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WORKER WAGES AND THE COST OF LABOUR IN CAMBODIA: A REVIEW OF THE CONSTRUCTION SECTOR

A discussion to understand the cost of labour and the evolution of construction worker wages over the last five years (2007-2011).

A study by BDLINK (Cambodia). Cambodia's leading consulting and research firm in collaboration with HRINC (Cambodia), Cambodia's leading HR services firm. For more information please contact bdlink@bdlink.com.kh or hrinc@hrinc.com.kh.

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Disclaimer

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Important notices:

- The currency used in the whole report is in Cambodian Riel (KHR); unless otherwise stated. When $ is used, it refers to United States Dollars. $ and US$ are alternatively used in this report.
- The wage and labour cost refer to daily wage and daily labour cost respectively; unless otherwise stated.
- There are two measures of average in this report—mean and median. Generally the figures of mean are provided in the appendix while those of median are provided in the body of the report. The median is used due to the asymmetric distribution of the data set.
- While this report considers both unskilled and semi-skilled workers, a labour cost index is constructed for unskilled workers only. In future research, a labour cost index could also be constructed for semi-skilled workers using the same methodology used in this report for unskilled workers.

Photo 1: Cover page: Phnom Penh, a Developing City

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A number of people reviewed the final draft report. Those who provided permission to publish their names are listed by alpha order of institution: Mr. Som Chamnan, executive manager at Cambodian Federation of Employers and Business Associations (CAMFEBA), Dr. Tong Kimsun, program coordinator at Cambodia Development Resource Institute (CDRI), Mr. Sok Hach, president of Economic Institute of Cambodia (EIC), Mr. Thierry Loustau, managing director at LBL International and Mr. Eelco Dijkhuizen, general manager at TNS Global. We are grateful to all reviewers for their thorough efforts and time to finalise the report.

Photos in the report belong to The Society of Human Resource Management and Productivity (SHRM&P) stock and were taken by James Grant photography as well as ITLINK Cambodia. Thanks to Ms. Mona Tep and Mr. Kim Chanthorn for the use of their photos.

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KEY DEFINITIONS USED

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Key Word	Definition
Unskilled Construction Worker	Those assisting semi-skilled workers. These workers use no skill to perform their task. They are doing basic manual work under instruction and supervision. For example, workers who move bricks from one location to another or who carry things.
Semi-skilled Construction Worker	Those performing some independent tasks, including using manual equipment (but not electronic machinery). These workers use some basic skills to perform their task. They usually work under supervision. For example, hammer hands, bricklayers, steel fixers, concrete workers and scaffolds.
Market Wage	Nominal wage received by a worker for an 8 hour working day. In Cambodian construction sector, generally market wage is received in KHR for a daily basis. The number of working hours may depend on contract and negotiation between employers and workers if employers are informal. Market wage, base wage and received wage are used alternately in this report.
Labour Cost	The real cost of employing a worker includes market wages, obligations under the law and cultural norms. Assumptions are presented in detail in the report. This is also referred to as the employment cost or cost of labour in the report**.**
Nominal Wage	Total wage received by workers, taking no account of inflation. Typically, this is the total wage received by workers on a daily, monthly or other basis. For the public, wage or salary generally refers to nominal wage or nominal salary.
Real Wage	Total amount of wage received by workers, adjusted for inflation.
Inflation adjusted Wage	A constructed nominal wage assuming real wage is constant
Informal Employer	Not a formally registered enterprise and in this report often refers to subcontracting agencies who are individuals. Typically such employers have informal employment relationships and operate based on business need, rather than strictly according to the laws and regulations, in particular, labour law.
Formal Employer	Registered business or enterprise under relevant ministries or government institutions as required by law. Formal employers' are assumed to comply with the relevant laws and regulations and may also follow cultural custom/s in the local context.
Subcontracting	When a particular part of employment, whether payroll or contracting workers, is done through a third party; not the entity directly responsible for the project or activity. Subcontracting fee and management fee are alternatively used in this report to demonstrate the cost incurred to the employer.

EXECUTIVE SUMMARY

This study seeks to understand how the market wages of unskilled and semi-skilled construction workers in Cambodia have evolved over the last five years, and whether nominal wages have kept pace with inflation trends. In addition, the study aims to measure the difference between market wages and the total costs of labour borne by the employer.

To the best of our knowledge, this is the first study to analyse the wages (both nominal and real) and total labour costs in the Cambodian construction sector over the period 2007-2011.

Cambodia has experienced strong economic growth over the past decade. It has withstood several challenges during that time, including high inflation in 2008 and an economic slowdown in 2009. The construction sector has been a key driver of economic growth for most of this period, particularly private investment in large commercial and residential property developments as well as infrastructure projects. Despite the significance of the construction sector in terms of employment and income, little research has been done on understanding the nature of employment or workers' wages in the sector.

One way to understand the evolution of wages, and as a consequence the well-being of workers, is to see what their real wages have been. Real wages take into account inflation. Real wages would remain flat if nominal wages were to change at the same rate as the inflation rate. Based on this principle, we have constructed several wage series tied to the actual inflation rate, which shows how the nominal wage would have evolved if real wages had remained constant. These constructed wage series are then tested against the survey findings of reported actual wages.

The survey findings on actual wage movements are somewhat surprising. Over the period 2007 to 2011, the median real wage of unskilled construction workers increased by 42%, while that of semi-skilled construction workers actually declined by 11%. However, real wages did not change smoothly over the period. During the financial crisis, real wages for both unskilled and semi-skilled workers declined significantly.

These overall results are broken down by worker characteristics. Workers at the same skill level appear to earn different wages based on their gender, with unskilled males receiving higher wages than their female counterparts. Other factors that have an impact on workers' wages include location, project size, and the relationship between subcontractors and workers. There appears to be no significant relationship between experience and wages.

Subcontracting is very often the nature of employment in the construction sector, with subcontractors being selected to provide unskilled and semi-skilled labour to construction work sites. According to our discussions with workers and employers, typically such subcontractors are not formally registered (although we did not focus on the formality of business registration in this study).

A labour cost index for unskilled construction workers is calculated taking into consideration all obligations under the laws and regulations, and some assumptions based on the nature of work and business practices. The results of the study show that the total labour (or employment) cost is significantly higher than the market wage – at least for employers who fully comply with Cambodian law and custom.

On average over five years, if the employment is made directly between employer and worker, the market wage or wage received by the worker accounts for only about 45% of the total cost of labour (if

meal, travel and accommodation allowance are included), or about 51% of the total cost of labour (if the three allowance is not included in the labour cost). On the other hand, if the employment is made through a subcontractor, or, in other words, if the employer has to pay a labour management fee, the market wage accounts for 39% of the total cost of labour (including allowances), or about 44% of the total cost of labour (excluding allowances). From the perspective of an employer who directly employs workers, the average cost of labour is 223% of the base wage or market wage (with allowances), or 193% of the base wage (excluding allowances) over the five year period. On the other hand, from a perspective of employer who employs workers through subcontractor (employer has to pay management fee to subcontractors), the cost of labour is about 255% of base wage (if the three allowances are included in labour cost), or about 224% of base wage (excluding allowances).

Additional findings show that construction workers are not well educated (94% of the respondents have not or just at highest finished lower secondary school). This is not surprising as many poor families will pursue construction work. The nature of employment for construction workers is very informal as they neither have contracts nor a very clear understanding of how long they will be employed. Mostly they are employed through individual informal subcontractors, and their wages are heavily dependent on their relationship and tenure with those subcontractors. Although employment in construction is still highly informal, construction workers perceive that their well-being is gradually improving – though from low levels. However, the workers' backgrounds should be considered as they neither have access to better opportunities nor understand what is possible to achieve, given their minimal education. In addition, they have fears about their health and safety, especially if they are working on high buildings. Family members are even more concerned about their family working in this sector; however they rely heavily on the income that this work brings them.

This research is not intended to be prescriptive or definitive; rather the aim is to provide some insights into construction workers' wages – and their own perceptions – so as to encourage further discussion, debate and research in this area. It is a first attempt at constructing a real cost of labour index for Cambodia's construction sector.

This report is divided into six chapters. The first chapter sets up the context and reasoning for the research and the second chapter provides a brief overview of the economy and the construction sector. This is followed by chapter 3, which discusses inflation and its impact on wages, and chapter 4, which examines the real cost of labour and general HR and market understanding. Chapter 5 presents the research findings from our interviews with workers and also the results of the cost of labour index. Chapter 6 concludes with some final remarks and a summary of findings.

"Workers' wages will gradually increase along with China's lengthy industrialization, but the growth rate of wages can hardly exceed that of labour productivity. This is bad news for removing income inequality because the capital gains and high-level workers' salaries will grow much faster than the salaries of common workers. However, it is good news for maintaining China's industrial competitiveness because the wages of most Chinese people will remain at a relatively low level."

Fan Gang, Former Advisor to the People's Bank of China

"Many developing countries argue that keeping labour costs low is their only comparative advantage in manufacturing and services. This is not correct because it need to take into account the productivity-increasing effect of labour standards. Lack of respect for basic workers' rights has a negative impact on development and on the people directly affected by these problems. Labour standards are a tool used both to assist development and to measure progress toward development. They are both instruments and indicators."

Antero Vahapassi, 2006, Core Labour Standards Handbook, ADB & ILO

Photo 2: The New Phnom Penh (Hyundai) Tower

1 SETTING THE CONTEXT: WAGES AND EMPLOYMENT IN THE CONSTRUCTION SECTOR

1.1 INTRODUCTION TO THE STUDY

The construction sector in Cambodia has played an important role for economic growth over the last decade and continues to do so today. This important sector was affected by the Global Financial Crisis (GFC); however the extent of the impact has not been entirely clear until now. In addition, the high inflation, largely lead by food price increase, in 2008 affected all walks of society, in particular, poor and vulnerable population segments, which believably includes low-level construction workers. Again, the extent of the impact of high inflation on the construction workers has also not been studied in detail.

Furthermore, compared to other countries in the region, it is acknowledged that the Cambodian construction sector can still attract foreign investment and contribute more significantly to economic growth. The cost of labour is a key factor influencing investment decisions. It is not surprising that there are a number of components (other than market wage) that make up the total cost of labour when considering laws/regulations and local business practices. To date, there has been no study conducted on the cost of labour. In other word, there is no existing information regarding labour cost in Cambodian construction sector.

This study is therefore the first of its kind seeking to understand the movement of market wages of unskilled and semi-skilled construction workers over the period 2007-2011, and whether nominal wages have kept pace with inflation trends. In addition, the study aims to construct the first ever labour cost index for Cambodian construction sector, and measure the difference between market wages and the costs of labour borne by the employer.

1.2 CONTEXT

THE ECONOMY: After more than a decade of impressive economic growth, Cambodia today is facing a time of rapid change. From a focus on traditional sectors such as manufacturing, tourism and agriculture; the Cambodian government is seeking to diversify the economy and help sectors move up the value chain. One of the main attractions for foreign investment has been access to, and affordability of, labour. Today, however, there are anecdotal signs of excess demand for labour – both unskilled and semi-skilled.

> *"My biggest concern is the supply of labour and skilled labour, referring to challenges the economy faces. The overall shortage would force employers to drive up wages"*
>
> *Senior Government Official. (Cambodia Daily, March 29, 2012)*

THE INDUSTRIAL RELATIONS: In Cambodia, industrial relation is very young. Unionisation of workforces is limited mainly to the garment sector, with active unions also in the hotel sector. With hundreds of unions in the garment sector alone, unions have relative freedom in establishing, however they face serious constraints in proper organization and coordination overall. The construction sector is unionized, in the sense that the sector has unions. However, given the nature of the industry and the fluidity of its workforce, it is not clear how representative of construction workers the unions are, in terms of number of workers who are members of a union[1]. Many construction workers are also farmers and not very well educated, and seek employment in the main cities or on

[1] A recent study estimates between 3-5% of workers in Cambodia's construction industry are represented by a union. See *Building Unions in Cambodia: History, Challenges, Strategies*, Friedrich Ebert Stiftung, 2010.

public infrastructure projects. It is difficult to coordinate workers in the sector, let alone collect membership fees and organise workers given the transient nature of construction work in general.

