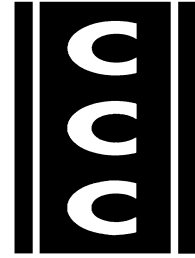


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pour le Cambodge



Impact of the Garment Industry on Rural Livelihoods

Lessons from Prey Veng Garment Workers and Rural Households



**Analyzing Development Issues
Team and Research Participants**

October 2005

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Abstract

This ADI study inquires into the rise and long-term prospects of the garment industry in Cambodia, documents the experiences of garment workers from Prey Veng province, examines the contributions of garment factory work to household livelihoods in two provincial communes, and explores the effects of the garment industry on gender relations within Prey Veng households. Cambodia's transition to a market economy, preferential trade access to European Union (EU) and United States (US) markets, adherence to socially responsible labor standards, proactive involvement of government and Garment Manufacturers' Association of Cambodia (GMAC) officials, and the incidental effects of the Multi-Fiber Arrangement (MFA) quota regime, all played a part in the rise of the country's garment industry. Although the expiration of the worldwide quota system at year-end 2004 threatened the future of garment exports, the industry managed to hold its own in the first half of 2005. Still wide scale reforms were required in the post quota era to enable the industry to remain cost competitive.

Successive floods and droughts from the year 2001 decimated rice yields and left rural households in Prey Veng with severe rice shortages and large debts from crop production costs. Migrant work in the garment factories of Phnom Penh was an attractive source of alternative income. And while the status of women garment workers improved within their households, long hours of overtime required at job sites occasioned stress and health problems among them. Crucially, the remittances received from garment workers allowed disaster stricken rural households to purchase rice and other food, settle health expenses, invest in rice production, and pay off debts. Generally, remittances were spent to support recurrent costs of subsistence rather than to start small businesses. As a consequence rural livelihoods were sustained, although not transformed, by the garment industry.

Introduction

Cambodia's transition from a centrally planned to a market economy in the early 1990s actively encouraged foreign direct investment and the privatization of industries. This created the business climate in which the garment industry was able to find a niche and flourish. The installation of the democratically elected Royal Government of Cambodia in 1993 likewise allowed the country to reestablish trade relationships with western governments. Garment exports grew rapidly after 1996 when favorable trade agreements were signed, first with the European Union (EU) and then with the United States (US). In 2004, the industry generated US\$1.95 billion in sales from 206 factories employing about 245,000 workers.

With most factories established in Phnom Penh, rural villagers migrated to the city to take advantage of the job opportunities available in the garment sector. Most of these migrants were young women who came from surrounding provinces. The prerequisite demand for young female labor occasioned a shift in traditional rural practices, as previously men from rural households traveled to Phnom Penh for seasonal work while women, especially unmarried girls, stayed at home. Certainly, the promise of employment in US dollar wages was a strong pull factor attracting female workers to Phnom Penh. But push factors were likewise at work. Due to successive floods and droughts, and high production costs, returns to rice farming were decreasing. At the same time there were few opportunities in rural off-farm work. Migrant work to Phnom Penh, and increasingly to Thailand and Viet Nam, had become a common livelihood strategy of the rural poor.

Cambodia's garment trade agreement with the United States was linked to improved labor standards, and workers did benefit from this arrangement. Nevertheless, women had to work long hours to ensure that they had sufficient wages to remit part of what they earned back to their families in the province. This often left them tired and weak. Meanwhile, many workers endured crowded living conditions with inadequate facilities. Still they endured the hardships of the work and came to enjoy the small delights of the city, demonstrating a strong desire and commitment to help their families in the rural areas. The prevailing situation though was about to change dramatically at the end of 2004. The future work of the garment workers, indeed the very viability of Cambodia's garment industry, was threatened at year-end 2004 by the expiration of favorable trade agreements and heightened competition in the global garment market. This sparked much discussion on the future prospects of the garment industry and its consequences for the Cambodian economy.

Cognizant of the importance of the growth of industry and trade on the lives of the rural poor, ADI undertook this study which focuses on the impact of the garment industry on rural livelihoods in Prey Veng province. The research inquires into the rise and long-term prospects of the garment industry in Cambodia, documents the experiences of garment workers from Prey Veng, examines the contributions of garment factory work to household livelihoods in two provincial communes, and explores the effects of the garment industry on gender relations within Prey Veng households.

Research Objectives

- To inquire into the rise and long-term prospects of the garment industry in Cambodia.
- To document the experiences of garment factory workers from Prey Veng.
- To examine the relations of garment factory work to household livelihoods in Prey Veng.
- To explore the effects of the garment industry on gender relations within Prey Veng households.

Research Methods

Field research was conducted in September and October 2004 in Phnom Penh with garment workers from Prey Veng province. This included focus group interviews and survey questionnaires with workers, chosen through purposive sampling, in their residential areas. Field research was also conducted in September and October 2004 in Kraing Svay and Lovea communes of Preas Sdech district in Prey Veng province. This likewise involved focus group interviews and survey questionnaires with households, chosen through purposive sampling, that had garment worker members. In addition in-depth interviews were conducted with garment worker households to understand processes and relationships in greater detail. In Phnom Penh interviews were also held with Cambodian economists and a project manager of the International Finance Corporation to gain a better understanding of the dynamics and prospects of Cambodia's garment industry.

The Rise and Long-Term Prospects of the Garment Industry in Cambodia¹

The Rise of the Garment Industry in Cambodia

Over the past decade the garment industry in Cambodia achieved phenomenal growth. Garment exports increased from US\$ 26.7 million in 1995 to US\$ 1.6 billion in 2003. In 2003, the industry accounted for more than 230,000 direct jobs (65 percent of manufacturing employment) and generated the largest portion of the country's foreign exchange earnings (78 percent of total exports). Workers were primarily young women from rural areas who remitted part of their earnings to their families in the provinces. An estimated one million Cambodians of the total population of 13 million benefited directly or indirectly from the industry.

Most garment factories belonged to foreign owners, mainly from China, Hong Kong, Taiwan, and Korea, and all garment production was sold for export. In 2003, 73 percent of Cambodia's total garment products were sold in the United States (US), while 23 percent were sold in the European Union (EU). Without backward supply linkages in the country, Cambodia's garment manufacturers were almost entirely dependent on imported yarns, fabrics, accessories and packing materials. The high cost of imports reduced the domestic added value content of garment exports in 2003 to about US\$ 442 million. This amounted to about 28 percent of total garment sales.

Trade Agreements with the European Union and the United States

In large part, the rapid development of Cambodia's garment industry resulted from the Multi-Fiber Arrangement (MFA) which was enacted over the past 30 years by countries with high-cost textile industries to reduce their textile production at a controlled rate. Quantitative restrictions, known as quotas, were introduced through bilateral negotiations or imposed unilaterally on countries with garment manufacturers in direct competition with United States and European producers. One notable outcome of the MFA was that it permitted the growth of garment industries in countries like Cambodia that had little previous experience in garment manufacturing and, therefore, had no restrictions on their exports.

In the mid-1990s Cambodia attracted foreign direct investment in the garment sector as a consequence of its competitive labor costs, absence of restrictive quotas into major global markets, and General System of Preferences (GSP) access to the EU market. Initially from 1995, the EU was the primary market for Cambodian garment exports. In 1999, preferential access to the US market was obtained, although quotas were imposed on 12 items, and from that year garment exports to the US increased significantly. The January 1999 US-Cambodia Bilateral Textile Agreement linked quota access in the US market to compliance of factories with international labor standards, as monitored by the International Labor Organization (ILO). This was the first and only time the United States tied annual increases of quotas to improved labor practices. In December 2001 the agreement was extended for another three

¹ This section draws mainly on Keith Stuart-Smith, Rekha Dayal, Peter Brimble, and Sam Holl, *Phase 1 Report: Cambodia's Garment Industry – Meeting the Challenges of the Post-Quota Environment*, (Phnom Penh: Asian Development Bank and Kingdom of Cambodia, Ministry of Commerce, October 2004) and Lynn Salinger et al, *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*, (Washington, DC: Nathan Associates Inc. for the United States Agency for International Development, June 2005).

years until the scheduled expiration of the MFA (and the quota system) at year-end 2004. In 2001 Cambodia's access to the EU market became both quota-free and duty-free under the EU's Everything But Arms generalized system of preferences for least-developed countries. Throughout this period, the Garment Manufacturers' Association of Cambodia (GMAC), founded in 1996, actively encouraged government efforts to obtain special trading status from developed countries and the EU.

Contribution of the Garment Industry to Economic Development

As noted earlier, Cambodia's garment industry experienced explosive growth with the value of garment exports soaring from US\$ 26.7 million in 1995 to over US\$ 1.6 billion in 2003 (Table 1). In 2003 exports to the US totaled US\$ 1.12 billion, of which 63 percent were items under quota. In the same year, exports to the EU exceeded US\$ 407 million, of which 59 percent were under quota. With the extension of Canada's GSP scheme to cover textiles and apparel in January 2003, exports to other markets reached US\$ 79 million in 2003. Comprising a mere 3.1 percent of total exports in 1995, garment exports accounted for 78.2 percent of total exports in 2003. In less than 10 years garment manufacturing for export had become the country's engine of growth.

In 2004, the value of Cambodia's garment exports continued to grow despite the threat that accompanied the approaching end of the worldwide quota system and the country's favored place within it. In early 2005 the Ministry of Commerce Secretary of State reported that garment sales reached US\$ 1.95 billion in 2004 and would likely comprise 80 percent of total exports.²

Table 1. Cambodia's Garment Exports 1995-2003, Values and Quantities									
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Values (US\$ million)									
US	0.5	1.6	109.9	291.8	516.1	751.3	828.6	953.5	1,121.1
EU	25.7	74.8	112.4	63.1	136.7	220.8	309.1	355.7	407.4
Others	0.6	3.9	4.8	4.5	7.3	14.3	17.9	28.1	78.7
Total Garment Exports	26.7	80.3	227.1	359.4	660.1	986.4	1,155.6	1,337.2	1,607.1
Garment share of exports	3.1 %	11.2%	27.1%	45.2 %	58.7%	70.8%	73.9%	76.8%	78.2%
Quantities (pieces million)									
US	1.3	8.8	62.2	124.7	148.1	206.5	266.9	309.2	340.5
EU	9.0	2.0	34.3	20.7	34.7	58.3	81.3	90.2	107.6
Others	0.7	2.0	15.2	1.1	3.2	4.4	4.5	7.4	18.2
Total Exports	10.9	12.8	111.7	146.5	186.0	269.2	352.7	406.8	466.3

Source: Ministry of Commerce cited in Stuart-Smith et al, *Phase 1 Report: Cambodia's Garment Industry*

Factories and Employment

The number of garment factories grew steadily in Cambodia from about 20 in 1995 to more than 200 in 2004 (Table 2). As garment factories often suspended operations or closed down completely, it was difficult to determine exact numbers at any given time. In 2004 the ADB

²*The Cambodia Daily*, February 9, 2005.

Phase 1 report stated that 56 companies had closed down since the mid-1990s.³ This would bring the total number established to that point to more than 250. In addition, there were numerous small subcontracting firms that provided extra sewing capacities during peak demand periods. Most of the factories were located in Phnom Penh and surrounding areas from which container trucks transported the garments 230 kilometers to be sea-freighted from the main port in Sihanoukville. In 2004 the Economic Institute of Cambodia (EIC) estimated that the stocks of fixed assets of the 200 garment factories which operated in Cambodia amounted to about US\$ 260 million. The EIC further calculated that the industry's foreign direct investment (including operating cashflows) accumulated between 1995 and 2003 totaled more than US\$ 600 million.⁴

Year	Number of Garment Factories	Employment (thousands)
1995	20	18.7
1996	24	24.0
1997	67	51.6
1998	129	79.2
1999	152	96.6
2000	190	122.6
2001	186	188.1
2002	188	210.4
2003	197	234.0
2004	206	245.6

Source: US Embassy in Cambodia, "Economic Significance of the Garment Sector in Cambodia," cited in Salinger et al, *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*

As mentioned earlier, most of the garment factories owners were from China, Hong Kong, Taiwan, and Korea, and all garment production was sold for export. Brand label companies such as The Gap, Nike, Reebok, Adidas, Marks & Spenser, Wal-Mart, Sears, and Liz Claiborne were key buyers in the business. The factories produced a wide range of items with the largest volume in cotton trousers, cotton and synthetic nightwear, and cotton and synthetic knit tops. The Asian foreign investors usually had similar units in other Asian countries and decided in which of their units to have garment orders made-up according to quota availability, product quality, manufacturing costs, and delivery lead time. The fact that most factories were 100 percent foreign owned with strategic decisions made in central headquarters outside of the country provided little incentive for investors to remain in Cambodia under conditions of increased cost competitiveness.

