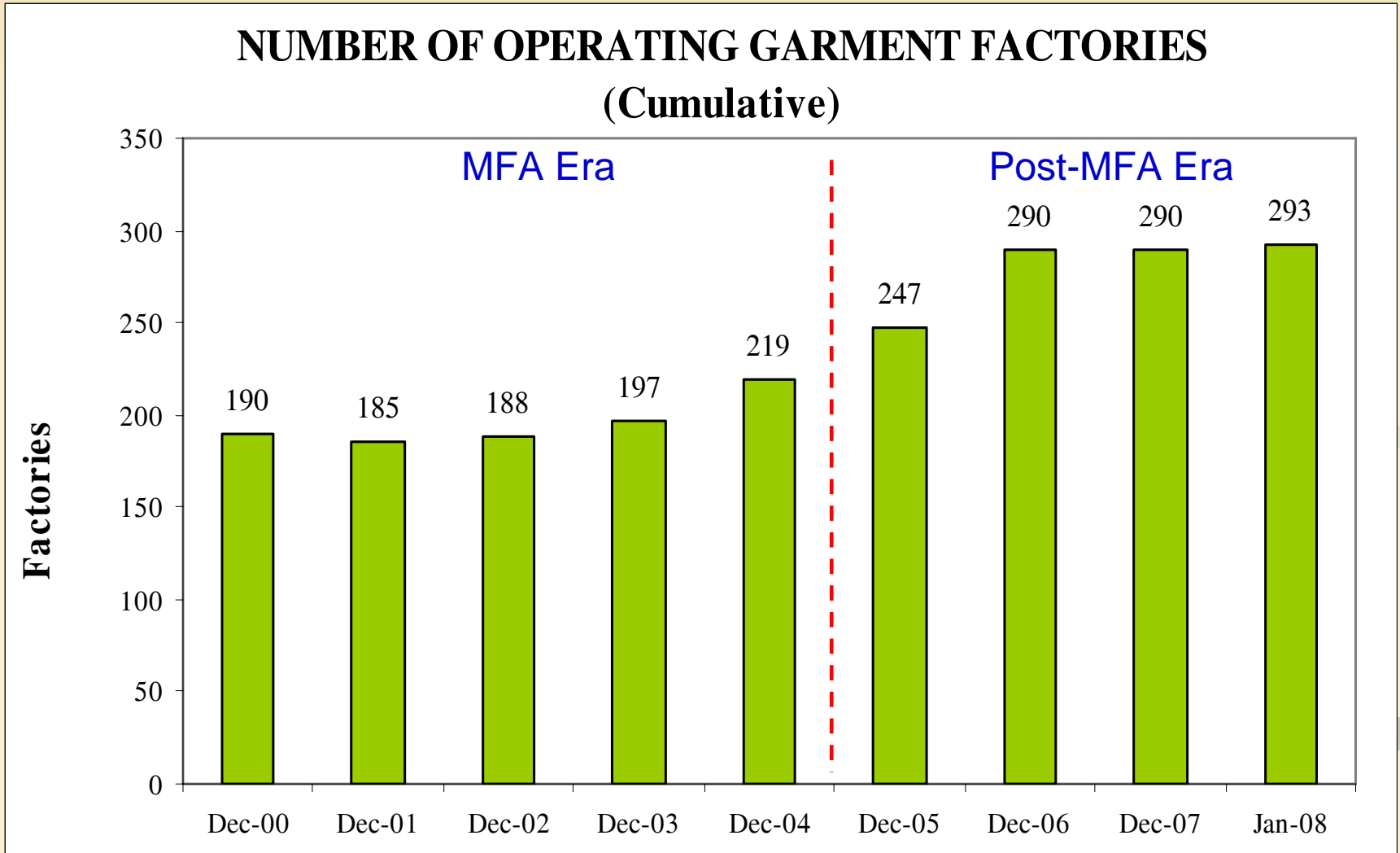
# Growth of garment exports is decelerating