Collective bargaining is emerging as an important part of the industrial relations landscape in Cambodia. Collective bargaining has been concluded among some hotels but it is still developing in other industries, most notably the garment industry where strikes and industrial action are most frequently found. In the construction sector, collective bargaining is limited although recently an agreement was signed by the Building and Woodworkers Trade Union of Cambodia (BWTUC) and French company TSO, in relation to the ADB railway rehabilitation project. The agreement covers wages, benefits and working conditions.

SOCIAL SECURITY: Social security has become an integral part of employment in Cambodia. The National Social Security Fund (NSSF) system was established in 2008, and today is a clear budget line for any enterprise operating in Cambodia when determining the cost of labour. It is mandatory for any employer with at least eight employees to register with the NSSF and contribute 0.8% of average individuals' monthly earnings to the fund. In return, their employees receive workplace injury insurance through the scheme. However anecdotal evidence suggests that most workers in the construction sector are employed through independent contractors (i.e. subcontracted employment) where the subcontractor is typically informal and not a registered enterprise. For this reason it is arguable that the sector is not comprehensively covered by the NSSF.

THE BOOM OF CONSTRUCTION SECTOR: over the past decade, the construction sector has boomed – both private investment and public infrastructure projects.

The construction sector, unlike the garment sector, is relatively undocumented in terms of number of workers, wage, cost of employment, health and safety requirements, and monitoring of general environment and standards. Little research has been done on the construction sector and its workers.

Photo 3: A view of the Tonelsap River and Surrounding Developments

National statistics show investment figures (both public and private) but the sector's contribution to employment is not clearly documented. While precise numbers are hard to come by, it is generally accepted that the construction sector created many jobs during the boom years leading up to 2009 (when the sector slowed down dramatically) and continues to contribute significantly to employment in the country.

LABOUR MARKET INFORMATION: Despite Cambodia's ability to attract significant investment over the years, anecdotal evidence suggests that shortages in skilled and unskilled labour are starting to emerge, which is placing pressure on wages. These conclusions are based mostly on the qualitative perceptions of employers and recruitment companies, rather than on comprehensive quantitative studies. Cambodia does not have any labour market information systems and is in its infancy stages of creating systems that provide a better understanding of the needs of industry, both in terms of number of workers and types of skills. Although HRINC Cambodia conducts annual salary surveys, it is mostly focussed at more established industries and professional positions.

> *The main problem we face today is the construction sites in the city. Compared to before, we must now find a way to shelter all workers as they cannot afford to live in the city. Our manpower cost is becoming much higher than before as we need to provide them labour camps, accommodations…"*
> *Private Sector Construction Investor that uses subcontractors*

WAGES IN THE CONSTRUCTION SECTOR: There are no existing studies which examine whether nominal wages in the construction sector have kept pace with the rate of inflation.

According to Ministry of Land Management, Urban Planning and Construction[2], due to global economic crisis, investment in construction decreased by 12.5% during the first 11 months of 2008 compared to the same period of the previous year. An estimated 30% of construction jobs were lost due to the global financial crises. However, it is not clear exactly how the global financial crises impacted wages and labour costs in the construction sector.

1.3 STUDY METHODOLOGY AND LIMITATIONS

This study was conducted in several distinct phases. First, a comprehensive literature review was undertaken to collect information and generate ideas. Second, in-depth discussions were conducted with experts and economists as well as construction employers to get a deeper understanding of the economic issues affecting Cambodia's construction sector as well as construction workers' general situation. Third, our research team interviewed 411 workers across 10 different provinces and municipalities using a quantitative survey. (A detailed outline of the sampling and methodology are provided in the appendix.) The survey produced a total of 1,258 observations creating a cross-sectional data set over a five-year period from 2007 to 2011. Finally, a draft report containing preliminary analysis and findings was circulated for discussion to various experts. Their invaluable feedback has been incorporated into the final report.

Analysing the earnings of workers in the construction sector is difficult, as most employment is subcontracted through individuals. The study attempts to shed light on construction worker wages and their evolution as well as the real cost of labour.

This is the first study of its kind and provides real insights and understanding into the evolution of construction workers wages, the real employment cost of labour, and the creation of a labour cost index. Data sets are neither exhaustive nor statistically representative; however, we believe they are sufficient to provide an indication of the evolution of wages and real labour costs over the period in question.

[2] Quoted from Kang et al., (2009), Rapid Assessment of the Impact of the Financial Crisis in Cambodia, ILO

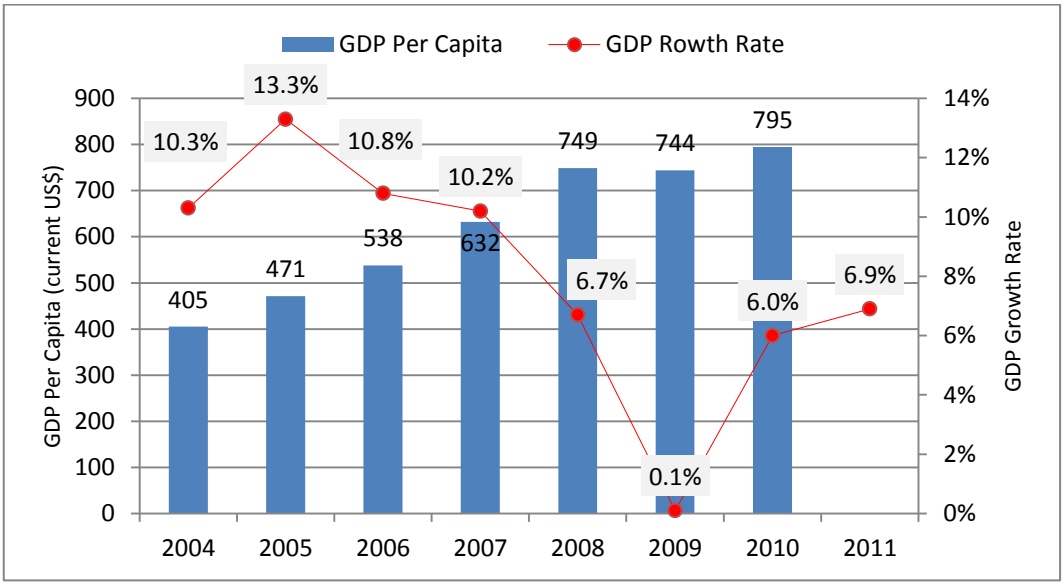
2 CAMBODIA'S ECONOMY

It is not possible to present an overview of wages without reviewing the economic development of Cambodia given that wages are influenced by many economic factors. The economic environment is even more important given that Cambodia is an emerging economy undergoing rapid change.

2.1 IMPRESSIVE ECONOMIC GROWTH

Cambodia has enjoyed rapid economic growth over the last decade, averaging around 8% annual growth over the 10 years to 2011. Cambodia is ranked sixth in the world in terms of its growth performance from 1998-2007 and is one of only 46 countries to have achieved a 7% average annual growth for 14 years in a row.[3] Due to the global economic slowdown, Cambodian economic growth fell sharply in 2009; however rebounded to around 6% in 2010 and continues to grow strongly despite the 2011 floods that heavily impacted rural areas. Though inequality remains a concern, GDP per capita has gradually improved over the years.

Figure 1: Cambodia GDP Per Capita (Current US$) & GDP Growth Rate



Source: WDI[4] for GDP Per Capita & Ministry of Economy and Finance for GDP Growth Rate

2.2 A NARROW ECONOMIC BASE

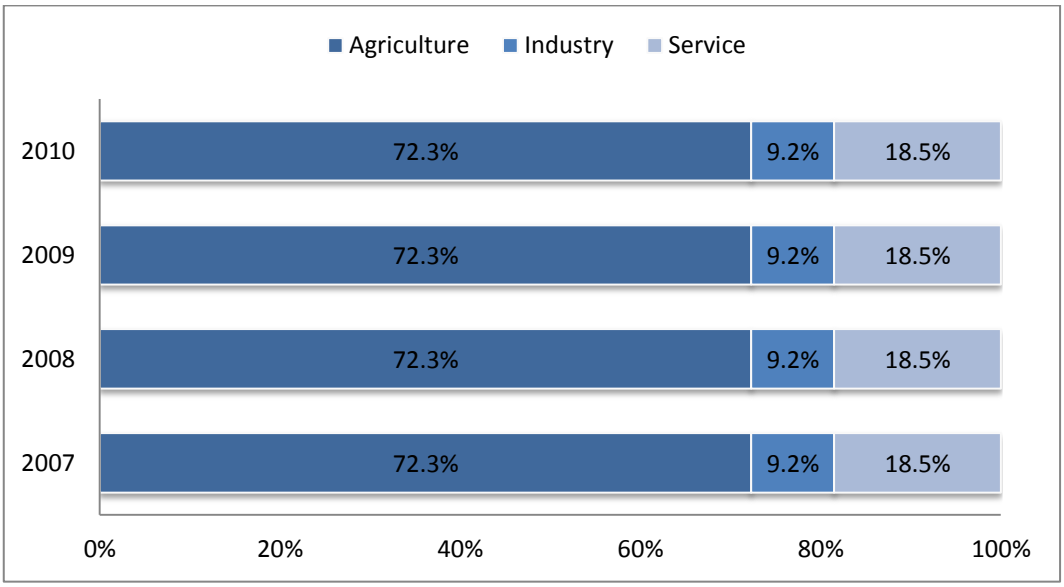
Cambodia is an agriculture-based country, with more than 70%[5] of total employment in agriculture. Although the majority of Cambodians are involved in agriculture, the sector comprises a smaller share of Cambodia's total GDP than does the services sector (see figures 2 & 3).

Cambodia's economic growth currently depends heavily on four sectors: garments, tourism, construction and agriculture. This relatively narrow economic base makes the economy vulnerable to various internal and external shocks. Recognizing this vulnerability, the Royal Government of Cambodia is seeking to diversify the economy by encouraging development in other sectors and moving up the value chain in certain products and raw materials, particularly in the agriculture sector. With the growth

[3] See Country Partnership Strategy: Cambodia, 2011-2013, ADB
[4] Retrieved from http://data.worldbank.org/indicator/NY.GDP.PCAP.CD
[5] See Key Indicators for Asia and the Pacific, ADB. 2011. 42nd ed.

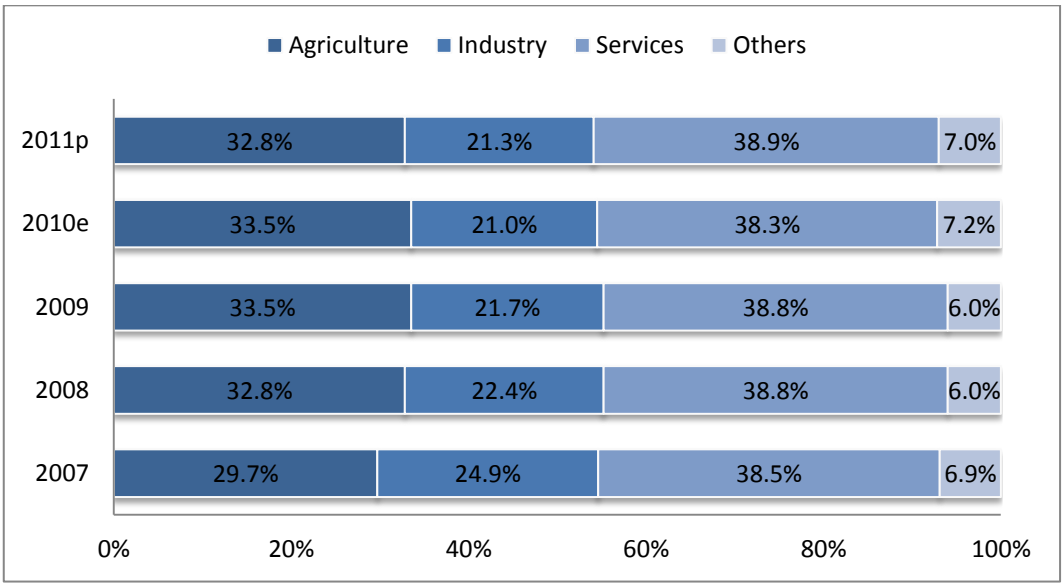
and diversification of sectors, it is hoped that industry will absorb the vast numbers of young people entering Cambodia's labour force, including unskilled and semi-skilled workers.