On average the garment factories employed about 1,000 workers, although some contracted less than 500 and others more than 5,000. As much of the orders were seasonal, labor requirements oftentimes fluctuated between 60 and 100 percent. Since 1995 the garment industry continued to create new jobs with the largest increase coming in 2001 followed by a slowdown in subsequent years (Table 2). While garment workers comprised 65 percent of the country's manufacturing employment in 2003, this represented only about 4 percent of the total labor force as most Cambodians were principally engaged in agriculture.

The ADB Phase 1 study conducted in 2004 estimated that 85 percent of the garment industry workforce was female, and that the industry absorbed almost 20 percent of the female labor force aged 18 to 25 years. The study further considered that the total garment workforce of 230,000 at that time earned an estimated US\$ 135 million in annual wages.⁵ The link between

³ Stuart-Smith et al, *Phase 1 Report: Cambodia's Garment Industry*.

⁴ Sok Hach, "Cambodia's Garment Industry in 2005 and Beyond," *Economic Review*, Volume 1, Number 5, July-September, 2004.

⁵ Stuart-Smith et al, *Phase 1 Report: Cambodia's Garment Industry*.

increased quotas and socially responsible labor practices had reaped benefits for workers, although the leader of the Free Trade Union of Workers of the Kingdom of Cambodia acknowledged that without the involvement of the ILO his union would find it difficult to remain independent.⁶

Garment Sector Competitiveness

In large measure Cambodia's garment industry remained competitive as a result of its favorable trade agreements and quotas with the US and the EU. However with the quota system expiring at the end of 2004, cost competitiveness increasingly became an issue of concern with greater scrutiny paid to the structural and operating deficiencies endemic to the industry.

In 2001, a Cambodian Development Resource Institute (CDRI) study brought attention to the "bureaucracy costs" associated with garment manufacturing. These "bureaucracy costs", which amounted to 7 percent of sales, included permits to set up and operate factories, licenses to import raw materials and export garments, and the cost of delays in obtaining these. According to the study, factory owners estimated the sum of "bureaucracy costs" to be about the same as their net profit, and about half the total costs of labor.⁷

The situation changed little in subsequent years. In 2004, the ADB Phase 1 study detailed several deficiencies in the industry including "the complexity of import-export procedures, corruption and bribery that accounts for up to 7% of total sales value, worker motivation and productivity, and high costs of infrastructure."⁸ With regard to corruption, the study cited the unofficial payments necessary to obtain required export documentation, and the unofficial additional costs incurred in transporting a container from the factory by road to Sihanoukville port, through the port, and during loading on to the ship. In addition to unofficial payments relating to import-export procedures, garment companies complained that the bureaucracy associated with importing raw materials and exporting the manufactured goods often resulted in significant time wasting and unacceptable delays.

With respect to worker motivation and productivity, the study noted several problems including training methods and low levels of skill development, cultural and communication gaps between workers and supervisors, low level of technologies used, the deleterious effects of large-sized operations on output, and health and stress problems. Infrastructure constraints related to the insufficient and unreliable power supply and the high costs of electricity. Moreover, Cambodia did not have a deep sea port so all imports and exports had to be trans-shipped through a third country, usually Singapore. This lack of a deep sea port seriously undermined the industry's delivery lead time

In June 2005 a USAID commissioned study indicated that only 7 percent of the 80 garment factories surveyed operated what could be considered world-class enterprises. Nevertheless, 75 percent reportedly had significant potential for upgrading, while the rest were judged to be too deficient to succeed in the post-quota era. The study observed that, with technical and managerial training and improved production techniques, productivity could increase by 15 to 20 percent, and with this gain in productivity Cambodia's garment industry could augment value added by producing higher-quality and higher-value garments.⁹

⁶ Elizabeth Becker, "Labor Standards Keep Garment Industry Afloat," *The Cambodia Daily*, May 16, 2005.

⁷ Sok Hack, "The Cambodian Garment Industry," *Cambodia Development Review*, Volume 5, Issue 3, July-September, 2001.

⁸ Stuart-Smith et al, *Phase 1 Report: Cambodia's Garment Industry*.

⁹ Salinger et al, *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*. See also *Economic Review*, Volume 2, Number 2, April-June, 2005.

Mindful of the need to improve the cost competitiveness of the garment industry, the Cambodian government introduced trade facilitation reforms such as a single administrative document and a single window process in Sihanoukville. In March 2005 Commerce Minister Cham Prasidh speaking at a GMAC general meeting vowed to resign at the end of the year if corruption in the garment industry was not curtailed.¹⁰

The Long-Term Prospects of the Garment Industry in Cambodia

Acknowledging that Cambodia's amazing rise in garment manufacturing for export was predicated on favorable quotas and trade preferences, some observers predicted a sudden collapse of the industry in 2005 once quotas were eliminated. Others more knowledgeable of the factors involved forecast a gradual decline over several years. Those particularly enthusiastic about the prospects of reform argued that a competitive industry could maintain current levels of production and employment. As the elimination of quotas would affect the lives of hundreds of thousands of workers and the livelihoods of worker families in rural areas reliant on remittances, analysis of the long-term prospects of the garment industry assumed greater urgency and immediacy.

A Modeling of Laissez-faire and Growth Scenarios

In the third quarter of 2004, as the end of the quota system approached and speculation about the future of the garment industry abounded, the Economic Institute of Cambodia (EIC) constructed a model of two scenarios based on different sets of assumptions.¹¹ The likely laissez-faire scenario, which reflected a continuation of the status quo, assumed a 5 percent growth in the global garment market. It further assumed that competition in the US market would be strong, that levels of productivity in Cambodia's garment industry would remain the same, and that the Cambodian government would enact no measures to improve the prevailing business climate. Under this scenario Cambodia garment exports to the US market from 2005 to 2010 would decline by 5 percent per year on average, while the price of garment products previously under quota in that market would likewise decline by 5 percent per year. At the same time, it was assumed that conditions in the EU and other markets, including Canada, would remain relatively favorable and that garment exports to these markets would continue to grow at 5 percent per year, with a price increase of 2 percent per year.

The growth scenario represented a more optimistic course for Cambodia. It also assumed that the world market for garment products would continue to grow by 5 percent per year and that competition in the US market would be robust. But by contrast, it postulated that economic and legal reforms would be implemented, enabling garment manufacturers to remain competitive, and to maintain their share in the world market. Specifically, government and industry would undertake concerted efforts to 1) improve the productivity of the workforce; 2) work to maintain and gain greater market access; 3) reduce lead times and develop backward linkages; 4) reduce the unnecessary transaction costs; and 5) address other impediments. Under this scenario, Cambodia's garment exports would continue to grow by 5 percent per year in line with the expected growth in the global garment market.

Of note, even the more pessimistic laissez-faire scenario did not forecast a sudden downturn in garment exports. Nevertheless, the cumulative losses accrued over several years would have severe consequences for Cambodia's garment industry. Under the laissez-faire scenario, garment exports would decline by US\$ 110 million in 2007 and then to nearly US\$ 300

¹⁰ *The Cambodia Daily*, March 14, 2005.

¹¹ Hach, "Cambodia's Garment Industry in 2005 and Beyond."

million by 2010. Similarly, in the respective years 2007 and 2010 value added would drop by US\$ 33 million and then to US\$ 89 million, labor costs by US\$ 11 million and then to US\$ 33 million, and gross profit by US\$ 14 million and then to US\$ 29 million. By 2010 job losses would increase to 32,000, and payrolls would decline by US\$ 33 million. On the other hand, realization of the growth scenario against the projected outcome of the laissez-faire scenario would produce notable gains. By the year 2010, the value of garment exports would increase by US\$ 1.3 billion, new jobs would grow by almost 100,000 and payments to workers would rise by US\$ 175 million. The differential wage earnings would translate into a pronounced upswing of remittances to rural areas.

The China Factor

An assessment of Cambodia's prospects in the post-quota global garment market necessarily entailed a discussion of China's emerging presence in this market. For while other countries in Asia such as India, Bangladesh, and Viet Nam would compete against Cambodia, China certainly loomed as the most serious threat. With strong backward linkages in textiles, ample supplies of labor and foreign direct investment, and well-developed logistics infrastructure, China had achieved notable gains in garment exports despite restrictive quotas. Indeed, the value of China's garment exports had risen from US\$ 9.7 billion in 1990 to US\$ 41.3 billion in 2002. With the elimination of quotas at the end of 2004, China's garment exports were projected to rise to US\$ 50 billion in 2005 and then to US\$ 65 billion in 2010. This expansion of China's trade, particularly in US markets previously under quota, would most likely impede Cambodia's continued growth in garment manufacturing.

Recognizing China's explosive growth in the garment trade as a threat to its own manufacturers, the US made China's accession to the World Trade Organization (WTO) conditional on the incorporation of "safeguards" or quotas to limit imports. As the termination of the MFA neared, American manufacturers requested their government to maintain 15 of the 91 quotas set to expire at the end of 2004 arguing that China would destroy the American textile industry. If imposed these new quotas would limit China's export growth to 7.5 percent in each category. China responded strongly maintaining the "safeguards" were designed to correct actual import surges, not threats that had yet to materialize.¹²

The fact that "safeguards" against surges of Chinese imports in 2005 were likely to be invoked in both the US and the EU led *The Economist* in late 2004 to assert that many buyers would diversify their supply lines. Similarly, the re-imposition of restrictions would extend the transition period to the envisaged quota free market, slowing China's growth and easing the full impact of change that would inexorably come.¹³ For Cambodia, this would allow more breathing space to enact the reforms required for improved cost competitiveness.

Developments in 2005

As expected, elimination of garment quotas on 1 January 2005 brought about dramatic shifts in the global market for apparel products. China, in particular, made astounding gains in garment exports in just the first few months of quota-free trade. To illustrate, China's market share to the US in the first quarter 2005 was 20.1 percent of the total compared to its market share in 2004 of 13.8 percent of the total. By comparison, Mexico, South Korea, Mauritius, and South Africa suffered sharp declines in their garment sales. Globally, unrestrained competition in early 2005 resulted in downward pressure on world prices for garment products.¹⁴

¹² "Special Report: The Textile Industry," *The Economist*, November 13, 2004.

¹³ "Special Report: The Textile Industry," *The Economist*, November 13, 2004.

¹⁴ Salinger et al, *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*.

Cambodia was not exempt from the upheavals taking place in worldwide sourcing patterns. In the first few months of 2005, 12 garment factories reportedly closed and 24 suspended operations resulting in a loss of about 30,000 jobs. However, during this period 13 factories were opened creating 10,000 new jobs.¹⁵ By mid-year, the secretary general of GMAC reported that employment in the garment industry had rebounded from the initial losses providing jobs to about 265,000 workers.¹⁶ Shortly thereafter, the deputy director of the Ministry of Commerce Foreign Trade Department announced while nine factories had closed, 30 factories had opened.¹⁷ On its part, the ILO reported that net levels of employment had been maintained, although an adjustment had taken place with higher concentrations of workers in factories employing more than 5,000.¹⁸

On the basis of volume production alone Cambodia managed to hold its own in the early months of the quota-free era. For example, while China achieved phenomenal gains in several apparel categories of the US market in the first four months of 2005 compared to the previous year, Cambodia too posted increases in 5 categories and declines in only two (Table 3). An ILO assessment similarly reported that in the first quarter of 2005 Cambodia's garment exports to the US rose by 11 percent in quantity and 17 percent in dollar value.¹⁹ Worldwide, the value of export sales likewise increased. *The Economist* reported a 5.5 percent increase in the value of Cambodia's garment exports from January to May 2005 compared to the year earlier.²⁰ Clearly, in the short term the garment industry in Cambodia was far from the verge of collapse.