## GARMENT EXPORTS TO THE WORLD



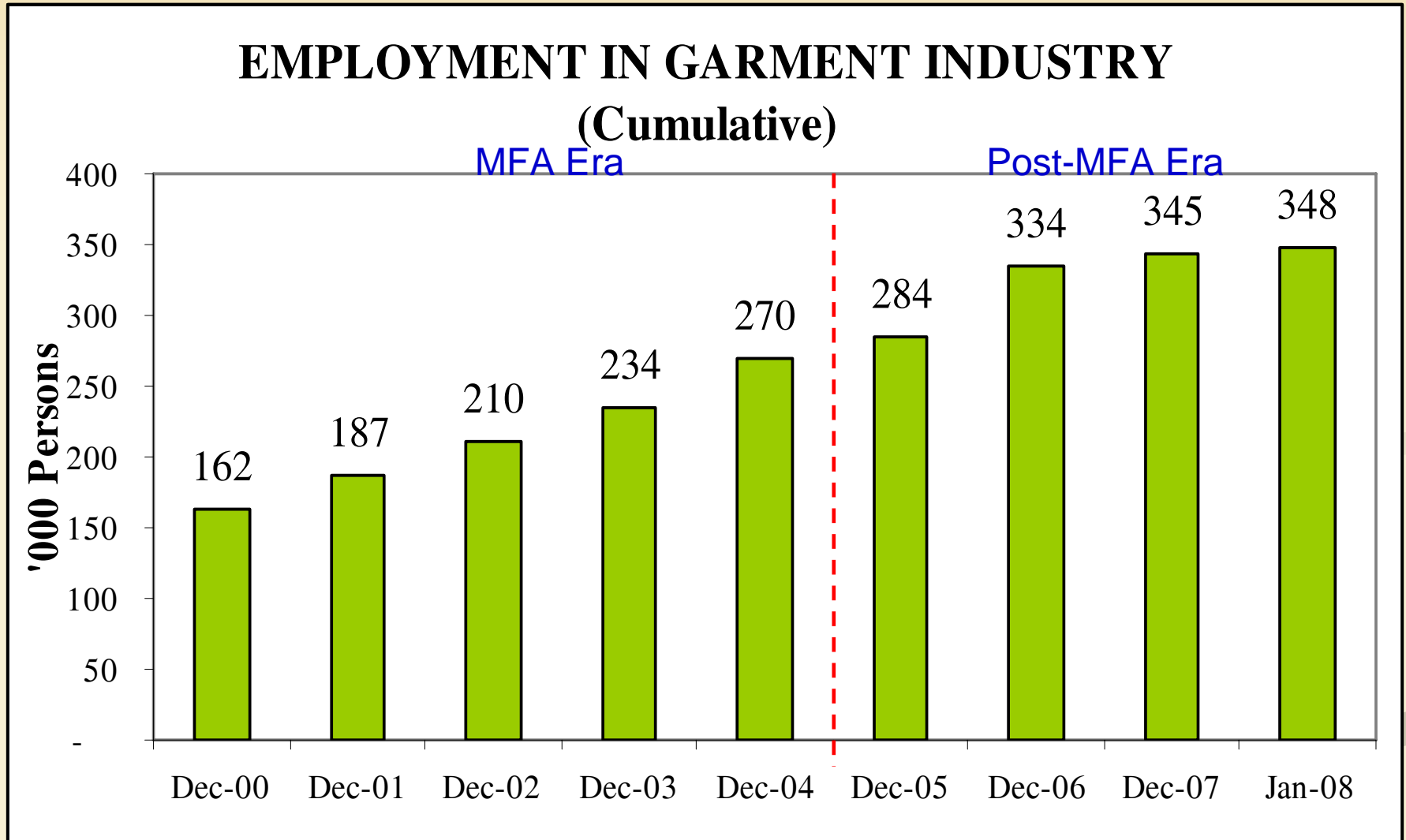
Source: Ministry of Commerce

# Total factories in operation is steady.



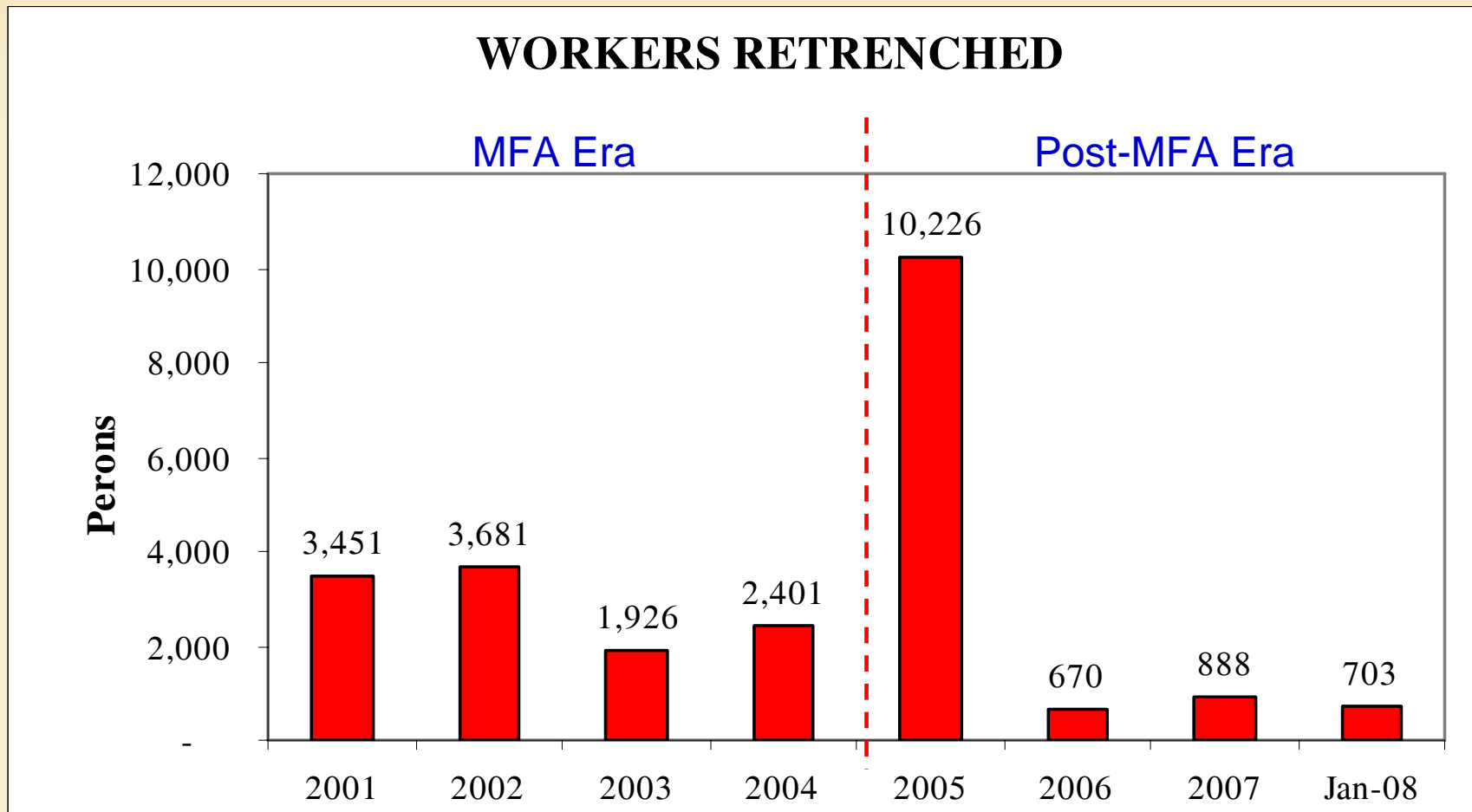
Source: Ministry of Commerce

# Total employment is steady.



Source: Ministry of Commerce

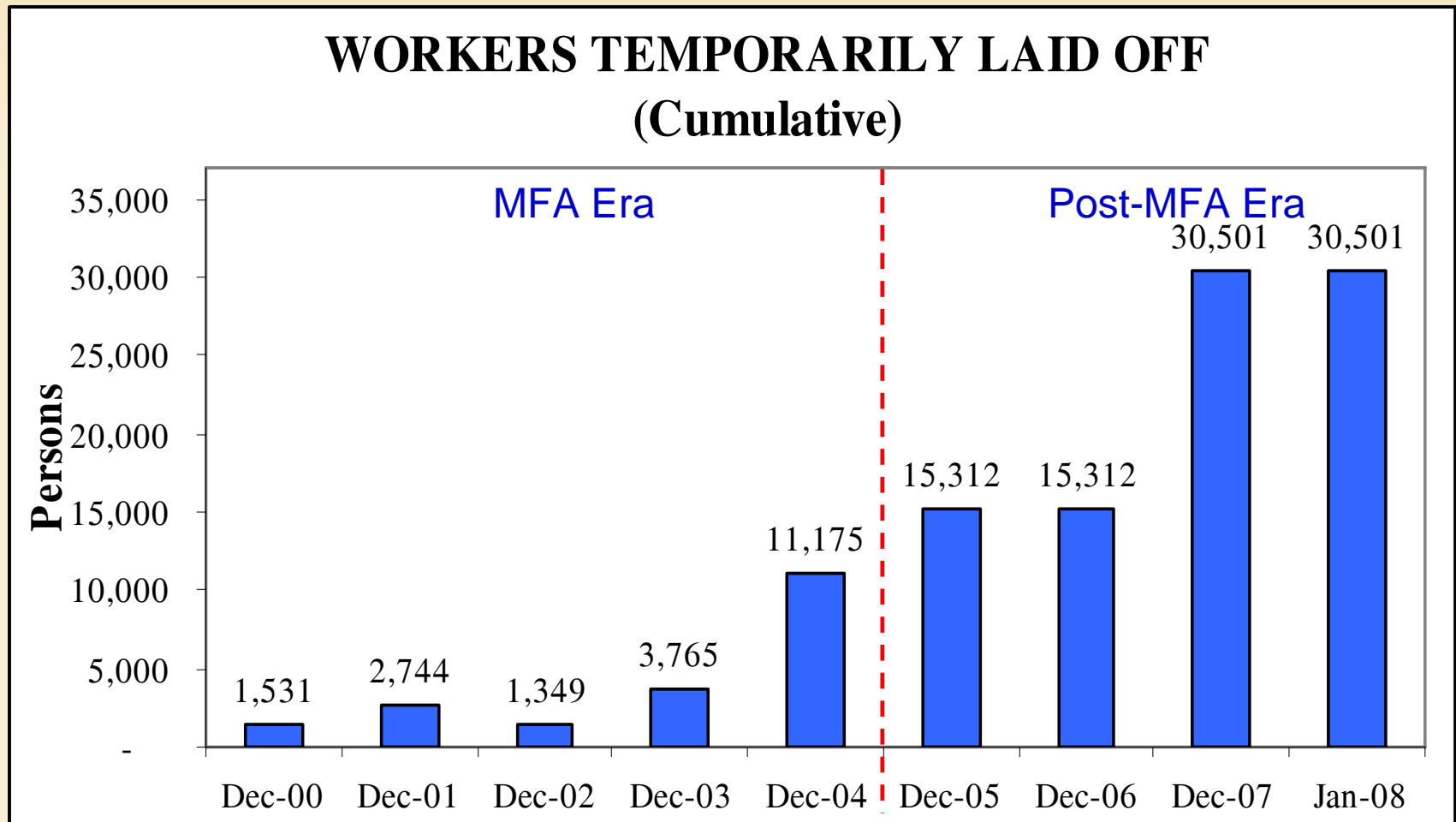
# However, +12,000 workers have been retrenched since end of MFA...



Source: Ministry of Commerce

Includes factories that downsized and factory permanently closed

**... And +30,000 people have been temporarily laid-off.**



Source: Ministry of Commerce

Refers to workers in factories temporarily suspended for economic reasons

# Scenario Post-2008

(1) International competition intensifies

(2) Garment Factory in Cambodia

(3) Some Factories Downsize or Close Down

Prices ↓ *but* Costs\* Unchanged ↑

= or

Profit ↓

Retrenched Workers

Labor Market  
(PRESSURE)

(4) ~400,000 new entrants into labor market

\*Costs include:

- electricity
- wages
- transport costs
- lead time
- administrative costs (licensing...)