Figure 2: Employment by Sectors (% share of total employment)



Source: Key Indicators for Asia and the Pacific, ADB, 2011.

Figure 3: Output by Sectors (% share of GDP)



Source: Ministry of Economy and Finance, 2010[6]

Note: Others include taxes on products less subsidies and less finance service charge.

2.3 THE CONSTRUCTION SECTOR

The industry sector's contribution to Cambodian GDP (around 22%) is relatively low by international standards. [7] Nevertheless, construction – which is part of the industry sector – has played an important

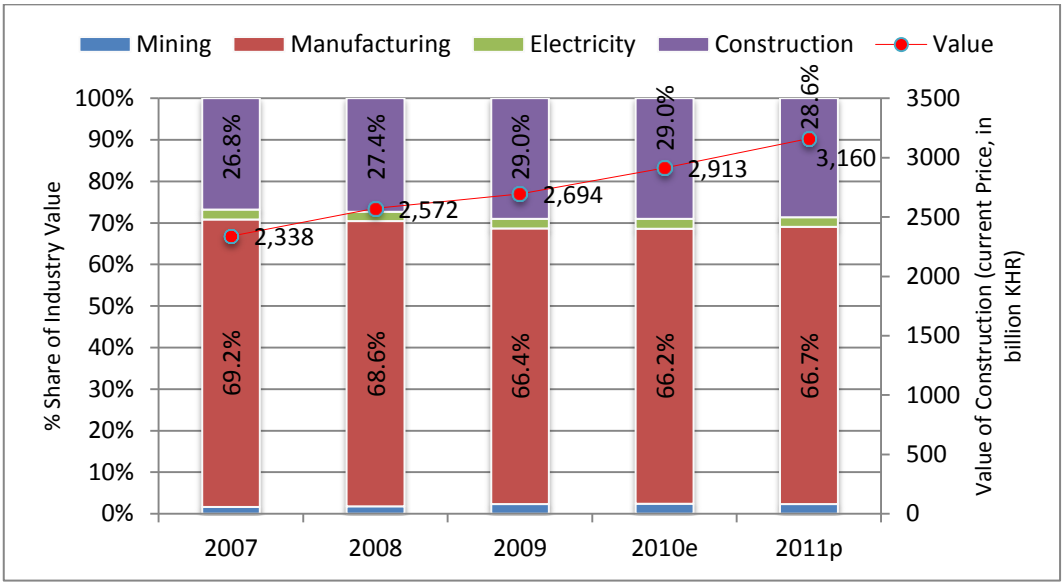
[6] See Cambodia Macroeconomic Framework 2000-2011

[7] On industry's share of GDP, Cambodia (22%) ranks 149 out of 218 economies, which is lower than Philippines (33%), Laos (35%), Vietnam (41%), Malaysia (42%), Thailand (45%) and Indonesia (46%). Source: CIA World Fact Book 2012.

role in Cambodia's economic development over the last decade. As shown in the figure below, construction accounts for around 28% of the industry sector.

For the average person walking on the street, signs of Cambodia's booming construction industry are everywhere, with a number of sophisticated towers and mega complexes underway. In addition, the variety of public infrastructure projects continues to grow, particularly the construction of national roads and transportation systems, including bridges and rail lines.

Figure 4: % Share of Industry Value by Economic Activity and Value of Construction (current price)



Source: Ministry of Economy and Finance, 2010[8]

Note: Electricity includes electricity, gas and water. Value refers to the value of construction sector at current price

2.4 THE IMPACT OF THE FINANCIAL CRISES

The Global Finance Crisis (GFC) in 2008 saw the collapse of large financial institutions, the bailout of banks by national governments and sharp declines in stock markets around the world. These events led to a deep global recession, especially in developed countries.

Cambodia was not exempt from the knock-on effects of the GFC. Following four consecutive years of double-digit growth, Cambodia's economy slowed sharply in late 2008 and 2009, with large job losses in the garment and construction sectors in particular.

Hossein et al. (2009) discuss the impact of the GFC on Cambodia's economy. Their findings show that the GFC indirectly hit the Cambodian economy as most of the major sectors depend heavily on the world economy. Among the four key drivers of economic growth (agriculture, garments, tourism and construction) only the agriculture sector continued to grow through the GFC. The solid performance of agriculture was likely the main factor that prevented Cambodia's from slipping into a deep recession of its own.

[8] Data compiled from Cambodia Macroeconomic Framework 2000-2011

3 THE INFLATION AND WAGES DEBATE

3.1 INFLATION IN CAMBODIA

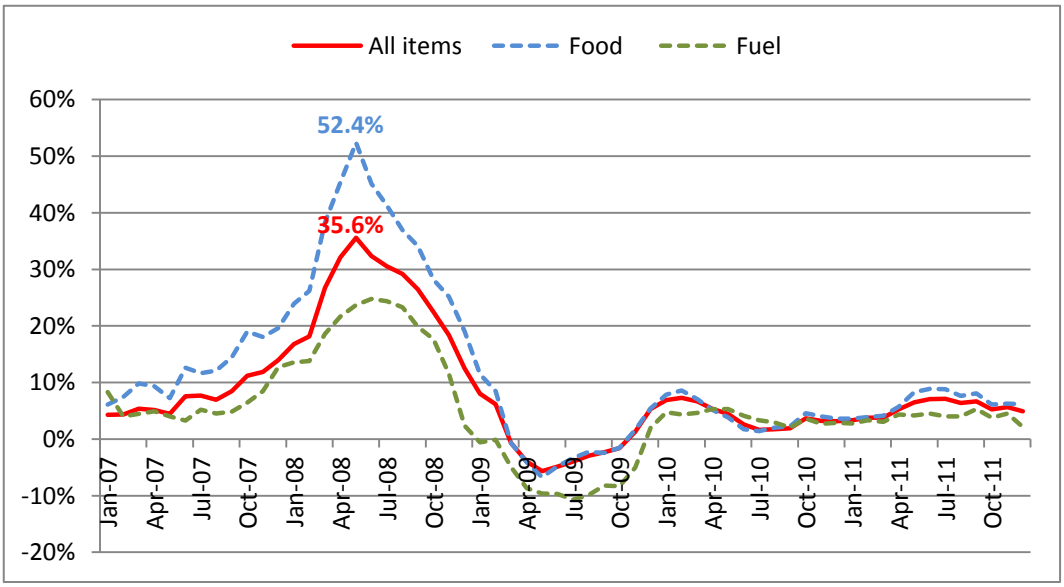
Cambodia, like many other developing nations, experiences big fluctuations in its rate of inflation. This is largely due to the cost of living in developing nations being more influenced by food and fuel prices (both of which are volatile) than is the case for developed nations. According to the National Bank of Cambodia, year-on-year inflation was up to almost 36% in May 2008 (driven by high food and oil prices), and it went down sharply to almost minus 6% one year later (see figure 5 below).

Workers are believed to be the most affected by unstable price levels, particularly food and oil prices. Food, on which the poorest 40% of Cambodians spend 70% of their income[9], experienced dramatic price increases in the first half of 2008.

Furthermore, it is well acknowledged that changes in personal well-being are best measured by changes in *real wages* (which take into account inflation) rather than changes in *nominal wages* (which take no account of inflation). This means the rate of inflation is a key factor in measuring the well-being of people. To assess personal well-being, it is therefore necessary to look at real wages. To calculate real wages, the inflation rate must be taken into account. The standard measure of inflation is Cambodia's CPI, in which food has a 45% weighting. It is true that construction workers – being relatively lowly paid – might spend more than 45% of their income on food. Similarly, they might spend more of their limited income on other essential items such as fuel (compared to fuel's weighting in the CPI). For this reason, it is useful to also consider changes in food and fuel inflation, as well as overall inflation. However, for the purposes of this report, the overall inflation rate is still used to measure changes in real wages.

The figures below show the overall inflation, food inflation and fuel inflation[10] since January 2007.

Figure 5: Cambodia's inflation rate (year-on-year, % change)



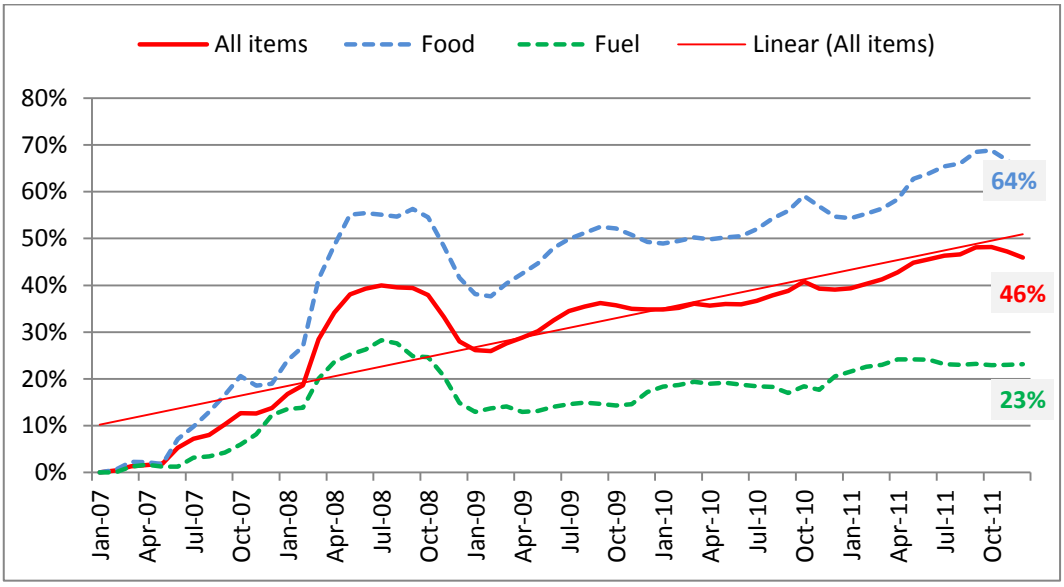
Source: National Bank of Cambodia (Oct, Nov, Dec. 2006 = 100)

Note: y-o-y, % change-- the change of CPI this month compared to the same month in the previous year

[9] See *Impact of High Food Price in Cambodia*, CDRI, 2008

[10] Fuel refers to housing, water, electricity, gas and other fuels, according to classification from NBC.