Category	Imports from Cambodia			Imports from China		
	January-April 2004	January-April 2005	Percent Change	January-April 2004	January-April 2005	Percent Change
Cotton nightwear	44.7	40.2	-10.1%	9.4	71.4	660%
Manmade fiber Nightwear	19.3	25.8	33.7%	8.5	29.6	248%
Cotton slacks	15.2	23.2	52.6%	5.2	87.5	1,584%
Cotton knit blouses	7.1	10.4	46.5%	2.2	38.4	1,639%
Cotton trousers	7.3	9.1	24.7%	3.3	50.9	1,420%
Manmade fiber knit Blouses	3.1	3.8	22.6%	9.1	38.7	324%
Manmade fiber skirts	2.8	2.6	-7.1%	1.9	6.9	257%

Source: US Department of Commerce, Office of Textiles and Apparel, Preliminary data through April 2005 cited in *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*, June 2005

Nonetheless, the general trend of more orders and lower prices was a source of concern, especially for "piece rate" workers who received payment based on the number of garments they completed. In May 2005 the vice-president of the Coalition of Cambodian Apparel Workers Democratic Union maintained that some garment employers had lowered the amount they paid per item to piece rate workers.²¹ The price plunge for manufactured garments that gave rise to cuts in labor costs was directly related to the removal of quotas. In 2004 a study prepared for the Cambodian government by the World Bank Group reported that prices for

¹⁵ Elena Lesley, "20,000 Garment Jobs Lost in 2005," *Phnom Penh Post*, May 6-19, 2005.

¹⁶ Timothy Wheeler, "Scrappy Garment Industry Making Gains in Post-Quota Environment," *Phnom Penh Post*, July 15-28, 2005.

¹⁷ *The Cambodia Daily*, August 6-7, 2005.

¹⁸ *The Cambodia Daily*, October 26, 2005.

¹⁹ *The Cambodia Daily*, October 26, 2005.

²⁰ *The Economist*, September 10, 2005.

²¹ Lesley, "20,000 Garment Jobs Lost in 2005."

products restricted by quota were nearly five times higher than non-quota prices - the difference roughly of US\$ 5 to US\$ 1 per square meter.²² As volumes increased and prices declined, the industry needed to increase its cost competitiveness without sacrificing its labor standards.

By mid-year the surge in China's garment exports led the US and EU to invoke safeguards. In May 2005 the US announced that it was imposing a 7.5 per cent yearly increase in quotas on cotton knit shirts and blouses, cotton trousers, and cotton and man-made fiber underwear imported from China.²³ In June 2005 the EU likewise signed a Memorandum of Understanding that limited China's garment imports in 10 categories to between 8 and 12.5 percent.²⁴ In early September 2005 the EU renegotiated this agreement to admit blocked shipments of sweaters and trousers from China that had been piling up in European ports, in exchange for a reduction of the next year's exports. While these measures provided temporary relief, the imposition of safeguards, which were invoked under the rules by which China was admitted to the WTO in 2001, would apply only until 2008. Incidentally, the quotas re-imposed against China provided Cambodia with two and a half more years to secure its niche in the global garment market.

To further Cambodia's access in the US market, Ministry of Commerce and GMAC officials traveled to the US in 2005 to lobby the US Congress for the passage of the Tariff Relief Assistance for Developing Economies or TRADE Act. The bill was introduced into the US Senate in January 2005 and a version of the legislation into the US House of Representatives a month later. The 15 least developed countries designated to benefit from the bill included Cambodia as well as the tsunami stricken countries of the Maldives and Sri Lanka. Approval of the TRADE Act would offer Cambodia selective duty-free access to US markets. Manufacturers in Cambodia currently paid around a 17 percent tariff on goods imported to the US. In July 2005 the Central America Free Trade Agreement or CAFTA was passed by the US Congress opening up opportunities for deliberations on the TRADE Act.²⁵

Thus, contrary to predictions of sudden collapse or even of gradual decline, the prospects of Cambodia's garment industry at mid-2005 looked reasonably well. Despite declines in some markets, overall export volumes had surpassed comparative levels of the previous year and sales had increased by more than 5 percent. Still, the heightened intensity of competition in the global market favored buyers over suppliers. Given the prevailing demand for high quality goods at low prices, reform of Cambodia's garment industry was as crucial as ever. This required raising productivity and reducing bureaucratic costs, while furthering the reputation earned for socially responsible labor.²⁶ With safeguards temporarily imposed on China and buyers diversifying their sources of supply, Cambodia's garment industry had time to enact reforms and stay competitive, although arguably it would no longer remain the country's engine of growth.

²² *Cambodia Seizing Global Opportunity: Investment Climate Assessment & Reform Strategy*, (Phnom Penh: Prepared for the Royal Cambodian Government by the World Bank Group, August 2004).

²³ *The Cambodia Daily*, May 18, 2005.

²⁴ Wheeler, "Scrappy Garment Industry Making Gains in Post-Quota Environment."

²⁵ Elena Lesley, "Tsunami-Triggered Trade Bill Stalls in US Senate," *Phnom Penh Post*, April 22-May 5, 2005. See also *The Cambodia Daily*, July 8, 2005 and August 27-28, 2005.

²⁶ In 2005 the ILO continued to monitor labor standards in garment factories under its Better Factories Cambodia project. See *Phnom Penh Post*, July 29-August 11, 2005.

Experiences of Garment Workers from Prey Veng

This section documents the experiences of garment workers living and working in Phnom Penh who had migrated from Prey Veng province. Information was gathered from the Prey Veng garment workers through a survey of 116 individuals and from focus group discussions.

Background Information

In large measure the garment workers interviewed were young, unmarried women. They originated from 11 districts in Prey Veng province, the largest numbers from Kagn Chreach, Kampong Trabek, Me Sang, and Pear Rang districts. Of the 116 workers interviewed, 109 (94) percent were women. The mean age of the respondents was 22.5 years. The age of the majority (61 or 53 percent) ranged from 20 to 24 years. Two workers interviewed were under the legal age requirement of 18 years, and eight were 30 years or older. With regard to civil status, the large majority (95 or 83 percent) of the 116 workers surveyed were single. By comparison, only 15 (13 percent) were married, and only four of those married lived with their spouses in Phnom Penh. While seven of the 15 married workers had children, only one was caring for her child in Phnom Penh. By contrast, 4 of the 5 widows included in the survey were caring for their children in the capital.

For the purposes of this study, the 116 migrant respondents were considered part of their households in Prey Veng.²⁷ Taken as such, the mean household size of the 116 workers was 6.46, the mean household workers was 3.52, the mean household migrant workers was 1.97, and the mean household garment factory workers was 1.55. This indicated that migrant workers, particularly garment factory workers, comprised a large share of the household labor force. It likewise indicated that many households had more than one garment factory worker.

Educational attainment of the 108 workers who had completed some schooling was rather high, with the mean last grade completed at 5.35 grades. Interestingly, 29 (27 percent) respondents had completed 7 grades or more.

Migration History and Circumstances

Prey Veng migrants surveyed started to work in the garment factories as early as 1995, but it was in 2000 that their numbers increased sharply and then leveled off (Table 4). Given this pattern, it is not surprising that 61 (53 percent) of those interviewed had worked in the garment factories for more than two years. Meanwhile 39 (34 percent) were relatively recent migrants having worked in the garment factories for one year or less. A majority 66 (57 percent) respondents had only worked in one factory, although 33 (28 percent) had worked in two, and 17 (15 percent) had worked in three or more. At the time of the survey, the 116 respondents worked in over 40 separate factories, usually in close proximity to their place of residence.

²⁷ This follows Kathie Friedman who conceptualizes households as units that impose a mutual obligation on members to pool resources obtained from a multiplicity of labor forms. See Kathie Friedman, "Households as Income-Pooling Units," in *Households and the World Economy*, Joan Smith, Immanuel Wallerstein, and Hans-Dieter Evers, eds., Beverly Hills: Sage Publications, 1984, 37-55.

	Number	Percent
1997 or before	3	2.6
1998	6	5.2
1999	10	8.6
2000	24	20.7
2001	21	18.1
2002	16	13.8
2003	19	16.4
2004	17	14.7
n=116		

The reasons why the respondents and other members of their households migrated to Phnom Penh to find work in the garment factories entailed both push and pull factors (Table 5). The predominant mention of insufficient rice harvests underscored the crisis in agriculture that had taken hold of Prey Veng as a result of successive droughts and floods in the past four years. Landlessness itself was a condition confronting some respondents. Meanwhile, limited opportunities for wage work near the village and lack of capital to start businesses revealed the impoverishment of rural industries. These factors coupled with debts from health costs and rice production were strong incentives to seek work in Phnom Penh. Conversely, work opportunities in the Phnom Penh garment factories, especially for young and single women, posed an attractive option for those looking for remunerative work.

	Number	Percent
Rice harvest insufficient	100	86.2
Work available in the garment factories	91	78.4
Lack of capital to start business	84	72.4
Wage work opportunities around village limited	76	65.5
Debt from health costs	44	37.9
Debt from rice production costs	33	28.4
Landless (household has no rice land)	10	8.6
Debt from gambling	2	1.7
Others	21	18.1
n=116		

Garment workers from Prey Veng secured jobs in Phnom Penh garment factories through several means. Almost half of the 116 interviewed (54 or 47 percent) said that found work in the garment factories with assistance from relatives. Large numbers (40 or 34 percent), too, mentioned that they had found work on their own. A smaller number (19 or 16 percent) acknowledged that friends had assisted them.

Contrary to a popularly held notion, only 32 (28 percent) of the 116 workers surveyed paid informal fees to obtain their jobs inside the factories. But the mean amount paid for fees was high at US\$ 40.16. The payment of placement fees operated outside of the formal channels of the factory management. Of the 32 workers who had paid fees, 25 had borrowed money to do so. Of these, 18 had repaid the entire loans and 7 had made partial payments. Only three of the 32 fee-paying workers had sold assets, mainly jewelry, to raise money for the placement fees.

Incomes, Expenditures and Remittances

Garment workers were paid by the hours they toiled. Normally, the 116 workers surveyed worked 8-hour days (94 percent) and 6-day weeks (96 percent). When working overtime the majority of those responding normally worked 10-hour days. Still nearly one-fourth worked overtime in excess of 10-hour days. The large majority of the 116 respondents (90 percent) were considered full time workers while the rest (10 percent) were considered part time or “floating” workers.

With overtime earnings included the mean monthly salary of the 116 workers interviewed totaled US\$62.14. At the same time, monthly salaries varied considerably with one-fifth of the workers earning below US\$ 50 and nearly one-fifth earning above US\$ 70 (Table 6). While the survey sample included only 7 male workers, their mean monthly salary of US\$ 71.28 was considerably higher than the overall average. More crucially, monthly earnings of the workers dropped severely when overtime pay was discounted from their salaries. Excluding extra pay, the monthly mean income of 94 workers who reported basic earnings equaled US\$ 44.73 or about 72 percent of the average wages with overtime. To maintain higher salaries workers had to work 10 hours a day or longer for 6 days a week.

	Number	Percent
Less than \$50	25	21.6
\$50 - \$60	42	36.2
\$60.1 – 70	27	23.3
More than \$70	22	19.0
n=116		

Average monthly expenditures obtained from the survey questionnaire are presented in Table 7. These figures represent average amounts computed on the basis of the entire 116 sample, although not all respondents reported expenditures for each and every item. When compared to average monthly incomes, the average monthly expenditures appear high considering that the estimates do not include remittances sent back to Prey Veng. However, it is not uncommon for expenditures to be over reported in survey research and some caveats should be noted.