# Types of Labor Market Programs

*Passive – Aims to provide temporary relief to displaced workers*

- **Unemployment benefits / assistance** - Temporary income support in the form of monthly benefits
- **Early retirement** - Income support provided to jobless persons who have worked long enough to qualify for the regular old-age pension and who are close to retirement age

*Active – Aims to stimulate job creation, promote employment and increase the employability of jobseekers*

- **Training** - Training or retraining. The duration may range from short courses (a few days) to one year. Unemployed persons in retraining receive a stipend

# Labor Market Programs ...

## *Active ...*

- **Direct job creation** - Grants or preferential loans to an employer to cover the costs of job creation condition for retrenched workers from specific sector
- **Subsidized employment** - Wage subsidies are paid to an employer for a certain period on condition that the employer will hire a retrenched worker from a specific sector. Subsidized employment is combined with training
- **Public works** - Temporary jobs created by municipal authorities or private firms and directed to the maintenance of infrastructure, cleaning of public areas, social work, and similar activities beneficial to the community

# Labor Market Programs ...

## *Active ...*

- **Support for self-employment (SME)** - This programme may take various forms including grants; preferential loans; payment of interest on commercial credits or provision of credit warranty; business training; assistance in designing a business plan, etc.
- **Mobility promotion** – Support to reduce the cost of moving
  - *Relocation measures* cover the costs of moving to a new place of residence where a suitable job is available.
  - *Housing assistance* may temporarily subsidize accommodation for seasonal workers or housing in a new place of residence.
  - *Commuting assistance* - subsidize commuting costs

# Unemployment Fund: Who Benefits?

**“Everyone Benefits!”**

## EMPLOYERS

- Maintain a reserve of workers, who cannot be continuously employed
- More stabilized markets for the goods produced and
- Removes the fear of insecurity from workers, leading to more efficient employees.
- Lower taxes for relief purposes.

## EMPLOYEES

- Removes fear of insecurity

## GOVERNMENT

- More efficient industrial system
- Removes violent swings of the business cycle
- Could reduce relief costs
- Removes possible causes of social unrest

# Setting Up Fund: Who Shall Contribute?

- Entirely by Employers
- Employers + Employees
- Entirely by Government
- Employers + Government
- Employers + Employees + Government

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Specifically for garment industry:

- Buyers contribution

# Contribute ...?

- Chile – Entirely financed by the government
- Thailand - Workers pay  $\frac{1}{2}$  percent of wages, employers pay  $\frac{1}{2}$  percent of wages and government pays  $\frac{1}{4}$  percent of wages
- Bangladesh - Compensation Fund based on contributions from international brands and retailers sourcing from factory, the factory, government, the Bangladesh Garment Manufacturers and Exporters Association, and public subscriptions from civil society organizations and from individuals

# Setting Up Fund: What Type of Fund?

- Pooled Funds
  - Goal: Protection to unemployed
  - Method: All contributions are pooled together
- Reserved Funds
  - Goal: Prevention of unemployment
  - Method: Contributions made by employer only for his employees
- Combination Funds
  - Goal: Protection to unemployed and prevention of unemployment
  - Method: Pooling of contributions + individual reserve accounts for employers

# Type of Fund ...?

- Germany – Pooling of funds on regional basis
- USA – Some States set up company reserve funds
- Malaysia – Pooled funds, part of public budget
- Poland – Pooled funds, independent of public budget

# Setting Up Fund: Who Shall Administer Fund?

- Commission independent of government administration
- Government administration
- Multi-stakeholder advisory councils composed of employer, employee and public representatives

# Administer ...?

- Bangladesh - Compensation Fund governed by a board of trustees involving representatives of all contributing stakeholder groups
- El Salvador - Emergency Fund for Factory Closure is administered by an NGO

# Cooperation b/w CSO and Parliament

## Parliamentarians

### Role:

- budget allocation
- legislate laws
- policy advocacy
- awareness building

## CSO

### Role:

- collect data and disseminate
- monitor
- service provision such as training, job search
- policy advocacy

**Thank You**