Figure 6: Cambodia's cumulative change in price levels since January 2007



Source: National Bank of Cambodia (Oct, Nov, Dec. 2006 = 100)

3.2 HOW MARKET WAGES WOULD NEED TO HAVE CHANGED TO OFF-SET INFLATION

To offset inflation, the nominal wages of construction workers would need to have changed at the same rate as inflation. To evaluate construction wages over the last five years, the base wage in 2007 is critical. To the best of our knowledge, the only study that estimated 2007 construction wages is *Impact of High Food Price in Cambodia*, conducted by CDRI in 2008. According to this report, between July and December 2007, the average construction wage for day labour was 10,000 riels, which is believed to be the average wage of unskilled construction workers[11]. As there is no existing estimate of unskilled construction worker wages in January 2007 (which is the starting date of our analysis), we need to make some assumptions to get a wage estimate for this time. First, we assume that the wage of unskilled workers was 10,000 riels in October 2007 (the mid-point of the period July-December studied by CDRI). Second, we assume that throughout 2007 the nominal wage of unskilled construction workers changed at the same rate as inflation (that is, real wages remained flat), and then work backwards to get a wage estimate for January 2007. Unfortunately, the wage of *semi-skilled* construction workers in the base period is not available; therefore, the construction of a wage series for semi-skilled construction workers is not calculated in this section. It is however reviewed with actual data collected in the survey in chapter 5.

Using the assumptions above, we are able to calculate how the average daily wages for unskilled workers would need to have changed from 2007 through to 2011 in order to keep pace with inflation[12]. For these purposes, we construct two wage series using different measures of inflation – one using consumer prices data (CPI) and the other one using a food price index. The results are presented in the table and figure below.

[11] Because CDRI compared this wage to the wage of transplanting, harvesting, weeding, planting crops, and clearing bush or degraded forest.

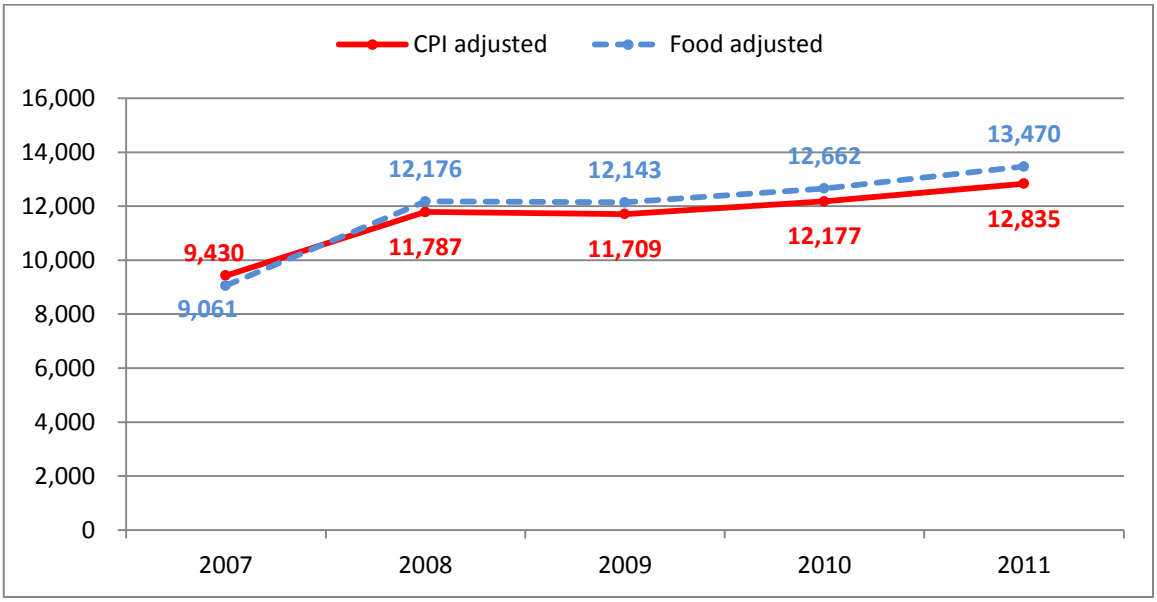
[12] We calculate the monthly wage from January 2007 to December 2011, using monthly CPI and Food Price index data. We then take the average wage for each year from 2007 to 2011.

Table 2: How wage of unskilled workers would need to have changed to off-set Inflation

	2007	2008	2009	2010	2011
CPI Adjusted	9,430	11,787	11,709	12,177	12,835
% change on previous year		*25%*	*-1%*	*4%*	*5%*
% change on 2007		*25%*	*24%*	*29%*	*36%*
Food Adjusted	9,061	12,176	12,143	12,662	13,470
% change on previous year		*34%*	*0%*	*4%*	*6%*
% change on 2007		*34%*	*34%*	*40%*	*49%*

Source: Author's calculation

Figure 7: How wage of unskilled workers would need to have changed to off-set inflation



Source: author's calculation

Based on the information above, over the five-year period we estimate that average nominal wages of unskilled construction workers would need to have increased by 36% (same increase to inflation rate) over the five years (from 9,430 KHR in 2007 to 12,835 KHR in 2012) in order to keep pace with inflation. This will now be tested against the research findings presented in chapter 5 of this report.

Note again that a wage series for semi-skilled workers is not constructed due to data limitations (specifically, a baseline wage estimate for semi-skilled workers in 2007 is not available).

4 UNDERSTANDING THE COST OF LABOUR

4.1 WHAT WE KNOW TODAY: EXISTING FINDINGS

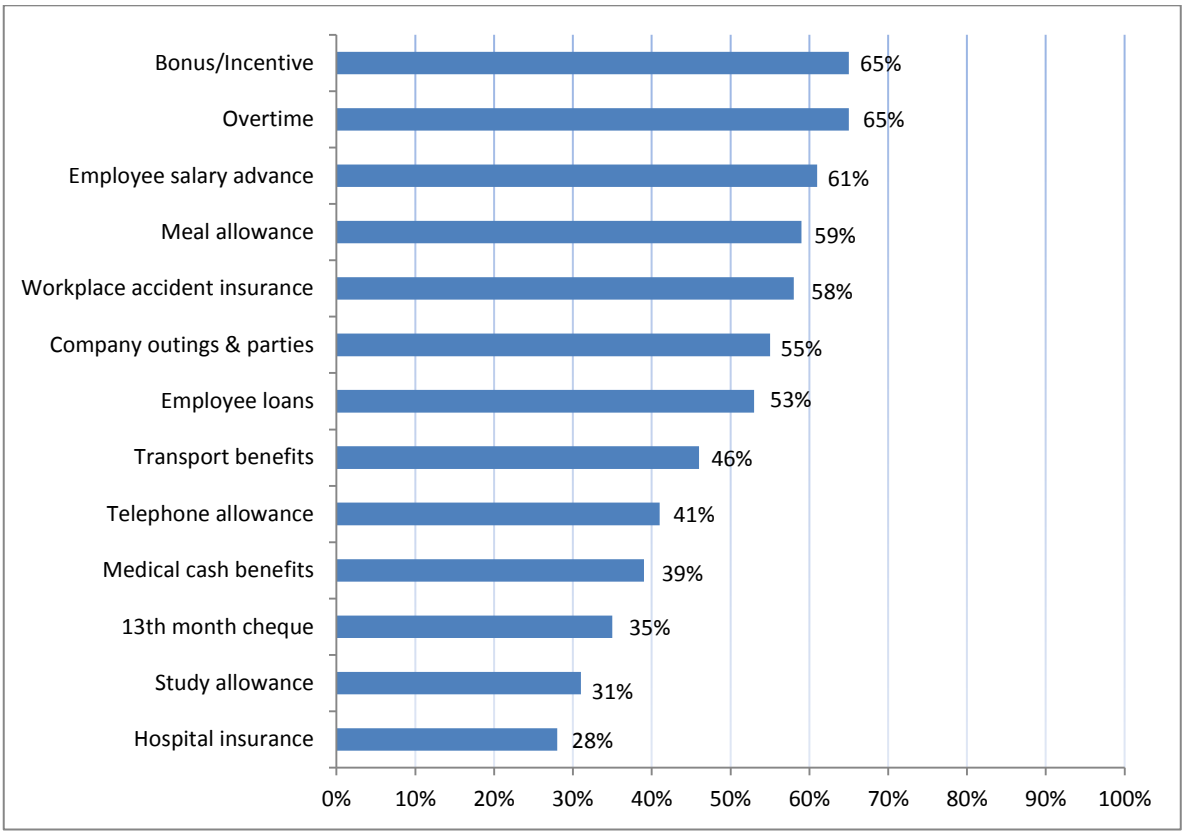
HRINC Cambodia conducts annual private sector salary surveys. The surveys consist mainly of multinational companies, who are familiar with salary surveys and understand the value of sharing information in a confidential setting. The salary surveys attempt to capture salaries in the market, including a breakdown of salaries as the market develops. HRINC experience shows that:

1. **Total compensation is not very well understood.** Employees in general, especially those in lower income brackets, tend to focus on the available cash to take home i.e. physical cash at the end of the pay period. Benefits and incentives such as performance bonuses and medical coverage plans are not of financial significance yet or perceived as valuable. Insurance policies do not carry a value of significance to employees, largely because the actual value is really only understood in the event of tragedy such as an accident. For employers, very often the real cost of labour is also not clear, especially when an employee's total cost of labour is spread across several departments or budget lines. Structured and standardised accounting systems that capture the real cost of labour to the employer is especially not common in smaller and informal enterprises.
2. **Variable earning (performance based pay) is starting to evolve and become a more important part of earnings**. As the economy develops, employers seek to compensate workers for business success, while maintaining their fixed overhead cost on salaries.
3. **Salaries and wages over the past six years have not been constant or predictable** – mainly driven by supply challenges, but also employer knowledge around compensation. For much of that time, the labour market was an employee-driven market, given the lack of skills and qualified people to fill positions.
4. **Finding young professionals is not a major challenge; but finding skilled and talented people is a challenge.** The skills challenge is more of a challenge for blue collar workers such as electricians, plumbers, mechanics, and even labourers (both unskilled and semi-skilled).
5. **New policy developments such as social security have added a "double burden" to more established enterprises in many respects.** While private policies with extended coverage have provided employees with security beyond what is expected of the law, removing private policies with the introduction of the public social security scheme is difficult. For many enterprises, negotiations with workers have resulted in keeping both policies, to ensure that workers are properly covered in the event of workplace accidents. (This may reflect a lack of confidence that the public system really provides appropriate coverage and compensation.)
6. **Subcontracting is risky for the employer, even if the intention of subcontracting is to mitigate risks and leave what is complex to a professional company.** In labour intensive industries, outsourcing providers are often referred to subcontractors, who are often individuals that have no business legal entities. The employment relationship is often confusing for the workers who generally do not always understand who their employer is. The cost of managing industrial relations is not clearly understood, nor is it recognized as a real cost of labour when employing a large workforce. When this is aggravated by outsourcing and unclear employment relationships, labour costs can be significant since they are not clear to an employer or investor at the onset of an investment.
7. **The cost of outsourcing or contracting can be expensive.** Positions such as security guards and cleaners, which generally earn a basic salary of US$80–90 depending on experience and ability, generally have a

US$40–45 management fee – almost 50% of the actual worker wage. In many instances for construction work in particular, a fixed price will be charged based on the estimated work and labour required. Once a fee is agreed, work is required to be delivered. If payment agreements are made based on inaccurate costing or estimates, this can result in the subcontractor cutting corners to get the work done.

To provide a clearer overview of the types of benefits provided to skilled or semi-skilled positions, results are presented of a March 2011 Starting Salary Survey conducted by HRINC for non-government organization Pour un Sourire d'Enfant (PSE). This provides a good understanding of the types of benefits that more locally-established companies pay for positions such as retail sales, bakery and pastry, cooks, electricians, maintenance staff, housekeeping and laundry, gardening, construction and house maids.

Figure 8: Summary of Compensation Practices in the Market: All Phnom Penh Based Companies



Source: HRINC Starting Salary Survey for Skilled Professions

Further findings from HRINC indicates that allowances contribute anywhere from around 5% to just over 20% of total pay for companies employing unskilled and semi-skilled labour. This total cash compensation consists of the cash received only; not insurance policies. Additional figures and tables of these results are provided in appendix 4.