Food	18.75
Lodging (including water and electricity)	8.20
Repayment of Loans	7.70
Transportation	5.52
Clothes	5.26
Personal Items	4.07
Health	3.89
Entertainment	3.65
Education	2.71
Total expenditures	59.75
n=116	

Immediately apparent is the high average amount spent on the repayment of loans. But closer scrutiny reveals that only 43 (37 percent) of the 116 respondents were repaying loans, and that only 24 (21 percent) of the 116 were making repayments of more than US\$ 7 monthly. While a severe burden for those involved, the repayment of large loans by one-fifth of the workers skewed the average amount of loan repayment upwards for the total sample. Similarly, only

48 (41 percent) of the 116 respondents were spending money for transportation, and only 25 (21 percent) were spending more than US\$ 2.50 monthly. Despite difficulties in documenting precise estimates for expenditures, the general pattern was clear. Garment workers from Prey Veng spent a relatively large amount of their earnings simply to support their basic needs in Phnom Penh.

Nearly all (112 or 97 percent) of the 116 workers interviewed sent money home to their households in Prey Veng. The mean monthly amount remitted on average was US\$16.82 or 27 percent of average monthly earnings with overtime. Interestingly, amounts sent home by 35 respondents (31 percent) included borrowed money. The rather high amounts remitted, plus the need to borrow, underscored the demand placed on workers to contribute to the support of their provincial households. Workers reported various means used to send money back to Prey Veng. These included sending it home with a relative (67 percent), going home personally (57 percent), having a relative come to Phnom Penh to get it (44 percent), and sending it back with a friend (22 percent).

Upon further reflection, the link between the relatively high levels of worker remittances and their total salaries becomes more apparent. Without the additional earnings from overtime pay, workers would not have been able to support their basic needs in Phnom Penh and, at the same time, make substantial contributions to the well-being of their households in Prey Veng. This means that garment workers normally had to work 10 or more hours a day, 6 days a week to earn enough money to maintain the levels of their remittances.

Generally, the remittances received by the Prey Veng households were used to support recurrent costs of subsistence rather than to initiate income-generating activities (Table 8). Purchase of food was mentioned often although not included in the table due to problems with quantification. Payment of health costs and debts, and support of agricultural production figured prominently in responses. Support of education, too, was highly enumerated followed by ventures in animal husbandry, and investment in assets such as houses, agricultural machinery, draught animals, land, and motorbikes. Investment in small businesses was rarely cited.

	Number	Percent
Paid off health expenses	99	88.4
Supported agricultural production	87	77.7
Paid off household debts	76	67.9
Supported education costs	68	60.7
Invested in animal husbandry	46	41.1
Invested in assets	37	33.0
Started a small business	15	13.4
n=112		

Living Conditions

Many of the respondents interviewed lived in compounds specifically built to house garment factory workers. These lodgings, normally located in walking distance to nearby factories, consisted of long wooden enclosed shelters built in rows on concrete flooring. The shelters were divided into rooms with three or four workers usually sharing one room. Bathroom facilities were used in common. The rooms had access to electricity and large cement water containers placed outside between the shelters.

Of the 116 workers sampled, 52 (45 percent) declared their lodgings adequate, 51 (44 percent) considered them somewhat adequate, and 13 (11 percent) deemed them inadequate. Major complaints were about small bathroom, sleeping and cooking areas, unhygienic water, and insufficient electricity and water. A majority 61 (53 percent) respondents judged the security and safety situations of their lodging sites adequate, while 31 (27 percent) regarded these conditions as only somewhat adequate, and 24 (21 percent) pronounced them inadequate.

Working Conditions

Favorable quota agreements with the United States were linked to good labor practices. In the present survey of 116 Prey Veng workers, only 35 (30 percent) felt that their working conditions were adequate. Still, a slight majority (59 or 51 percent) described their working conditions as somewhat adequate, and relatively few (10 or 9 percent) maintained that they were inadequate. Several respondents (12 or 10 percent) found it difficult to give an opinion. The major problems enumerated by 108 workers voicing complaints related to health issues and infringement of rights and benefits (Table 9). Focus group participants explained that many of the difficulties they endured were inherent in their work: *“When we iron clothes we have to stand for long hours and the heat given off by the press machines makes it difficult to breathe. When we dye clothes we have to suffer the noxious smells emitted by the chemicals. When we sew clothes for long hours we may get tired and cut ourselves with the needles.”*

Table 9. Work Related Problems Experienced by Prey Veng Garment Workers in Current Jobs, Phnom Penh, September and October 2004		
	Number	Percent
Deteriorating health	82	75.9
Smell of chemicals	80	74.1
On-the-job accidents	56	51.9
Poor ventilation	48	44.4
Inadequate health facilities	48	44.4
Violation of worker rights	48	44.4
Forced to work overtime	38	35.2
Long hours	37	34.3
Need to stand for long periods	34	31.5
Not receiving full wage	34	31.5
Small space	26	24.1
Infrequent holidays	22	20.4
Poor lighting	22	20.4
Sexual harassment	8	7.4
Other	11	10.2
n=108		

While some workers took action in singular or multiple ways to solve their problems, others did not. Based on the responses of 97 workers 40 reported problems to a union representative, 37 complained to other workers, 33 reported problems to a supervisor, and 5 reported problems to a NGO. By contrast, 30 respondents took no action. Of the 88 workers who commented on the success of solving their work related problems, 40 said that they were successful.

A majority of workers reported that they were aware of the labor law with regard to holiday leave, sick leave, maternity leave, personal leave, and annual leave. Of the 105 respondents that expressed an opinion about factory compliance with these articles, 21 said that their employers fully implemented them, 75 said that their employers partially implemented them, and 9 did not know.

Participation in Unions and NGO Activities

Parallel with the growth of the garment industry in Cambodia was the emergence of labor unions in the garment sector.²⁸ Not infrequently the activities of these labor unions involved strikes and protests that sometimes spilled over into street demonstrations. Tellingly, 50 (43 percent) of the 116 workers surveyed belonged to labor unions. Of the 50 union members, 14 found the unions effective, 19 declared them somewhat effective, 10 considered them not effective, and 7 were unable to comment. A 22-year old female worker from Prey Veng described the ambivalence of her own union participation: *“I am a member of the labor union and every month membership fees are deducted automatically from my salary. Although I have been a member of the union for a long time, I don’t know what the union has done for me or for other workers. We have been on strike but few changes resulted.”*

Interestingly, 58 (50 percent) of the 116 workers interviewed had participated in strikes or protests, a total higher than had acknowledged union membership. Indeed, closer scrutiny revealed that only 33 of the 58 strikers were union members. Within the group of 58, 15 described the strikes or protests as effective, 35 assessed them as somewhat effective, and 8 viewed them as not effective. Nonetheless, the extent of worker participation in collective action was notable.

By comparison, 23 (20 percent) of the 116 workers surveyed had participated in street demonstrations. While only 12 of the 23 demonstrators were union members, 22 of the 23 had participated in strikes or protests. Overall, 7 of the 23 considered the street demonstrations effective, 10 thought them somewhat effective, 5 dismissed them as not effective, and one did not answer.

While only a small number of the workers interviewed had participated in activities organized by NGOs, satisfaction with these projects was rated rather high. Of the 14 (12 percent of 114 respondents) workers who had participated in NGO activities, 9 found them helpful, 3 judged them somewhat helpful, and two did not comment.

Gender Relations

Notably, 107 (92 percent) of the 116 migrants interviewed in Phnom Penh affirmed that they had more self-confidence and self-esteem since they started to work in the garment factories. In a similar vein, 95 (82 percent) of the 116 respondents stated that they had a higher status in their households. Moreover, 89 (77 percent) of the 116 surveyed acknowledged that they had found satisfaction in their work.

Work in the garment factories brought both advantages and burdens. In all 100 (86 percent) of the 116 respondents reported advantages. Advantages cited by the group of 100 included being more important for the family, having opportunities to make decisions by themselves, having more respect from siblings, and having the family more proud of them. In Cambodia where the status of young women in the family and in society is still relatively low, these

²⁸ All garment industry unions are affiliated with one of the five following national labor federations: The Cambodian Federation of Independent Trade Unions; The Cambodian Union’s Federation; The Free Trade Union of Workers of the Kingdom of Cambodia; The Cambodian Labor Union Federation; and The National Independent Federation of Textile Unions in Cambodia. The five federations claim a membership that exceeds 80,000 and say that they represent more than 50 percent of garment industry workers. While over 90 percent of union members are women, very few women fill national leadership positions. See Stuart-Smith et al, *Phase 1 Report: Cambodia’s Garment Industry*.

gains represent real achievements. At the same time, 81 (70 percent) of the 116 respondents acknowledged burdens. Burdens mentioned by the group of 81 included the expectation of having to continue working in the factory and the difficulty of getting married and having their own family. To some extent, improved status within the household was conditioned on the worker's ability to maintain remittances.

Workers were ambivalent about how people from their villages viewed young women laboring in the garment factories of Phnom Penh. While 47 (40 percent) of the 116 respondents maintained that they were looked up to with respect as household earners, 34 (29 percent) felt that they were looked down upon without respect. Another 35 (30 percent) had no opinion either way. One Prey Veng migrant thought that women workers were caught in a dilemma: *"If we send more money home, people will say that we are doing bad things to earn the extra money. If we send less money home, people will say that we are spending more on ourselves or on our Phnom Penh lovers."*

With respect to ongoing education, 54 (47 percent) of the 116 workers interviewed said that they stopped schooling when they migrated to Phnom Penh. Only 9 workers had been able to continue their education in Phnom Penh. Similarly, only 11 workers said that they had learned skills, mostly cutting and sewing fabric, in the garment factories that would help them find work in the future. One female Prey Veng worker lamented: *"My brothers carry schoolbags and study in school. I carry lunch bags and work in the factory. I also want to go to school but I have to work to help my family."*

With regard to loss of jobs, 39 (34 percent) of 115 respondents said that they had previously lost jobs in the garment factories. Many workers had actually left jobs on their own accord. Smaller numbers had lost jobs when factories reduced workers for lack of orders or closed down. When workers left previous jobs most found work right away in other garment factories. Others first returned to the village and then came back to Phnom Penh, where they were now, to resume work in the garment factories.

Of the 116 workers surveyed, 90 (78 percent) were aware that the favorable trade agreement with the United States would end at the end of 2004. When asked what they would do if they lost their jobs in 2005, the large majority announced that they would return to the village. Others proclaimed that they would look for work in another garment factory or do migrant work in Phnom Penh. In general, the workers did not have clear-cut plans about what directions they would take. Understandably, their focus was more immediate on the current jobs that they held.

Experiences of Garment Worker Households from Prey Veng

This section examines the experiences of garment worker households in Prey Veng province. Information was gathered in Lovea and Kraing Svay communes of Preas Sdech district from a survey of 218 households (109 in each commune) and from focus group discussions with village leaders.

Background Information

For the purposes of this study the migrant workers were considered part of the Prey Veng households. The mean household size of the 218 households interviewed was 6.84, the mean household workers was 3.98, the mean household migrant workers was 1.95, and the mean household garment factory workers was 1.40. This revealed that migrant workers, especially garment factory workers, composed a sizeable share of the household labor force. It likewise pointed out that many households had more than one garment worker member.

By and large, the migrant members of the households interviewed were young, single women. In all, 306 garment workers were members of the 218 households surveyed. Of the 306 total, 254 (83 percent) were female. Ages were known for 305 workers. The mean age of the oldest worker in the 218 households was 23.75 years, the mean age of the second oldest in 71 households was 21.62 years, the mean age of the third oldest in 13 households was 21.54 years, and the mean age of the fourth oldest in 3 households was 20.00 years. Of note, 10 of the 305 workers were under the legal age requirement of 18 years. Civil status was similarly known for 305 workers. Overall, 239 (78 percent) were single, 52 (17 percent) were married, 12 (4 percent) were widowed, and 2 were separated or divorced.

Migration History and Circumstances

Migration in the Lovea and Kraing Svay households surveyed to the garment factories in Phnom Penh started before 1997, rose sharply in 2000, and then leveled off - albeit hitting a peak in 2003 (Table 10). While seasonal migration of men to Phnom Penh had been a common occurrence in the 1990s, the growth of the garment industry in the new millennium had spurred a new wave of rural-urban migration, involving mostly young women for longer periods of work.

**Table 10. Year Household Garment Factory Workers First Started Work,
Lovea and Kraing Svay Communes, Prey Veng,
September and October 2004**

	Number	Percent
1997 or before	15	6.9
1998	15	6.9
1999	24	11.1
2000	34	15.7
2001	29	13.4
2002	31	14.4
2003	38	17.6
2004	30	13.9
n=216		

The pull factor exerted by job opportunities in the garment factories was clearly evident in the reasons offered by the households sampled to account for the migration of their members. But push factors too were prominent in the reasons given for the outflow of migrant workers (Table 11). Recurrent droughts and floods in the study area had devastated rice harvests over the past four years and left many farmers in debt unable to repay production costs. Debts from health costs added to the current crisis. Given the lack of wage work opportunities around the village and the lack of capital to start businesses, households had to look beyond Prey Veng for alternatives.

	Number	Percent
Rice harvest insufficient	180	83.7
Work available in the garment factories	165	76.7
Wage work opportunities around village limited	154	71.6
Lack of capital to start business	138	64.2
Debt from health costs	78	36.3
Debt from rice production costs	64	29.8
Landless (household has no rice land)	12	5.6
Debt from gambling	2	0.9
Other	17	7.9
n=215		

Getting jobs in the garment factories often required the assistance of others. More than half of 216 respondents (120 or 55 percent) recounted that household members had found work in the factories with assistance from relatives. Some migrant members (50 or 23 percent) had friends that assisted them. Some though (46 or 21 percent) had found work on their own.

The payment of placement fees to gain work in the garment factories was a common, though not an all-inclusive, practice. In all, 95 (44 percent) of the 218 households interviewed had paid fees to get members work in the garment factories. The mean amount normally paid for fees was high at US\$ 51.98. Of the 95 households who had paid fees, 81 had borrowed money to do so. Of these, 69 had already repaid the loans. Similarly, 33 of the 95 fee-paying households had sold assets to pay the fees or to repay the money borrowed. Assets sold were pigs, cows, land, and jewelry.

Land Ownership and Agricultural Production

Since the redistribution of rice land to owner cultivators in the early 1980s, rice production on small plots had been the primary subsistence strategy of Lovea and Kraing Svay households. At the time of the survey in September and October 2004, 202 (93 percent) of 218 households interviewed owned paddy rice. The mean amount owned by these 202 households was 1.56 hectares. In a parallel trend 63 (29 percent) of the 218 households surveyed rented paddy rice land. The mean amount of paddy rice land rented by 61 households responding was 0.85 hectares. Of note, 60 of the 63 rice land renters were also rice landowners.

In the last crop season 191 (93 percent) of the 205 households with access to rice land cultivated paddy rice. Based on 190 household respondents, the mean area of land cultivated was 1.48 hectares, and the mean harvest was 1,581 kilograms or 1.58 tons. This amounted to a very low yield of only 1.07 tons of paddy rice per hectare. With a mean of 4.89 household

members living at home each received an average of only 323 kilograms of paddy from the last crop harvest. Factoring the migrant workers into the equation, each household member would only receive an average of 231 kilograms of paddy. Simply by supplying their own rice, migrant members eased a major burden from their households.

Not surprisingly, 172 (84 percent) of 204 household respondents maintained that their rice harvest was not normally sufficient to feed their households through the entire year. A large majority (96 percent) of those with shortages needed to buy rice for two months or more, more than half (58 percent) needed to buy rice for four months or more, and more than one-fourth (27 percent) needed to buy rice for six months or more.

As a result of the severe draught that affected the two communes in late 2004, the crisis in agriculture was about to become even more debilitating. In the current crop season 193 (94 percent) of the 205 households with access to rice land were cultivating rice. As a consequence of the drought, most of these cultivators would not speculate about future yields. The mean harvest expected by 72 households who did respond was 849 kilograms. This average projected yield for the current crop season was 46 percent less than the average reported yield for the last crop season.

While absolute landlessness was relatively small among the 218 households surveyed (16 or 7 percent), a trend toward inequality of land resources was emerging. Of the total households interviewed, 43 (20 percent) had sold paddy rice land. The mean area sold by 41 of the sellers was 0.92 hectares. By contrast, 48 (22 percent) of the total households surveyed had bought paddy rice land. The mean area purchased by the 48 buyers was 1.83 hectares. Of note, 34 (79 percent) of the sellers were not buyers, and 39 (81 percent) of the buyers were not sellers. This disclosed a divergence of those involved in the transactions. Sellers reported average rice lands 0.71 hectares smaller than those of non-sellers. Meanwhile, buyers reported average rice lands 0.85 hectares higher than those of non-buyers. The commune chief of Kraing Svay commented that local buyers had capitalized on the distressed land sales of others to amass their own rice holdings.

Migrant Worker Remittances

All households included in this survey had garment worker members. So not surprisingly 206 (94 percent) of the 218 households interviewed received remittances from garment worker members. The mean monthly amount received by 205 households reporting was US\$ 16.12. Households used the money received mainly to subsidize subsistence; few invested money to start small enterprises (Table 12). Buying of food was cited frequently although not presented in the table due to difficulties with quantification. Payment of health expenses and support of agricultural production were commonly mentioned. Education costs and the payment of debts were also made with remittances. Investment in assets included houses, agricultural machinery, land, draught animals, and motorbikes. Investment in small businesses was seldom noted.

	Number	Percent
Paid off household health expenses	162	78.6
Supported agricultural production	140	68.0
Supported education of other household members	130	63.1
Paid off household debts	96	46.6
Invested in assets	45	21.8
Start a small business	18	8.7
n=206		

Livelihood Strategies

Lovea and Kraing Svay households included in the survey supported their livelihoods through a multiplicity of earning activities. These included cultivating paddy rice, migrant (especially garment factory) work, home gardening, buy and sell trade (including that of pigs, cows, and chickens), wage labor (both agricultural and non-agricultural), gathering and selling food, and making and selling handicrafts. Notably, within this abundance of earning opportunities crop cultivation and migrant work stood out as the most important livelihood sources (Table 13). Given the successive droughts and floods of recent years and the termination of the favorable garment quotas at year-end 2004, the viability of the main livelihood strategies of the households surveyed loomed precarious. The return of garment workers in large droves to their home villages in Prey Veng would certainly place added strains on an already decrepit subsistence rice economy. Similarly, reduced opportunities for rural migrants in the Phnom Penh garment industry would keep those entering the work force at home dependent on the low-yielding, disaster-prone rice regime.

	Most Important		2nd Most Important		3rd Most Important		4th Most Important		5th Most Important	
	#	%	#	%	#	%	#	%	#	%
Cultivating rice and other crops	164	79.6	22	11.0	3	1.9	1	2.4	0	0
Migrant work (including garment factory work)	31	15.0	119	59.8	44	27.7	7	17.1	0	0
Buy and sell trade (including livestock and poultry)	4	1.9	40	20.1	68	42.8	14	34.1	3	42.8
Local wage work (agricultural labor and other work around the village)	5	2.4	13	6.5	36	22.6	15	36.6	2	28.6
Making and selling handicraft	2	1.0	5	2.5	8	5.0	4	9.8	2	28.6
Total	206	99.9	199	99.9	159	100	41	100	7	100

Household ranking of expenditures underscored further the subsistence character of those surveyed. The households sampled reported that they spent most of their income on food, recurrent costs of agricultural inputs such as fertilizer and pesticide, and health expenses

(Table 14). Investments in assets and small businesses were negligible. While the garment industry had generated some economic benefits for these rural households in Prey Veng, it had not transformed their lives beyond subsistence producers and consumers.

	Most Money Spent		2 nd Most Money Spent		3 rd Most Money Spent		4 th Most Money Spent		5 th Most Money Spent	
	#	%	#	%	#	%	#	%	#	%
Food	144	70.2	36	17.6	19	10.2	2	2.0	0	0
Agricultural Inputs	34	16.6	99	48.3	36	19.2	10	10.2	0	0
Health costs	21	10.2	56	27.3	88	47.0	16	16.3	2	20
Repay debt	5	2.4	10	4.8	37	19.9	53	54.1	4	40
Buy assets	0	0	4	1.9	3	1.6	12	12.2	2	20
Invest in business	1	0.5	0	0	4	2.1	5	5.1	0	0
Total	205	99.9	205	99.9	187	100	98	99.9	10	100

Coping with Crisis

Of the total 218 households interviewed, 192 (88 percent) acknowledged that they had experienced a crisis in the past five years. The most frequent types of crises mentioned by the 192 respondents who reported affirmatively were crop failure (146 or 76 percent) and the illness of a household member (140 or 73 percent). When faced with crises households responded in several diverse ways. They reduced consumption, sought help from relatives, borrowed money with interest, and sold assets such as livestock, jewelry, or land.

Gender Relations

Of the 218 households surveyed, 170 (78 percent) reported that they had encountered labor shortages since migrant worker members had been away from home. These shortages occurred in both productive activities (e.g. rice cultivation and animal husbandry) and reproductive activities (e.g. cooking, laundry, and taking care of young and old household members) (Table 15).

	Number	Percent
Lack of labor to cultivate rice land	160	94.1
Lack of labor to take care of animals	97	57.1
Lack of labor to cook and clean house	83	48.8
Lack of labor to do laundry	71	41.8
Lack of labor to take care of children	49	28.8
Lack of labor to take care of elderly	36	21.2
Lack of labor to run household businesses	7	4.1
Other	10	5.9
n=170		

Despite the loss of labor at home, a majority 181 (83 percent) of the 218 households interviewed declared that garment factory members were more important to the household

now than before they started to work in Phnom Penh. Since a large majority of the garment workers were women this translated into an improvement of women's status in the household. Focus group discussions with village leaders likewise indicated that the status of women garment workers had improved in their households. Clearly, the benefits gained from worker remittances offset in large measure the problems encountered in labor shortages.

While the status of workers and women increased as a result of work in the garment factories, a total 202 (93 percent) of the 218 households sampled expressed concern about their members living and working in Phnom Penh. The main concerns of these 202 households were about the workers personal security, health, daily living conditions, and feelings of loneliness.

More than half (132 or 61 percent) of the 218 households interviewed, were aware that the favorable trade agreement with the United States would end at the end of 2004. Most household respondents maintained that worker members would return to the village if they were to lose their jobs in the factories in 2005. But many also thought that they would then return to Phnom Penh to find work in other garment factories or other places of employment. This was the pattern that had taken place in the past when worker members had lost their jobs. Focus group discussions revealed that villagers were more supportive of sons staying in Phnom Penh looking for jobs than daughters.

Case Accounts of Garment Worker Households from Prey Veng

This section presents case accounts of several garment worker households in villages of Lovea and Kraing Svay communes of Preas Sdech district, Prey Veng province. The case studies graphically illustrate the importance of garment factory work in the lives of rice farming households as they struggle to sustain their livelihoods amid rising agricultural input costs, declining rice productivity due to successive floods and droughts, and the fragmentation of family farms occurring with the marriage of children. For some households the cash remittances from garment workers are critical to their very survival. For others the money received helps to pay for recurrent health costs. For others still the wages earned by workers to support their own subsistence have eased the burden of rice shortages in the household.

While all of the households depicted in the case accounts have benefited economically from garment factory work, the human costs of separation are nonetheless evident. Parents worry particularly about their unmarried daughters living in Phnom Penh. They realize that their daughters might marry men from other provinces, never to return and settle in the village. Meanwhile, the lack of job opportunities in and around the village offers little alternative to garment factory work. While the workers themselves appear eager for the chance to earn in the city, they too must pay the tolls of loneliness and hard work. Long hours of overtime are common and one case respondent actually collapsed unconscious on the factory floor. Due to the demands of the work, married workers often leave small children with their own parents in the province. Moreover, the workers and their households rely on jobs that offer little security. All too clearly, they are virtually powerless to influence the future course of the garment industry that so deeply affects their lives.

Case Study #1

The Household of Nget Kheng and Huot Sotha Thnot Chros village, Lovea commune

Nget Kheng, and his wife, Huot Sotha have lived their entire lives in Thnot Chros village in Lovea commune. Kheng is now 49 years old and Sotha is 48. The couple has three children who are single. Their 25 year old son, Nget Vannak, still lives and works with his parents on the family rice farm. But their daughters, 22 year old Nget Malay and 19 year old Nget Sokha, have migrated to Phnom Penh to work in the garment factories there.