4.2 COMPONENTS OF LABOUR COST

Which costs should be included when calculating the cost of labour remains open for debate. For example: should the protective wear a construction worker might need (helmet and steel cap shoes) be included in the cost of labour? In practical accounting terms, the answer may depend on whether there is an alternative budget line under which health and safety costs are accounted for. That said, in real costing terms, the cost of the helmet and steel cap shoes needs to be considered as a labour cost.

The cost of labour is somehow subjective to each enterprise, although it is true that all legal requirements and market wage are symmetrically distributed. Different enterprise could have different nature of work which requires different cost. Thus the construction of labour cost could be different from one Industry to another and be dependent on the type of work or project being pursued.

The table below provides a general breakdown of all components of the total labour. The cost of labour includes the market wage, customary payments such as Khmer New Year and Pchum Benh incentives, compliance and obligation items (that are required by law) and the tools and means to do the job if they are not accounted for in a separate budget line. The breakdown provided is used as a baseline for constructing the labour index in section 5.4.1 of Chapter 5.

Photo 4: Phnom Penh, a Sprawling City

Table 3: Breakdown of Real Cost of Labour Components

Description of Labour Cost Components	Description
Market Wages: Fixed Costs	
Daily Wage Received	Daily gross wage listed
KNY / Pchum Benh Incentive	Typically one month of salary divided between Pchum Benh and Khmer New Year
KNY Celebration Party	Customary to play games or have a small party at Khmer New Year
Overtime	Estimates generally include 2 hours per day based on industry
Public Holiday Pay	Public holiday pay is required to be included if the industry or company knows in advance that it will take less public holidays
Public Holiday OT pay 2hrs p/day	If normal 10 hours day to be worked on non-essential public holidays, OT should be included for the number of days budgeted for
Subtotal of Market Wages: Fixed Costs	
Market Wages: Variable Costs	
Overtime if needed	General estimations need to be drawn up in the event of requiring additional hours
Subtotal of Market Wages: Variable Costs	
Compliance and Obligation	
NSSF Contribution	0.8% of worker earnings
Health Check by Government	Required by employer to ensure that worker is fit for work. In Cambodia, typically the employer pays for this health check.
Labour Book by Government	A cost required to be budgeted in compliance with the law
Update Staff Movement Forms	When staff join or leave a company, turnover movements should be registered with the labour ministry
Medical Coverage	A requirement for large workforces to have beds, facilities and even a doctor
Annual Leave	If a company decide on less leave days per year as an allowance, it is required to pay out the respective leave days
Termination Pay-out	Based on the type of contract, this needs to be accrued and budgeted for on a monthly basis
Subtotal of Compliance and Obligation	
Company Risk Factors	
Replacement cost of worker	A budget line for worker costs, especially large industries for replacement of workers which is accrued in the event of requiring to replace at short notice or pay extra given short term nature of work
Subtotal of Company Risk Factors	
Remote Location Considerations	
Meals (if far away or other)	An allowance in the event that workers are far from work and unable to access eating facilities
Transportation (if far away)	An allowance in the event of working far away from home or the workplace is far. In garment industry this a typical allowance of around 10 dollars per month
Accommodation (if remote area)	An allowance in the event of working far away from home or the workplace is far. This is common in the construction industry - either an allowance paid or accommodation provided
Communication allowance	An allowance for calling or communicating whether internet or telephone
Health and Safety Requirements (listed for construction sector only)	
Steel cap shoes	Protective gear for feet to avoid foot injuries especially when working in conditions where lifting and moving of heavy items.
Gloves	Protective gear for hands based on type of work
High visibility jacket	Protective gear for worker if working in dangerous environment so that he can be noticed. Especially for late night work and work in public places where there is traffic and workers are at risk.
Protective Hat	A helmet or protective head gear common in construction to avoid head injuries
Subtotal of Tools to Implement Work	

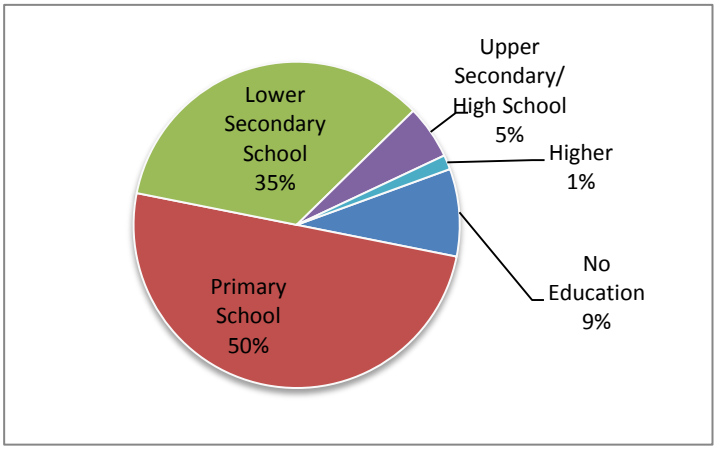
Note: The data presented is based on HRINC experience with surveys and outsourcing reviews and author research on industry standards.

5 RESEARCH FINDINGS

5.1 BASIC INFORMATION OF THE RESPONDENTS

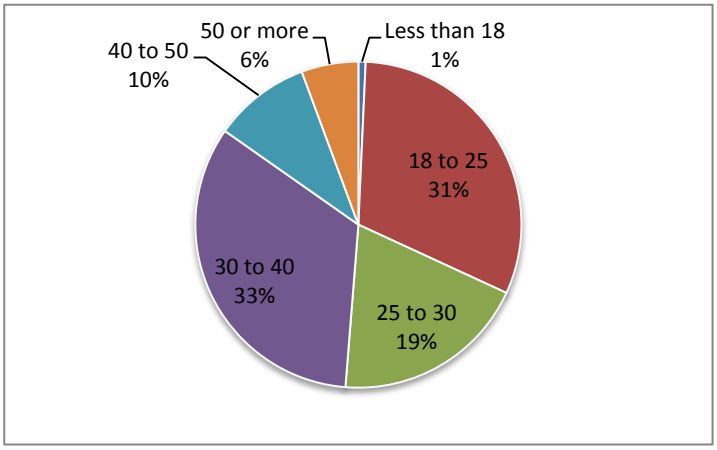
The majority of construction workers in Cambodia are male; however female workers are not uncommon on a construction site. Males account for more than 80% of the total sample of 411 respondents. We believe this is a good representation of Cambodian lower-skilled construction workers, taking into account similar studies in other sectors and representativeness of samples used by agencies to track salary data. The sample returns more than 1200 observations in total of a 5 year period. More detail on the sample size can be found in appendix 1 for review.

Figure 9: Highest Attended Education Level (Total Sample)



Most respondents have fairly limited education. Family income is still a major challenge for families in sending their children to school. Families with low income tend to urge their young children to work to support the family and it is probably a main reason why construction workers generally have low education levels. In the sample, almost 60% of respondents have not or just at highest finished primary school and 94% have not or just at highest finished lower secondary school. 9% of the sampled workers have no education at **all.** While the findings are not surprising, they are concerning given Cambodia's growing need for talented labour. Even unskilled and semi-skilled workers on a construction site need to be able to read so they can avoid workplace accidents and follow work rules and regulations.

Figure 10: Worker Age (Total Sample)



Workers in the sample are from a wide variety of age groups. Although the percentage is small, there are some workers who are below the age of 18. Around half of the workers are aged between 18 and 30, while another third are between 30 and 40.

In terms of their family situation, 66% of workers have already formed their own family while 4% are separated or divorced. The rest are still single.

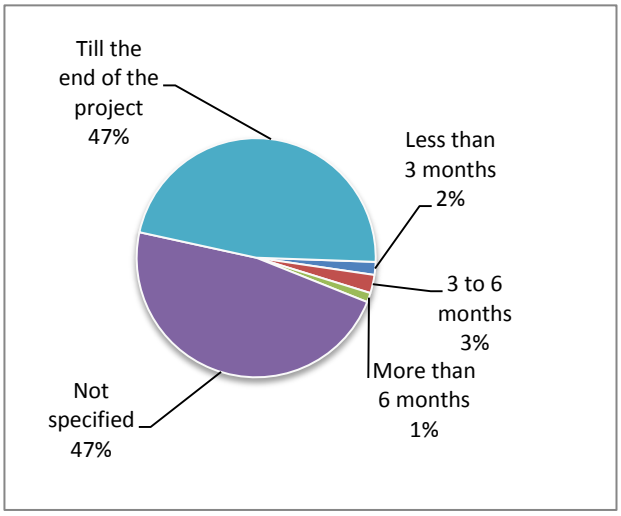
The sample's divorce/separation rate (4%) is higher than for the Cambodian population as a whole (2.3%).[13] This may be related to factors such as family income, education level and age of those workers.

[13] According to Cambodian 2010 census, 2.3% of the total population aged 15 and over are divorced or separated (3.6% for women and 0.8% for men – reflecting that men are more likely to remarry than women).

Unskilled and semi-skilled workers tend to get married at a relatively young age with a relatively low education level.

On average each worker has 1.8 direct dependents and 1.0 indirect dependent[14].

Figure 11: Duration of Employment Contract



100% of the respondents reported that they have no written employment contract. They verbally agree with the employers when they start working. Generally they understand what wage they will get for their work, however they do not know what benefits or compliance measures are mandatory as part of their employment. Furthermore, even with a verbal agreement, more than 90% said they do not have an agreement on the specific period of employment. Forty seven percent of respondents noted that the term of employment is not specified and the same proportion noted that contracts are generally "till the end of the project". Six percent noted that contracts are more than six months or less than six months.

This supports the transient nature of construction work, that work is based on need and type of construction project and that employing workers in this sector requires an employment contract that is flexible to the nature and size of project being undertaken. *The nature of construction work arguable directs attention to the need for more flexible types of employment contracts than what are currently available to employers, to enable management of workforces based on the nature of work or industry.*

5.2 MARKET WAGE AND WORKERS' EARNINGS

As part of the survey, workers were asked to report the daily wage they earned in each year from 2007 to 2011 (based on their recollection). This section analyses those reported nominal wages, and compares them to the rate of inflation to determine movements in real wages.

Wages earned by unskilled and semi-skilled workers in the construction sector are influenced by a range of factors that may not be typical of workers in other sectors. In particular, wage variations are wide even among workers at the same skill level and in the same working location (province). It is even wider among those working in different locations. Wages depend heavily on the relationship between workers and employers, the length of time that workers have been working with their employers, and the size of the project. If a worker has a very close relationship with their employer, has spent many years working with them, and is working on a large construction project, then the worker is more likely to earn a higher wage.

Inflation is another factor that impacts the determination of nominal wages as discussed earlier. In most formal companies, employers increase the nominal wage of employees to ensure that employees are not much worse off due to an increase in prices.

[14] "Direct dependent": depends on worker financially and lives in same family; "Indirect dependent": depends on worker financially but does not live in same family

For each year, the median of the wages reported by construction workers can be compared with the nominal wage series constructed in Chapter 3 (which show how nominal wages would need to have changed to keep pace with inflation).

The results of this analysis show the **nominal wage earned by unskilled construction workers today is not the same as the inflation-adjusted wage calculated earlier in the study.** In other words, nominal wages of unskilled workers do not appear to have moved perfectly in line with inflation. The difference is most apparent in 2008, when consumer prices jumped sharply in the first half of the year and the effects of the global financial crisis began to be felt in the second half of the year. During 2008, median nominal wages (as reported by workers) increased at a much lower rate than did consumer prices. There are three possible reasons for this difference. Firstly, it might be because inflation jumped so drastically in the first half of 2008 that it was *not feasible* for employers to make such significant adjustments to their nominal wages bill. Secondly, it might that the excess labour supply in late 2008 (as a result of layoffs in the garment and construction sectors) meant that it was *not necessary* for employers to give big wage increases so as to keep real wages constant. Lastly, it might be because the baseline construction wage for 2007 (taken from the CDRI study mentioned in Chapter 3) is slightly different from the reported wage[15].

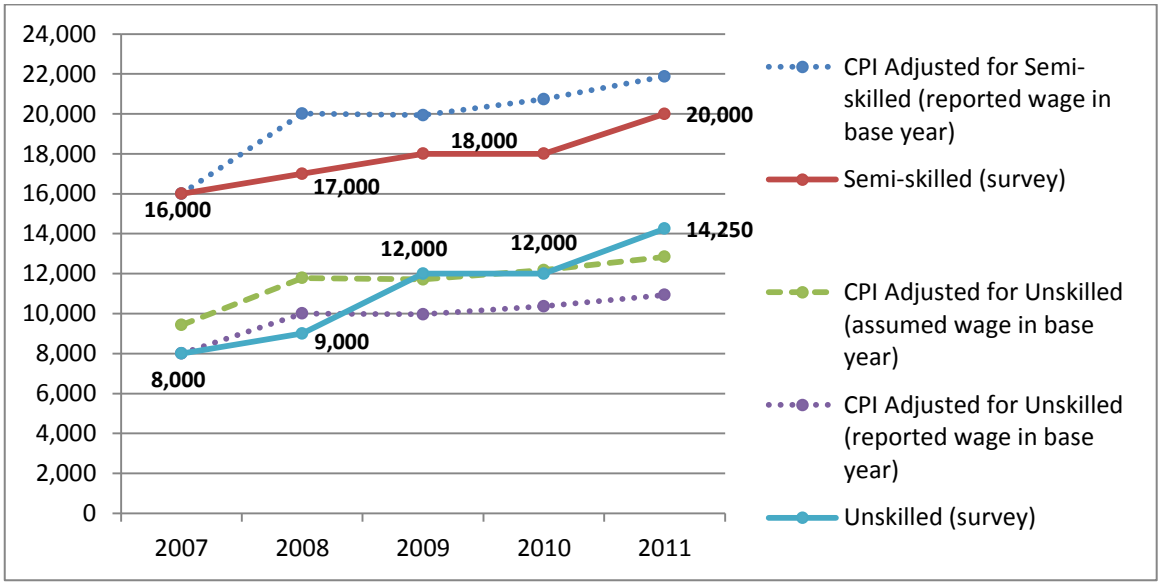
Most likely, the difference between reported nominal wages and inflation-adjusted wages results from a combination of all three factors. We do know anecdotally that in-kind support or allowances are a way of supporting workers during stressful times without affecting the fixed wages bill.

To test whether the difference is due to the third reason (that the baseline wage for 2007 is different to the reported wage for 2007), a nominal wage series is also constructed using the reported 2007 wage (instead of the CDRI baseline wage used in Chapter 3). All the analysis is presented in the figure below which confirms that **nominal wages for both unskilled and semi-skilled construction workers did not change at the same rate as the inflation rate**. Using reported wages as the base for 2007, semi-skilled workers appear to be worse off, since their median nominal wages (represented by the *semi-skilled – survey* line in the chart) rose more slowly than the rate of inflation (represented by the *CPI adjusted for semi-skilled – reported wage in base year)* line.

However, unskilled workers appear to be better off – regardless of whether we use the CDRI wage ("assumed wage") or the reported wage for the baseline in 2007.

[15] 2007 wage used in calculation is 9,430 riels, while 2007 reported wage is only 8,772 riels

Figure 12: Median Reported Construction Wage vs. Inflation-adjusted Wage



Note: "Reported wage in base year" refers to the 2007 wage reported by workers in the sample. "Assumed wage in base year" refers to the 2007 wage derived from the CDRI study in Chapter3.

The same information is presented in the table below. The table highlights that **over the five years from 2007 to 2011, the median real wage of unskilled workers increased by 42% while that of semi-skilled workers actually decreased by 11%**. (The results are broadly similar if the mean is used instead of the median.)

Table 4: Change in Real Wages, 2007 to 2011

	Nominal Wage (median)		Nominal Wage Increase	CPI Increase	Real Wage Increase
	2007	2011			
Unskilled	8,000	14,250	78%	36%	42%
Semi-skilled	16,000	20,000	25%	36%	-11%

This result – that unskilled workers are better off while semi-skilled workers are worse-off – is somewhat surprising and requires further consideration and research. Intuitively, one may expect that semi-skilled workers would have fared better than unskilled workers, due to the perceived shortages of skilled labour in Cambodia. However, this logic is not supported by the survey results.

Looking more closely at the nominal wage changes for both types of worker, the reported nominal wages of unskilled workers rose by more than the reported nominal wages of semi-skilled workers *in each year* from 2007 to 2011. The difference was biggest in 2009, when unskilled workers' wages rose by 33% and semi-skilled workers' wages rose by 6%.

This difference may reflect either or both of the following two explanations.

First, since the wage information is based on workers' own recollections of their wages in each year, there may be a self-reporting bias. In other words, workers may not accurately recollect and/or report their wages for each year, with any errors likely to be greater in the earlier years 2007 and 2008. To the extent that unskilled workers and semi-skilled workers have different reporting biases, this will affect the survey results. In particular, if unskilled workers under-estimated their wages in 2007 or over-

estimated their wages in 2011, or if semi-skilled workers did the opposite, then this may explain some of the difference in wage movements between the two categories. It is worth remembering that the 2007 wage reported by unskilled workers is slightly lower than the 2007 wage derived from the CDRI study.

Second, the difference may reflect actual differences in wage movements – in which case the intuitive expectation of bigger wage increases for semi-skilled workers does not hold in reality.

In conclusion, the survey results for wage movements of unskilled and semi-skilled workers are interesting. They are surprising and can be considered somewhat counter-intuitive. This may reflect self-reporting biases or other particular market peculiarities not captured in the survey.

A factor not considered in the above explanations however worth pointing out is cultural characteristics. When reviewing the nature of employment in the sector, relationships between subcontractors and their workers are particularly important. As an example: Subcontractors may have discussed with semi-skilled workers the challenges related to the financial crises and reached an agreement and understanding to increase worker wages and not semi-skilled and skilled workers. This would enable the total team to *maintain employment and income for all* during a particular difficult economic time.

Another factor not considered is the overall market salary and possible "ceiling" of salaries compared to other sectors. A significant amount of speculation can be done which points again to the real need for more robust labour market data tracking to better understand the trends and peculiarities that are emerging.

Wage by Gender:

The survey results suggest that there may be a difference in wages based on a worker's gender, at least for unskilled workers. Based on the sample results, in 2011 the reported median wage for unskilled males is 15% higher than unskilled females[16]. There are three possible explanations for this difference.

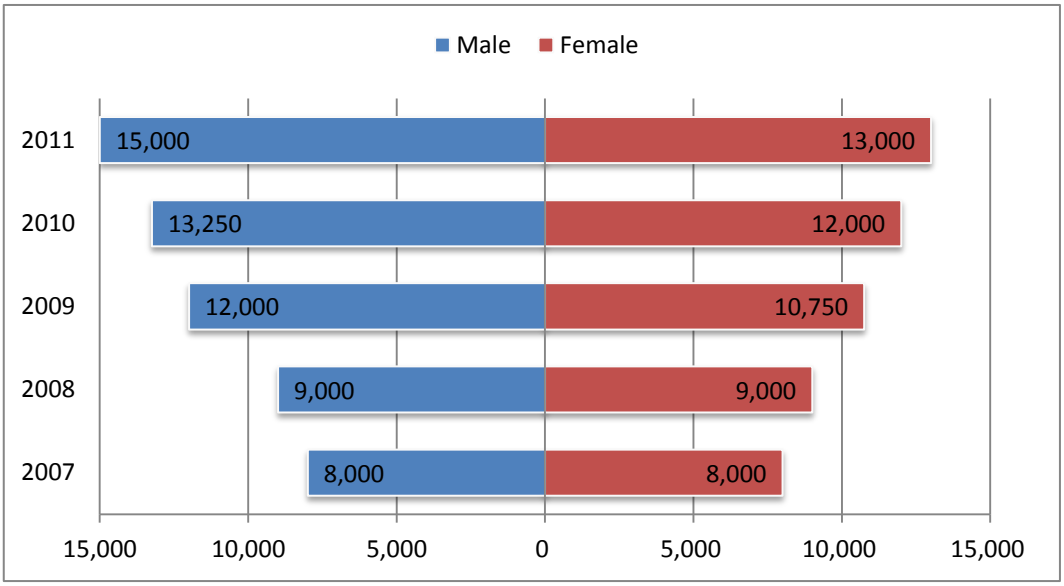
- First, there may be some gender discrimination in the construction sector in Cambodia, where men receive higher wages than women for the same work.
- Second, the difference in wages may partly reflect differences in productivity, if it is the case that males are more productive than females due to their superior strength.
- Third, it is possible that men over-report their earnings more than women do – indeed; there is some evidence that this is true in the United States[17].

Note that the sample size of semi-skilled females is too small to enable gender comparisons for semi-skilled workers. Further research is needed to establish whether or not there is gender discrimination in construction workers' wages however, is not the primary focus of this report.

The median reported wages for unskilled males and females over the last five years are presented in the figure below. Mean wages are provided in an appendix. Interestingly, the figure highlights that the income gap between men and women may have grown in the period 2007 to 2011. That is, men's wages may have grown faster than women's wages over the period.

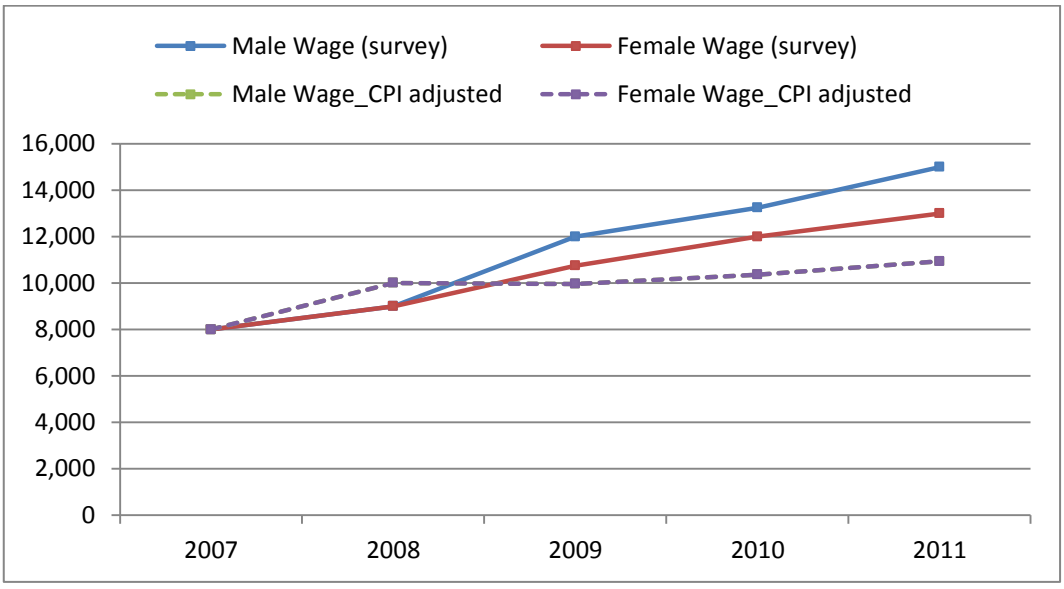
[16] Since the difference in wages between male and female is not the particular focus of the study, the significant level of the difference is not statistically tested. Further analytical work needs to be done to confirm whether the difference is exactly significant.
[17] See: Bollinger, C.R., 1998. *Measurement error in the current population survey*, Journal of Labor Economics 16, 576-594.