Ironically, Nget Sokha, the younger of the two sisters left first about three years ago after she had completed ninth grade. She lived in Phnom Penh with a friend from the village. During the first year she was not able to get work in the foreign owned factories so she spent her time learning how to sew clothes working for a local businesswoman. She earned very little money and had to rely on her family in Thnot Chros village to support her in the city. Her parents gave her 15 kilograms of milled rice and about 25,000 riels in cash every month for the initial year. After that, she was able to find work in a foreign owned garment factory.

The experience of Nget Malay, the older sister, was similar. She migrated to Phnom Penh two years ago after completing high school but spent more than one year learning how to sew with a local employer. Her earnings at this time were likewise low and her sister, Sokha, helped to support her. Malay's parents also gave her 15 kilograms of milled rice every two months. The sisters now live together and work in the same factory. This is the first garment factory job for Malay but already the third for Sokha. Each has paid informal entry fees to get jobs in these factories. But now the sewing

machine they practiced on is stored at their village home and both women are earning US dollars as garment workers.

Now that both daughters are earning factory wages, the movement of money has reversed, flowing back to Prey Veng. Huot Sotha claims that she doesn't receive regular remittances from her daughters. Usually she will receive some money from her daughters when they visit home in their free time. Just recently she received US\$ 50 from the two, and during the drought some months ago the daughters sent back US\$ 50 for gasoline for the irrigation pump. "If our daughters work overtime," explained Sotha, "they have extra money to send home. But without overtime, it is difficult for them to send money to us." Malay and Sokha each earned US\$ 45 a month without overtime. Together they paid US\$ 25 for room rent plus \$5 for electricity and water. After spending for costs of food, clothing, and personal items not much remained.

Household Rice Farming

Nget Kheng and Huot Sotha's household has 1.7 hectares of rain fed rice land, which in the one crop season can produce 1.5 tons of rice or 0.9 tons per hectare. That is, if floods or droughts do not affect the rice cultivation. Last 2003/2004 crop season a drought reduced the harvest to only one ton of rice. In the present 2004/2005 crop season a drought prevented them from transplanting rice seedlings in July and a successive flood delayed the operation even further. They transplanted in September and planned to harvest in the upcoming January.

Although Kheng, Sotha, and their son, Vannak, cultivate the family rice farm, costs of agricultural inputs are high. These include costs for renting the irrigation pump, costs for chemical fertilizer and pesticide, costs of hiring transplanters and harvesters to finish these tasks on time, and costs for machine threshing. Kheng estimates that the family pays 700,000 to one million riels to supply the input costs for one crop season.

To finance the costs of rice production the households raises pigs, chickens, and ducks for sale. They also work as rice laborers for others transplanting, harvesting, and plowing with their cows for cash wages. Normally the household also borrows money to pay for input costs. These loans are paid at 30 per cent interest at the harvest.

As mentioned even in good seasons the rain fed rice farm only produces 1.5 tons of rice. For the entire family of 5 persons, the household needs 3 tons of rice per year. If the two daughters were living at home the rice farm would not be able to support all of them. Remittances aside, the fact that the daughters are able to earn enough money to buy their own rice has considerably lessened the burden of their parents. This is the principal contribution of garment factory work to this household's livelihood.

Household Future Prospects

Keng and Sotha would like their daughters, Malay and Sokha, at some point to come back home and marry in the village. But they realize that their own rice land is not sufficient to support all of their children, and their future families. Moreover, there are no garment or other large factories in Prey Veng. The brick-making factory along the national road employs only a few people from the village. Other wage earning opportunities in the local area are limited. Sotha comments, "If Malay and Sokha return to the village they cannot earn income. By working in the garment factory they can at least support themselves." Keng and Sotha's son, Vannak, likewise traveled to Phnom Penh to find a job in the city's factories. But few opportunities were available to young men and entry fees were high. After working temporarily in one factory for two weeks he returned home.

Sotha finds comfort in the fact that her daughters have finished higher education and are prepared to look after themselves. Still she worries about the two girls who live far way. She does not know what will happen to them. She is not sure whether the daughters will return home in the event that the garment factories close.

Case Study #2

The Household of Soth Seng and Chan Ravy Thnot Chros village, Lovea commune

Soth Seng and his wife, Chan Ravy, have lived in Thnot Chros village of Lovea commune all of their lives. Seng is now 51 years old and Ravy is 46. The rice farming couple has eight children; the two oldest are married and living on their own, while the remaining six are still part of the household. The less than one year old daughter of their married son lives with them and her parents contribute 10,000 riels a month for her support.

The couple's married daughter, Soth Phy, now 24 years old traveled to Phnom Penh to work in the garment factories in 2000 when she was still single. She went with her sister-in-law, the wife of her older brother. At first her salary was low about US\$ 20 per month, so Phy changed factories looking for higher wages. At this time her parents supplied her with 15 kilograms of milled rice per month to subsidize her earnings. In 2001 Phy married a motor taxi driver originally from Kompong Cham now working in Phnom Penh. Once she was married, her parents no longer provided her with milled rice. Today Phy still works in a garment factory and now earns about US\$ 40 a month. This money is used to support her own family in Phnom Penh which includes two children. In all the years she worked in the Phnom Penh garment factories, Phy never sent money home to her parents.

Soth Seng and Chan Ravy also have a single daughter, Soth Savy, 22 years old working in a Phnom Penh garment factory. Savy left the village five months ago just after Khmer New Year accompanied by her father. She now lives with her cousin from the village. Like her older sister she did not pay an entry fee to get her job. Savy earns enough money to support herself and does not receive milled rice from her parents. Although she spends a lot of her earnings on living expenses, she manages to remit 20,000 riels (US\$ 5) per month to the household in Prey Veng. According to her mother, Savy was unable to earn money in rice farming due to the recent flood and so asked her parents to allow her to work in Phnom Penh.

Household Rice Farming

The family owns 1.5 hectares of rice land consisting of a one hectare rice parcel in the interior of the village and a 0.5 parcel hectare near the river. These lands were allotted to the parents and the two children already born as part of the *krom samaki* land distribution scheme of the early 1980s. The one hectare parcel is in a drought prone area and the household has not been able to harvest a rice crop on this plot since 2000. Completely dependent on rain this parcel must be transplanted by July at the time of the normally heavy rainfall. By comparison, the 0.5 parcel close to a branch of the Mekong river can be irrigated by pumps later into the season. However, in the last past four years 2000 to 2004 floods coming after the droughts have destroyed seedlings and reduced rice yields on this parcel. In the current 2004/2005 crop season the household had already transplanted the 0.5 hectare parcel and flood waters had started to recede so Soth Seng and Chan Ravy did not expect to encounter further difficulties.

Soth Seng estimates that his household needs 3.5 tons or 3,500 kilograms of paddy rice to meet its annual rice consumption requirements. The family normally harvests 500 to 600 kilos of paddy on the 0.5 hectare plot each crop season. Fortunately, the irrigation pump provided to the commune by the NGO PADEK allows them to cultivate two annual rice harvests. The first crop season is from March to August and the second is from August to January. But with no harvest on their one hectare rain-fed parcel, the family clearly cannot sustain itself solely on the yield of the 0.5 hectare plot. To offset the shortfall, Soth Seng started to rent a 0.7 hectare parcel in 2002 near to the water source in adjacent Phum Thum village. Since the 0.7 rented parcel has good access to water, the family normally harvests 1,000 kilograms of paddy rice on this plot in each of two crop seasons. These yields bring them closer to their rice requirements although nevertheless they still fall short of their needs.

Costs of agricultural inputs likewise have to be met by the family. These include land rent on the 0.7 hectare parcel of 120 kilograms of paddy rice per crop season, gasoline costs of about 200,000 riels

per crop season, and chemical fertilizer costs of about 100,000 riels per crop season. Before 2000 Soth Seng and Chan Ravy had hired laborers to transplant their rice farms. Now household members do all of the transplanting themselves. To raise money for the agricultural inputs the household raises pigs, chickens, and ducks for sale.

Household Future Prospects

For the past 10 years Chan Ravy has supplemented the household's earning by making and selling rice wine. Initially she uses rice produced on their own farm and then buys rice from the market as she starts to make sales. At present the price of rice is high so she will wait until the harvest before she starts to make it again. Household members also make baskets to sell to other villagers. Before the family had many cows but they sold them as a result of the recurrent floods. For wage work family members look beyond the village to Phnom Penh. But even there opportunities are sometimes circumscribed. Soth Vuthy, the 20 year old son of Seng and Ravy, worked for three months in a paper factory in Phnom Penh before returning home until further work was available. Equally troubling, the household does not know when the rented 0.7 hectare productive parcel of rice land will be reclaimed by the owner, now working at the Mekong crossing town of Neak Leung.

Seng and Ravy acknowledge that their 22 year old daughter, Soth Savy, has taken a risk finding work in the garment factory and supporting herself in Phnom Penh. However, they are consoled in the knowledge that Savy's two older married siblings are close by in the city to help her in times of need. The couple feels that Savy will stay in Phnom Penh for as long as she has work there. However, if she decides to come back to the village the parents vouch that they will be responsible and find a way to support her.

Case Study #3

The Household of Prom Sok and Keo Charya Pring village, Kraing Svay commune

Prom Sok and his wife Keo Charya live in Pring village of Kraing Svay commune. Sok is 47 years old and Charya is 45. The couple has seven children. Their eldest child, a daughter Prom Seta, is married and lives with her husband and child at the Neak Leung crossing. Before she married, Seta had worked in a printing house in Phnom Penh. Every month or two she was able to send some money back to her parents in the village. Even now, although she no longer works in Phnom Penh, Seta gives her parents 20,000 to 30,000 riels (US\$ 5 to 7.5) every two to three months. She is able to do this with wages earned by her husband who works as a guard at the Thai border crossing in Poipet commune, Banteay Meanchey province.

Sok and Charya also have a single daughter, 21 year old Prom Sophany. For the past three years, Sophany has been employed as a garment factory worker in Phnom Penh. She first left the village with a neighbor without having a definite job awaiting her. Her parents provided her with some rice and 10,000 riels for transportation and expenses. After two weeks she was able to find a job in the factory where her neighbor worked. This job required a US\$ 40 entry fee, which compelled Sok to borrow the amount from a moneylender in the village at an interest rate of US\$ 2.50 a month. After six months the loan was repaid, partly by Sophany and partly by her father. Sok acknowledged with regret that he allowed his daughter to go to Phnom Penh because he, himself, could no longer sustain the livelihood of the household.

Household Rice Farming

Prom Sok and Keo Charya own 2 hectares of rain fed rice land in the village which produces one yearly crop. For the past several years the parcel has been affected by droughts and floods which have diminished its productivity. With fertilizer Sok harvests 1,200 kilograms of paddy on the 2 hectare plot which amounts to only 0.6 tons per hectare. Without fertilizer Sok harvests only 960 kilograms or 0.48 tons per hectare. The cost of chemical fertilizer is expensive and Sok normally has to buy it on credit with interest of 10,000 riels (US\$ 2.50) per month. If the rice yield is low, he will sometimes have to sell a pig to repay the loan. To reduce production costs the household members do all the

plowing, harrowing, and transplanting themselves. At the harvest they engage in exchange labor with their neighbors.

In dry seasons Prom Sok sometimes goes to Phnom Penh for one month or more to work as a construction laborer. He lives at the construction site and buys his own food from his wages of 5,000 riels (US\$ 1.25) per day. On her part, Keo Charya works as an agricultural laborer on rice farms near the village to supplement the household's earnings. Before Prom Sophany left to find a job in the garment factories she likewise worked as an agricultural laborer.

Garment Factory Remittances

Prom Sok maintained that he did not know exactly how much his daughter, Sophany, earned in the garment factory but he thought that she could make as much as US\$ 70 a month. Every two to three months Sophany gives her parents US\$ 30 to US\$ 40. Normally, Sophany brings the money with her when she visits her parents in the village. If she is not able to visit, her father will go to Phnom Penh to get the money from her. Prom Sok admits that without his daughter's remittances the household would not have enough money to buy food. They use the money to buy rice and *prahok* (fish paste). They have also bought piglets but these have usually died. When asked what would happen to the household if Sophany were to marry, Prom Sok was unable to answer.