Figure 13: Median Wage of Unskilled Construction Workers by Year and by Gender



The next figure highlights real wage movements for unskilled males and females. It shows that both unskilled males and females have enjoyed real wage increases over the period, with male wages rising by more than female wages.

Figure 14: Median Reported Wage vs. Inflation-adjusted Wage of Unskilled Workers



Wage by Experience in Construction:

Some workers have spent many years in the construction sector but continue to perform unskilled work, while others have progressed to semi-skilled or skilled work. Some workers take either unskilled or semi-skilled work depending on the opportunities available. These workers get paid according to the skill level required for the work they perform on that project.

Our study shows that there appears to be no significant correlation between wages and experience (the amount of time they have spent working in construction). *Our discussions with workers stress the importance of the relationship and tenure between the worker and his or her employer.* The longer and stronger the relationship, the greater their trust and loyalty towards the employer. These social norms seem to play a more important role in wage negotiations than do the amount of experience or the skills acquired during the time of work. The results are presented in the Figure 15 and Figure 16 below.

These results are particularly interesting and stress the need for further research and evaluation of construction sector workers, as well as reviewing the accreditation of skilled construction workers.

Figure 15: Median Wage of Unskilled Construction Workers by Experience

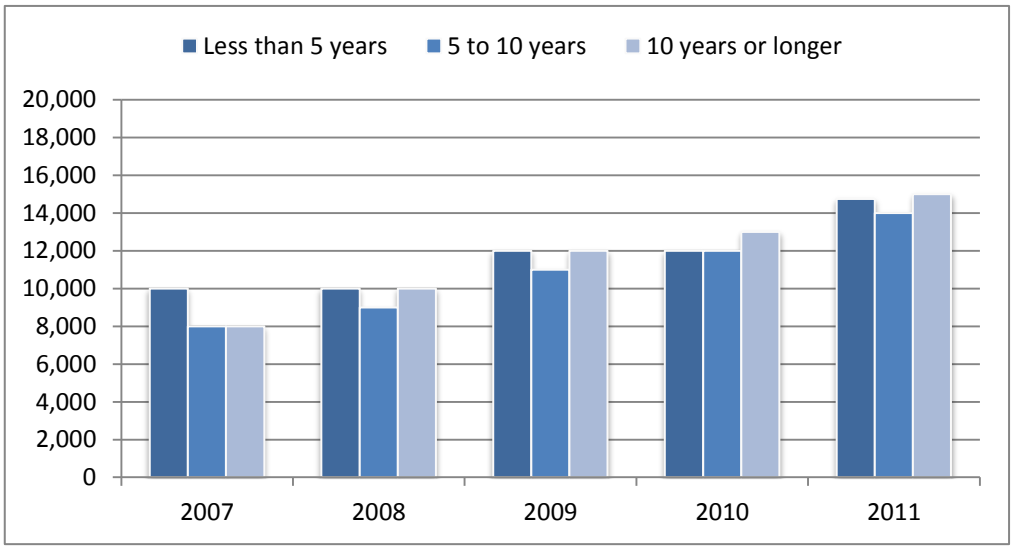
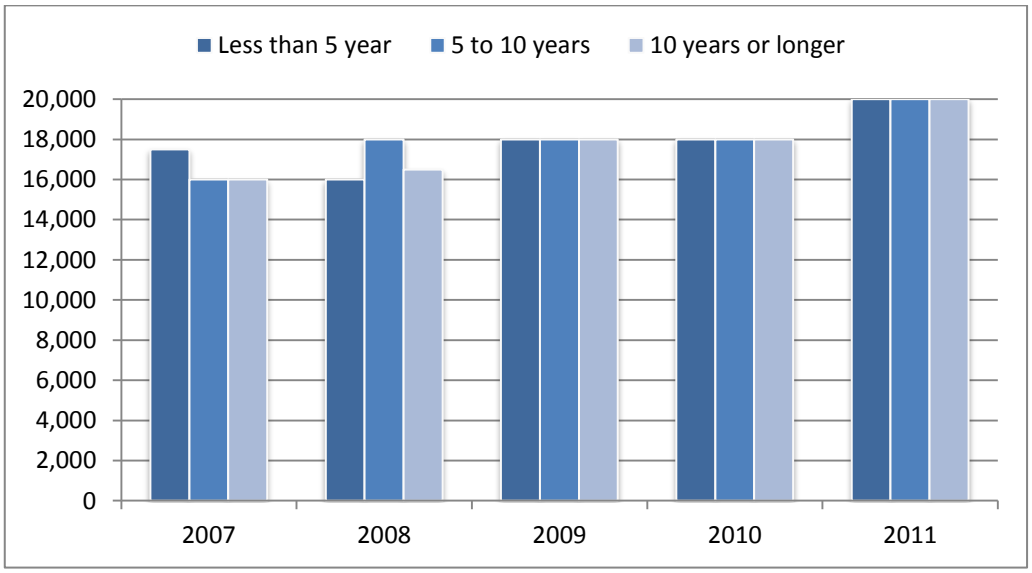


Figure 16: Median Wage of Semi-skilled Construction Workers by Experience



5.3 WORKERS' PERCEPTIONS ON THEIR LIVELIHOOD AND CAMBODIAN CONSTRUCTION SECTOR

Around 90% of workers sampled said that construction work is their main source of income. Although many workers sometimes do farming, most do not take additional jobs while they are working in construction (and hence they do not have an additional income source at that time). As described earlier, most construction workers work not only to feed themselves, but also to feed their dependents (each worker has 2.8 dependents on average).

Interestingly, almost 40% of respondents are optimistic about their construction work. Workers feel they get a higher income or they have a better working environment compared to alternative employment opportunities such as working in a garment factory, garage or food-processing plant. More than 30% said they choose to work in construction because they get a relatively high salary. Another 57% of respondents said they have no choice but to work in construction. The perceptions of workers are particularly interesting given their education levels and how they perceive construction work and environment to other industries.

Results show construction workers' own perceptions of their salaries, as well as their ability to meet their basic needs (eat well, save money and afford medical fees) for each year from 2007 to 2011. The data includes the perceptions of both unskilled and semi-skilled workers. The findings are interesting and provide a strong foundation on which to conduct further research.

A consistent theme emerges from the figures on the following page (Figure 17 to Figure 20): more workers are positive about each aspect of their circumstances in 2011 compared to 2007. In particular, more workers perceive their salary in 2011 to be good, and more workers perceive that in 2011 they can eat well, save money and afford medical fees. It should be noted that while the trend has improved over the past five years, the percentage of workers who are satisfied on these aspects of their lives is still quite small.

Construction work requires physical energy and strength to perform; often it is described as very hard and tiring work**.** Almost 50% of respondents said they would still stay in construction even if they had a choice to work in other similar sectors. These findings are consistent with how they perceive the construction sector versus other sectors. Despite the high percentage of respondents who prefer to stay in construction, 80% of workers are afraid that in the construction work they do, something might happen to them**.** In particular, the majority expressed concerns around safety when performing their task at a high location (that is, fear of falling down). Families are even more concerned about the safety of their loved ones working in construction. More than 90% of respondents said their families really worry about their safety at work. Given family dependency on the income from construction workers, these worries are understandable, because if something happens to the worker, the family would struggle to cover their basic needs.

Figure 17: Perception – Is your salary good?

Figure 18: Perception - Could you save money?

Figure 19: Perception - Could you eat well?

Figure 20: Perception - Could you afford medical fees?

5.4 LABOUR COST INDEX FOR UNSKILLED CONSTRUCTION WORKER

5.4.1 Labour Cost Index Components

If a construction worker receives a daily wage of $1, what is the total cost to the employer of employing that person?

This important question is difficult to answer in Cambodia, due to the high degree of informality of business enterprises in the construction sector, as well as a lack of understanding about which costs should form part of the total labour cost.

In this section, a labour cost index for **unskilled workers** in the construction sector in Cambodia is constructed. A similar index can be easily constructed for semi-skilled workers given the baseline developments in this project.

According to the law as well as business practise in Cambodia, companies or employers have several obligations to their workers other than simply providing a wage. Employers have to ensure that workers are employed according to the relevant laws and regulations prevailing in the Cambodian environment. These obligations are part of the labour cost to an employer. *Appendix 2 details the breakdown and provides a description and clear labour law articles for review and appendix 5 providers the reader with our detailed calculations for each year, by total sample, male and female.*

In constructing the labour cost index, it is important to note the following assumptions the authors have made for the sake of simplicity.

- Since the garment sector is the most developed and formalized sector in terms of workers, various assumptions used herein have been derived from this sector to provide consistency with Cambodia specific industrial relations developments.
- Seniority and attendance bonuses have been ignored due to the nature of construction work although these allowances are mandatory in the garment sector.
- Factors such as professional indemnity have not been included.
- Salary tax for workers (which should be considered if an employer is going to deduct these from wages) is not included. In addition, VAT and withholding taxes (in the event an employer is using a subcontracting or outsourcing agency) are omitted.
- For simplicity, specific allowances for sick leave, maternity leave and special leave are excluded.
- A replacement cost of the worker in the event of sickness or other absences is included. This amounts to less than 10 days of sick leave per year, which is a general indicator of sick leave allowances per year. The replacement cost of the worker is meant to cover not only sick leave, but also workers who do not turn up for work, disappear, or are no longer able to work.
- Meal, accommodation and travel allowances are included, considering the context of working far from home.
- Overtime work on normal working days and public holidays is included due to the nature of construction work.

The table below provides a breakdown of each component of the labour cost index, including the assumptions made in relation to each line item.

It is worth noting that, to properly understand the labour cost index in this report, readers should be familiar with Cambodia's labour laws and local conditions.

Table 5: Components of Cost of Labour Index

Labour Cost Component	Comment / Assumption*	Calculation*
Market Wages: Fixed Costs		
Daily Wage Received	Median daily wage	Median daily wage in as reported in the survey
KNY / Pchum Benh Incentive	1 month of salary per year	1 month of salary, apportioned across each work day of the year
KNY Celebration Party	Assume half a day off work plus entertainment expenses	Cost for half day off work, plus a meal (KHR6000), drink (KHR4000) and celebration (KHR5000)
Overtime	Assume 2 hours per day (industry standard)	2 hours at 150% normal hourly rate
Public Holiday Pay	Assume 17 days per year (25 public holidays minus 8 days for Pchum Benh and KNY)	17 days at 200% normal daily rate, apportioned across each work day of the year
Public Holiday Overtime Pay	Assume 2 hours per day for 17 days	2 hours on 17 days at 200% public holiday hourly rate, apportioned across each work day of the year
Market Wages: Variable Costs		
Additional overtime (beyond 2 hours per day)	Assumed to be zero	Zero
Compliance and Obligation		
NSSF Contribution	0.8% of monthly take-home pay**	0.8% of monthly take-home pay, apportioned across each work day of month
Health Check by Government	KHR 15,000 per year	15,000 apportioned across each work day of year
Labour Book by government	KHR 25,000 per year (include stamp in and stamp out requirements)	25,000 apportioned across each work day of year
Update Staff Movement Forms	KHR 4,000 per year	4,000 apportioned across each work day of year
Medical Coverage	KHR 48,000 per month	48,000 apportioned across each work day of month
Annual Leave	1.5 days per month	1.5 days per month apportioned across each work day of month
Termination Pay-out	5%	5% of wages earned during the time of work
Company Risk Factors		
Replacement cost of worker	Assumed to be 2.5% of take-home pay, to reflect replacement of sick workers and lower productivity	2.5% of daily take-home pay
Remote Location Costs		
Meals (if far away or other)	Assumed to be KHR 20,000 per month based on garment sector practice and Prime Minister instruction	20,000 apportioned across each work day of month
Transportation (if far away)	Assumed to be KHR 40,000 per month based on garment sector practices	40,000 apportioned across each work day of month
Accommodation (if remote area)	Assumed to be KHR 50,000 per month based on garment sector practice and discussions with accommodation providers	50,000 apportioned across each work day of month
Health and Safety Requirements		
Steel cap shoes	$28 per year (2 pairs @ $14 each)	2 pairs per year; $14 per pair
Gloves	$6 per year (3 sets @ $2 each)	$6 apportioned across each work day of year
High visibility jacket	$13.5 per year (3 @ $4.5 each)	$13.5 apportioned across each work day of year
Management/subcontracting Fees		
Management fees***	15% of take-home pay	15% of take-home pay