Case Study #4

The Household of Tun Touch and Chek Sokunthea Pring village, Kraing Svay commune

Tun Touch, 55 years old, is the village chief of Pring, Kraing Svay commune. His wife, Chek Sokunthea, is 54. The couple has seven children, four boys and three girls ranging in age from 34 to 15 years old. Four of the children are married, and three are single. While the two eldest live in separate homes in the village with their spouses and children, the remaining five - including two who are married - live as part of the household of their parents. Only one child lives outside the village. Recasting the boundaries of traditional Cambodian culture, this is Tun Khemary, a single 18 year old daughter who works in a garment factory in Phnom Penh.

Khemary migrated to Phnom Penh five months ago with a 21 year old female relative from the village. When she left home her parents gave her 50,000 riels for transportation and expenses. She had arranged to live in the lodgings of her relative. After one month Khemary was able to find a job in the factory where her relative worked. She did not have to pay an entry fee. Her mother remarked, "Khemary was eager to go to Phnom Penh. Other than rice farming, there were no other jobs available for her in the village. She had just completed eight grade and wanted to earn money for the family."

Household Rice Farming

The family owns 3 hectares of rain-fed rice land in the village. Touch and Sokunthea have already distributed 1.5 hectares to their four married children. The couple retains the remaining 1.5 hectares for their own cultivation. In years past the couple could harvest 2,400 kilograms or 1.6 tons per hectare on this parcel in the yearly crop season. In more recent years floods and droughts have severely diminished harvests. In 2000 and 2001 floods reduced yields on the parcel to 960 kilograms or 0.64 tons per hectare. In 2002 and 2003 droughts limited yields to 1,560 kilograms or 1.04 tons per hectare. This meant that in four successive years the couple, who need 2,400 kilograms a year to support themselves and their unmarried children, had to buy rice to make up the shortage.

In 2004 the rains were late. Instead of transplanting in July they transplanted in September. They planned to harvest in December or January. Touch uses chemical fertilizer but not pesticide. In 2004 the household sold two small pigs to buy two bags of fertilizer. Aside from rice farming, Touch earns 20,000 riels (US\$ 5) a month as village chief. This has helped to supplement the household's reduced rice production.

Garment Worker Remittances

Tun Khemary earns US\$ 40 a month as a garment factory worker in Phnom Penh. With overtime her wages increase to US\$ 50 a month. Khemary visits the village every two months and brings money with her for her mother. Normally, Khemary gives her mother the equivalent of US\$ 20 per month although sometimes she can afford only to give her US\$ 10 per month. Sokunthea uses her daughter's remittances to buy medicine. Sokunthea has been chronically ill and spends 80,000 to 90,000 riels (US\$ 20 to 22.50) on medicine each month. Sokunthea buys medicine at the health clinic on credit and pays the bill when she receives her daughter's remittances.

Sokunthea worries about her daughter. Before migrating to Phnom Penh, Khemary never went anywhere but to school. She is a young woman living and working far away. Her mother doesn't know what will happen to her. But what is the choice? If her mother keeps her in the village the household will suffer financial difficulties. "As long as Khemary has work in Phnom Penh, I would like her to stay there," Sokunthea confides, "But if she has no job I would like her to come home. I do not want her to marry a man from far away."

Case Study #5

The Household of Sau Samphan and Khan Satha Peani village, Louvea commune

Sau Samphan, the village chief of Peani village, is 69 years old. His wife, Khan Satha, is 68. The couple has six children, ranging in ages from 44 to 25 years. The eldest child, a daughter, is single and lives with her parents. Two grandchildren, a 10 year old girl and a 7 year old boy, also live with the couple. These are the children of Samphan and Satha's 27 year old married daughter, Sau Sophy, who lives with her husband in Phnom Penh and works in a garment factory.

Sophy met her husband, a native of Kompong Chhnang, when she was visiting her aunt in Phnom Penh. The young couple were married in Peani village and then returned to the city where Sophy's husband worked in house construction. Sophy delivered both of her babies in Peani village and then returned to Phnom Penh leaving the children in the care of her own mother. At first Sophy supplemented her husband's earnings in Phnom Penh by buying and selling vegetables. Then three year ago she was able to get a job in the garment factory where she earns US\$ 40 a month in basic pay and up to US\$ 60 a month with overtime. At the same time, her husband earns 160,000 to 200,000 riels (US\$ 40 to US\$ 50) a month from his construction work. Sau Samphan related that Sophy and her husband give them US\$ 10 to US\$ 15 per month for the support of their two children.

In addition to Sophy, Samphan and Satha have three other married children living and working in Phnom Penh. Sau Sileat, their 37 year old son, works in house construction and gives his parents 20,000 to 30,000 riels (US\$ 5 to US\$ 7.5) every two to three months when he visits. Sau Phally, their 33 year old daughter, and her husband likewise work in house construction. Phally applied for work at four or five garment factories but was not accepted. The family attributes this to the fact that she was over thirty and had three children. Due to the demands of her own household, Phally never sends money back to her parents. Sau Bunnarith, their 25 year old son, works as a driver for a construction company while his wife, a former resident of nearby Thnot Chros village, works in a garment factory. Bunnarith gives his parents US\$ 10 to US\$ 20 per month. Samphan and Satha's only other child, 42 year old daughter Sau Sopheara, lives with her two children in Peani village in a separate house adjacent to that of her parents. Some years ago Sopheara's husband, a soldier from Kompong Chhnang, abandoned her and her children.

Sau Samphan and Khan Satha use the remittances from their children to buy food, hire laborers to cultivate their rice farm, buy fertilizer for their rice production, contribute to ceremonies, buy medicine for Satha, and support the two grandchildren living with them. The couple relies mainly on these remittances and rice farming for their subsistence. They are both old and cannot earn money from other livelihood sources.

Household Rice Farming

Samphan and Satha cultivate a 2 hectare parcel of wet land rice in Peani village. This includes a 0.5 hectare plot that has already been distributed to their daughter, Sophy, as her inheritance. The couple cultivates the entire 2 hectare parcel and uses the rice produced on the 0.5 hectare plot to feed Sophy's two children. Sophy likewise brings a portion of the rice produced on her plot back to Phnom Penh for her and her husband.

Samphan maintains that they can harvest 100 *thang* or 2,400 kilograms on the 2 hectare parcel in good years, equivalent to 1.2 tons per hectare. However, in the past four years they have experienced droughts. During droughts they produce only about 70 *thang* or 1,680 kilograms on the 2 hectares, amounting to 0.84 tons per hectare. In 2004 Samphan estimated that the upcoming harvest would be less than 70 *thang* due to the severe drought just experienced. Samphan declared that their household of five (Samphan, Satha, eldest daughter, and two grandchildren) needed 70 *thang* of paddy rice for their yearly rice consumption, over and above the paddy rice reserved for seeds. If the household's rice harvest for the upcoming year proved to be insufficient, Samphan planned to ask his children for additional money.

While the household's rice harvests fluctuate from year to year, Samphan and Satha must still invest large amounts in annual production costs. Fertilizer reportedly costs 200,000 riels per bag and Samphan buys one or two bags in advance of the crop season with his daughter's remittances. Now too old to plow himself, Samphan hires his nephew to plow the 2 hectare parcel for 50,000 riels using Samphan's cow and plow. The couple also hires laborers to transplant the seedlings at 3,000 riels per day plus three meals. Sometimes the couple will advance rice loans in the dry season to laborers who agree to repay the loan in future days worked on the rice farm. Normally, a loan of 15 kilograms of milled rice will be repaid with 5 days of labor. At harvest time Samphan will ask others to do the work in exchange for three meals a day and the use of his cow to bring their rice home from the field.

Future Prospects

Now pregnant Sau Sophy has recently taken leave from her work in the garment factory. Since she has not received maternity benefits from the factory, her contributions to her parents have diminished. One week ago she visited Peani village and gave her parents 40,000 riel (US\$ 10) for the support of her two children. Sophy has now gone to Kompong Chhnang where she will deliver her third baby at the home of her mother-in-law. This baby will remain with Sophy's mother-in-law in Kompong Chhnang when she returns to Phnom Penh. The couple has only one room in a small house in Phnom Penh and no one to take care of the children. So for the foreseeable future the two older children will continue to grow up in Prey Veng and the youngest child will grow up in Kompong Chhnang. Sophy plans to return to work in the garment factory in three months. But Samphan was not completely sure whether the garment factory would accept her back.

Case Study #6

The Household of Phauk Sarun and Heav Chanpa Prum Khsach village, Louvea commune

Phauk Sarun and his wife Heav Chanpa live in Prum Khsach village, Louvea commune. Sarun and Chanpa are both 52 years old. The couple has eight children. The oldest daughter is married and lives with her husband and three children in a nearby commune. This daughter and her husband are rice farmers. Sarun and Chanpa's oldest son is a monk living in a pagoda in Takeo province. The remaining six children are considered part of the household. Three of these children are single daughters working as garment workers in Phnom Penh.

Phauk Bunthy is 23 years old and has been working as a garment factory worker in Phnom Penh since 2000. Her uncle who maintains and repairs generators in the garment factories found her a job for her right away. Bunthy did not pay an entry fee. She earns US\$ 45 a month as basic pay and can earn up to US\$ 70 to US\$ 80 a month with overtime. She completed eighth grade.

Phauk Thida and Phauk Kanary, 20 and 18 years old respectively, migrated to Phnom Penh together five months ago just after Khmer New Year 2004. Their aunt assisted them to find jobs in the same factory where she was working. The sisters live in a room near to their aunt close to the factory. They did not pay entry fees to get their jobs. The sisters each started at US\$ 30 a month but now earn US\$ 40 a month. With overtime they can earn US\$ 60 a month. Thida finished sixth grade and Kanary completed eighth grade.

Sarun and Chanpa explained that their daughters left home to work in the garment factories because droughts and floods had reduced their rice yields. It became difficult to feed the entire household with the small harvests with everyone living at home. Moreover, once the work on the rice farm was completed their daughters had no other jobs to do.

Household Rice Farming

The family of Phauk Sarun and Heav Chanpa owns 1.5 hectares of rain fed rice land. The parents have distributed a 0.3 hectare plot of this land to their married daughter. The family cultivates the entire 1.5 together. The married daughter comes to help and collects her share at the harvest.

In a normal crop season the family can produce 2,000 kilograms or 1.3 tons per hectare on the 1.5 hectare parcel. In the event of a drought or a flood the family produces much less. For example in the 2003/2004 crop season they were not able to cultivate 0.5 hectares due to drought and harvested only 960 kilograms on the remaining one hectare parcel. In previous years heavy rains before the harvest resulted in floods which destroyed the rice crop. In 2004 the family was not able to transplant in July due to drought and then in September water from the river flooded the rice fields. They planned to transplant in early October and did not expect a productive harvest in January. In the past the family would hire laborers to help with the transplanting. This year they have no money and will do it all themselves. Phauk Sarun noted that he and his wife and the three younger children living at home needed 1,500 kilograms of paddy rice for their consumption each year.

To supplement their rice harvest Sarun and Chanpa grow vegetables and raise chickens. In the past they had raised pigs but these always died. Chanpa operates a small store at their house where she sells bananas, eggs, and other food items that she buys at the market 10 kilometers away along the national road. The couple maintains that they are too old and sick to work as agricultural laborers. Sarun has never worked in Phnom Penh and does not know the city. It is Chanpa who goes to Phnom Penh to collect the remittances from their three daughters.

Garment Worker Remittances

Chanpa travels to Phnom Penh every two to three months to personally collect the money that her daughters contribute to the household. Bunthy normally gives her mother about US\$ 20 per month. The actual amount remitted - sometimes more, sometimes less - depends on her overtime earnings, which vary from month to month. Almost all of Bunthy's basic pay is spent on living expenses. In the five months that Thida and Kanary have been working in Phnom Penh, Chanpa has visited them twice. The first time the two younger daughters jointly gave her US\$ 30 but the second time they were only able to give her US\$ 10. Sarun and Chanpa use the money earned by their daughters in the garment factories to buy rice, to buy fish and pork, to contribute to funerals and weddings, to buy fertilizer for rice farming, to purchase clothes and school supplies for the younger children, and to buy medicines for Chanpa who suffers chronic back problems.

Household Future Prospects

Chanpa is concerned about her daughters working in the garment factories of Phnom Penh but she feels that they have no choice. With the rice shortages at home the family would encounter difficulties were they to stay in the village. Sarun points out that since the land distribution in the early 1980s the family has lived off the same 1.5 hectares of rice land. At that time they only had one child. Now they have eight children. With the marriage of their children the family land will continue to fragment. How will they be able to survive? Sarun maintains that there is a need to create more jobs for the expanding population. The government, he asserts, should support the growth of the garment factories. If the garment factories close, as it has been rumored, the people in Prey Veng will face difficulties. The government needs to invest in industry now that people have less land.

Case Study #7

The Household of Phauk Rithy and Pich Sunly Prum Khsarch village, Lovea commune

Phauk Rithy is the younger brother of Phauk Sarun (see Case Study #6). Phauk Rithy and his wife, Pich Sunly, are both 41 years old. They have six children. Rithy has worked in Phnom Penh for nine years with a company that maintains and repairs generators in the garment factories. Until five months ago the couple's 21 year old daughter, Phauk Sothea, had also worked in Phnom Penh as a garment factory worker. Forced to do excessive overtime work, Sothea had collapsed unconscious on the factory floor. As a consequence, her father had personally brought her back home to recuperate in the village.

Phauk Sothea first found work in the Phnom Penh garment factories in 2001. At that time she stayed with her cousin, Phauk Bunthy. For three months Sothea worked in a Chinese-owned garment factory before being terminated, officially for recurrent illnesses and extended sick leaves. But Sothea complained that this factory regularly terminated workers after the three-month probationary period so that they could not claim the higher pay of permanent workers. After two months she was able to get another job as an irregular or floating worker in a second Chinese-owned factory. But she left this factory soon after she had passed the entry test at a third Chinese-owned garment factory. Sothea would work at this factory for nearly three years, first as a floating worker and then as a regular worker. In this factory all work, regardless of the status of the worker, was paid by piecework known as coupon work. Sothea normally completed enough work each day to earn a coupon of 5,000 riels (US\$ 1.25). The more work she completed the more money she could earn, up to US\$ 50 a month with overtime. At times Sothea worked 3 to 5 hours of overtime a day, working all through the day and late into the night.

Worker Remittances

Pich Sunly reported that her husband, Phauk Rithy, regularly sent home US\$ 40 to US\$ 50 for their household in Prey Veng every month. Sunly said that her husband was very careful with his earnings and tried not to spend too much money in the city. Sometimes Rithy would come home with the money himself, and other times the couple's 19 year old son, Phauk Sovannarith, would go to Phnom Penh to collect the money from his father.

Unlike the remittances sent back by her father, the frequency and amounts of money sent back by Phauk Sothea to her mother were irregular. Compared to her salary in the first factory, her coupon earnings in the third factory were less and often used to pay for her own living expenses. At times, Sunly would return the 50,000 riels (US\$ 12.50) in remittances Sothea offered to her, understanding her daughter's difficult circumstances in Phnom Penh. In desperate times, Sothea had even requested money from her father in Phnom Penh.

Earlier in the year after the rice harvest was completed, 19 year old Phauk Sovannarith had for the first time gone to Phnom Penh for six months to work in construction. He lived at the construction site and sent back 50,000 to 60,000 riels (US\$ 12.50 to US\$ 15) to his mother every month. Sovannarith was now back in the village but planned to return to Phnom Penh as soon as work on the rice farm was completed.

Household Rice Farming

From the land distribution scheme in the early 1980s and Sunly's inheritance, the couple had amassed one hectare of rice land. In a good year the household was able to harvest 1,560 kilograms on the rice land, equivalent to 1.56 tons per hectare. In years of floods and droughts the household was only able to harvest 960 kilograms on the rice land, equal to 0.96 tons per hectare. Sunly acknowledged that the household required 2,400 kilograms of paddy rice for its annual consumption. This indicated that even in good years the household could not rely solely on its rice farm for subsistence. So apart from raising

chickens and pigs, the household relied heavily on the remittances of Rithy, and less so on the remittances of Sothea and Sovannarith.

Household Future Prospects

Phauk Rithy has permanent work in Phnom Penh although to a certain extent it depends upon the ongoing viability of the garment industry. Despite her collapse at work earlier in the year, Sothea had already traveled to Phnom Penh to apply for work in the garment factories. Sothea admitted that she was not very good at rice farming and missed her friends in Phnom Penh. She also said that as a girl she needed more clothes and having her own job allowed her to buy what she needed. Sothea likewise realized that by contributing to the support of the household she could ease the burden assumed by her father. Sovannarith too looked to do more construction work in Phnom Penh. Looking toward the future, Pich Sunly acknowledged that there was not enough rice land to divide among her children. While the land could sustain her and her husband in their later years, the children would have to look for work in Phnom Penh.

Conclusions

Over the past decade the garment export industry contributed much to the economic development of Cambodia. The yearly increases in production, export sales, foreign exchange earnings, and employment attested to the rapid growth of the industry and its ascending prominence within the overall economy. The rise of the garment industry was contingent on several interrelated factors. Developments such as Cambodia's transition to a market economy, preferential trade access to EU and US markets, adherence to socially responsible labor standards, proactive involvement of government and GMAC officials, and the incidental effects of the MFA quota regime, all played a part in nurturing the nascent garment enterprise into the country's paramount manufacturing activity. Somewhat unexpectedly, the industry even managed to hold its own in the first half of 2005 after worldwide quotas had been eliminated. Still the long-term prospects of garment exports were far from certain. US and EU safeguards invoked against China in 2005 would last only until 2008. This left little time for government and industry to institute the wide scale reforms needed to remain cost competitive.

The growth of jobs in the garment sector corresponded to a crisis in agriculture in Prey Veng and other Cambodian provinces. Successive floods and droughts from the year 2001 decimated rice yields and left rural households with severe rice shortages and large debts from crop production costs. Migrant work in the garment factories was an attractive source of alternative income, although enabling young women instead of men to work in Phnom Penh required a shift in traditional practice. Once jobs in the factories were secured, workers realized that without overtime pay they would not have sufficient earnings to send money home to their families. Long hours of overtime required at job sites occasioned stress and health problems among the workers. On average, the Prey Veng workers surveyed in Phnom Penh remitted US\$ 16.82 or 27 percent of average monthly wages with overtime, a figure close to the monthly average US\$ 16.12 received by garment worker households surveyed separately in Prey Veng. The remittances flowing into the rural area allowed the disaster stricken households to purchase rice and other food, settle health expenses, invest in rice production, and pay off debts. Generally, remittances were spent to support recurrent costs of subsistence rather than to start small businesses. Rural livelihoods were thus sustained, although not transformed, by the garment industry.

The employment of young women in the garment industry had several positive effects. The Prey Veng workers surveyed indicated that their status within the household had improved and that they now had more opportunities to make decisions on their own. This had given them more self-confidence and self-esteem. Within the constraints of their limited budgets they had likewise achieved some economic independence, having the ability to spend a portion of their earnings on clothes, entertainment, and personal items. In Cambodia where the position of young women in the family and society was still relatively low, these represented real gains. On the downside, the improved status of the women workers was largely conditioned on their ability to maintain remittances.

On a personal level workers were often caught up in the dramatic upheavals that plagued the highly volatile garment industry. Factory closures and suspensions were commonplace often resulting in the loss of jobs for thousands of workers. Fluctuations in labor demand gave rise to a highly mobile labor force. Of note, 43 percent of the Prey Veng workers surveyed had worked in more than one factory. When workers lost or left jobs most found work

immediately in other garment factories. Others first returned to the village and then came back to Phnom Penh. Given the lack of job opportunities in the rural area, it was not surprising that young workers desired to return to the city. But this trend could have disastrous effects were large-scale labor declines to occur in the post quota era. Women workers without skills for alternate employment and no longer able to integrate back into their villages could be drawn into unsuitable or exploitative jobs in Phnom Penh.²⁹

Commitment to increase labor productivity in the garment industry offered a strategy to upgrade operations in a way that would benefit both factory owners and workers. As argued in a recent USAID commissioned study, staff development and training had potential for improving the productivity of factories by 15 to 20 percent. Gains in productivity in turn would allow the factories to produce higher-quality and higher-value garments. Similarly, steps to improve productivity would translate into higher skills and higher wages for labor. Recognizing the economic benefits of socially responsible labor, the burden of cost competitiveness would be placed on management to improve labor skills and standards rather than on labor to accept concessions such as pay cuts and restricted union activity. Beyond the immediate benefits to factory owners and workers, the development of operational, technical, and managerial skills would have spillover effects into other industries, attracting further foreign and domestic investment and creating new jobs. Importantly, the diversification of industry would provide a broader base for human development and economic growth.³⁰

Undeniably the remarkable rise of the garment industry in Cambodia provided a much-needed boost to the country's economy, and this promised to carry over into the immediate future. Still garment workers, who comprised 65 percent of the country's manufacturing employment, represented only about 4 percent of the country's total labor force. As such, national poverty reduction depended more on raising the productivity of agriculture and small and medium enterprises in rural areas, where the majority of Cambodians lived and worked. Increasing value added in these sectors would help immensely to diversify industry and expand the domestic market. The growth of agro-industry would create jobs in rural areas while generating capital for further investment. The development of small and medium enterprises would promote domestic trade and provide much needed backward supply linkages to garment and other manufacturing industries. But these strategies too required reform initiatives particularly in trade facilitation and in removing impediments to diversification.³¹ Strong state measures to curb corruption while promoting growth in both agriculture and industry, domestic and export markets, would have long-term and beneficial effects on rural livelihoods.

²⁹ See Hach, "Cambodia's Garment Industry in 2005 and Beyond."

³⁰ Salinger et al, *Measuring Competitiveness and Labor Productivity in Cambodia's Garment Industry*.

³¹ See *Cambodia Seizing Global Opportunity*.

Appendix 1. ADI Trainee and Team Researchers

ADI Trainee Researchers

Hun Leakhena	Krom Akphiwat Phum
Keo Chamroeun	NGO Forum on Cambodia
Keo Chenda	Enfants & Developpment
Nop Sarom	Family Health Promotion
Nut Mak Chhong	Kunathor
Sok Bun Sean	Cambodian Association for Development of the Economy Together
Uch Ponh	Cambodian Women for Peace and Development
Khieu Thoun	Cambodian Women's Crisis Center
Yim Nimola	Khmer Women's Voice Center
Chhoeung Sun Lay	Cambodian Women's Development Association
Hem Sakhorn	Chamreun Chiet Khmer
Sok Sophal	Cambodian Development and Relief Center for the Poor

ADI Team Researchers

Oeur Il	Cooperation Committee for Cambodia/ADI Project
Seng Savuth	Cooperation Committee for Cambodia/ADI Project
Ang Sopha	Cooperation Committee for Cambodia/ADI Project
Hor Sakphea	Cooperation Committee for Cambodia/ADI Project
John McAndrew	Cooperation Committee for Cambodia/ADI Project

ADI Research Studies

- Domestic Violence in a Rapidly Growing Border Settlement: A Study of Two Villages in Poipet Commune, Banteay Meanchey Province, May 2005
- Upholding Indigenous Access to Natural Resources in Northeast Cambodia, December 2004
- Indigenous Response to Depletion in Natural Resources: A Study of Two Stieng Villages in Snoul District Kratie Province, September 2004
- Understanding Drug Use as a Social Issue: A View from Three Villages on the Outskirts of Battambang Town, April 2004
- Experiences of Commune Councils in Promoting Participatory Local Governance: Case Studies from Five Communes, March 2004
- Labour Migration to Thailand and the Thai-Cambodian Border: Recent Trends in Four Villages of Battambang Province, December 2003
- The Impact of the Tourism Industry in Siem Reap on the People Who live in Angkor Park, December 2002
- Small-Scale Land Distribution in Cambodia: Lessons from Three Case Studies, November 2001