** Where actual amounts (in KHR or $) are specified, these relate to 2011 amounts.*

***Take-home pay (for purposes of NSSF contribution) assumed to consist of: all Fixed Costs except KNY Party, Annual Leave & Termination Pay-out, Tools & Means to Implement Work (assuming work is remote and worker receives cash allowance).*

**** Management fees are set at a fixed percentage of take home pay as is common in subcontracting.*

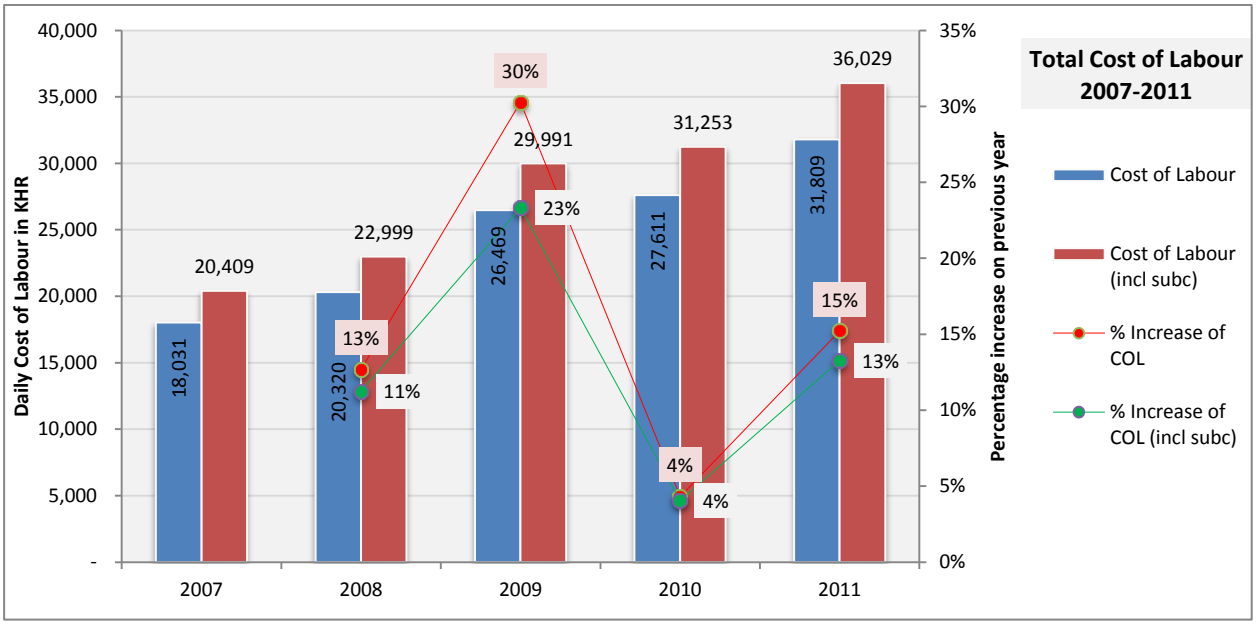
5.4.2 Labour Cost Index Results

This section presents the results of the labour cost index for unskilled construction workers, showing the total labour costs for each year from 2007 to 2011. It is important to note again that the information presented below assumes a worker is living and working in remote conditions, and hence requires housing, meal and transportation allowances.

The figures below present information on total cost of labour (COL) for each year, the compositions of the costs (contribution of each component), and a comparison of four key measures: base wage, take-home pay, employment cost excluding subcontracting fee (excl subc) and employment cost including subcontracting fee (incl subc). The results highlight that in 2011:

- The total daily cost of labour is KHR36,029 ($9.00) including subcontracting management fees and KHR31,809 ($7.95) excluding subcontracting management fees.
- The base wage (worker daily payment) accounts for 40% of total labour cost including subcontracting management fees and 45% of total labour costs excluding subcontracting management fees.
- Worker take-home pay accounts for 78% of total labour costs including subcontracting management fee and 88% of total labour costs excluding subcontracting fee. This percentage seems high relative to more developed countries, where taxes, pension funds, and other employer contributions mean the worker takes home significantly less than the total cost of labour. A reminder that in our calculations, we have not accounted for taxes and have been conservative in our non-wage labour cost assumptions.
- Other significant components of total labour costs are remote location and safety costs (16%) and compliance & obligations (13%) which is largely the same percentage for forms of employment

Figure 21: Evolution of Daily Cost of Labour from 2007 to 2011 (Unskilled worker)



Note: The blue bar is cost of labour excluding subcontracting management fees and the red bar is the cost of labour including subcontracting management fees.

Figure 22: Components of Total Daily Cost of Labour: Unskilled worker

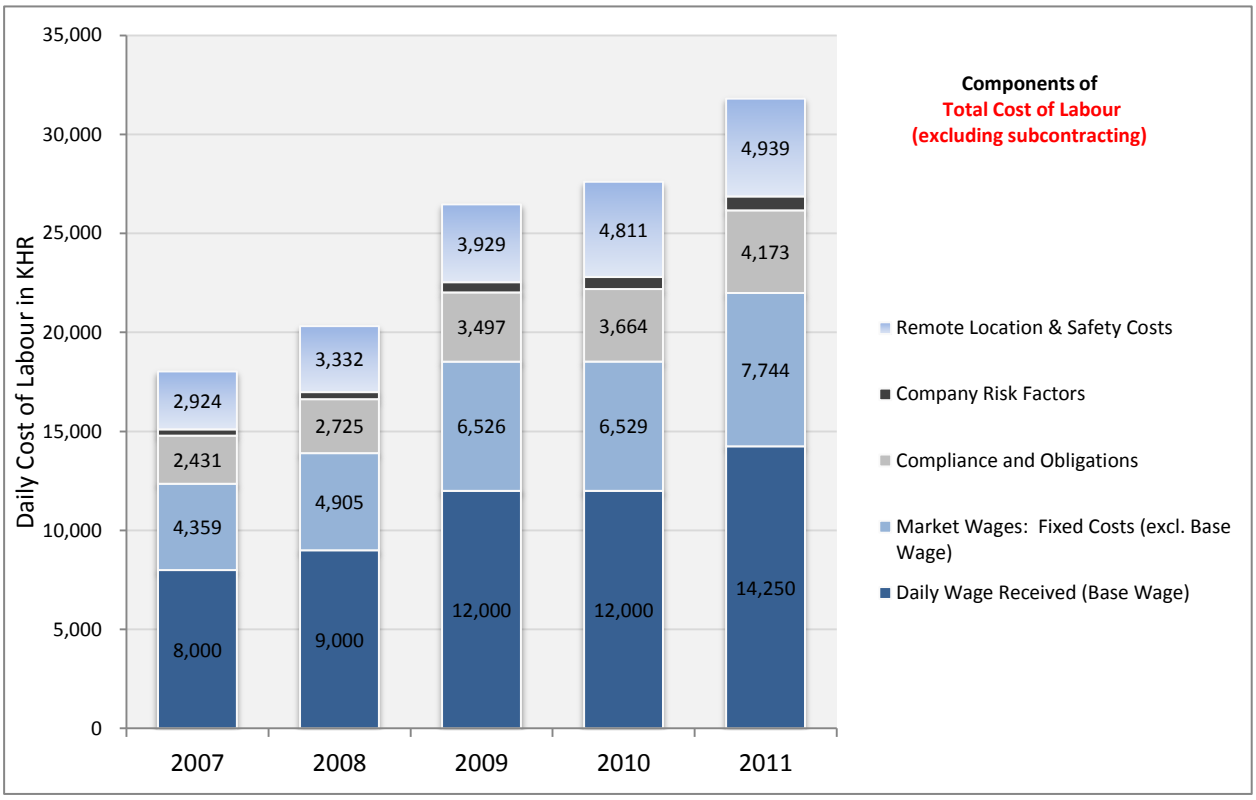


Figure 23: Wage Components as a percentage of Total Daily Cost of Labour: Unskilled worker

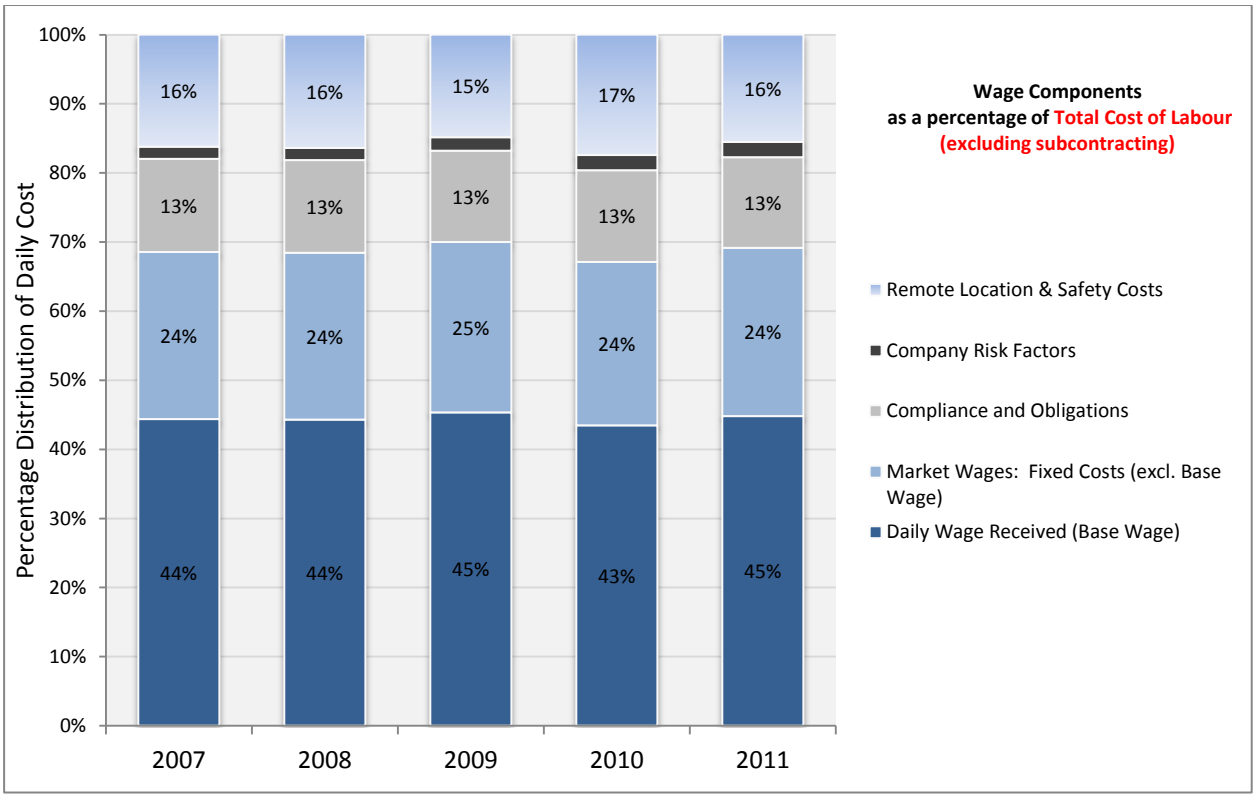


Figure 24: Daily Take Home vs. Employment Cost (2011 Median Daily Wages and Costs): Unskilled worker

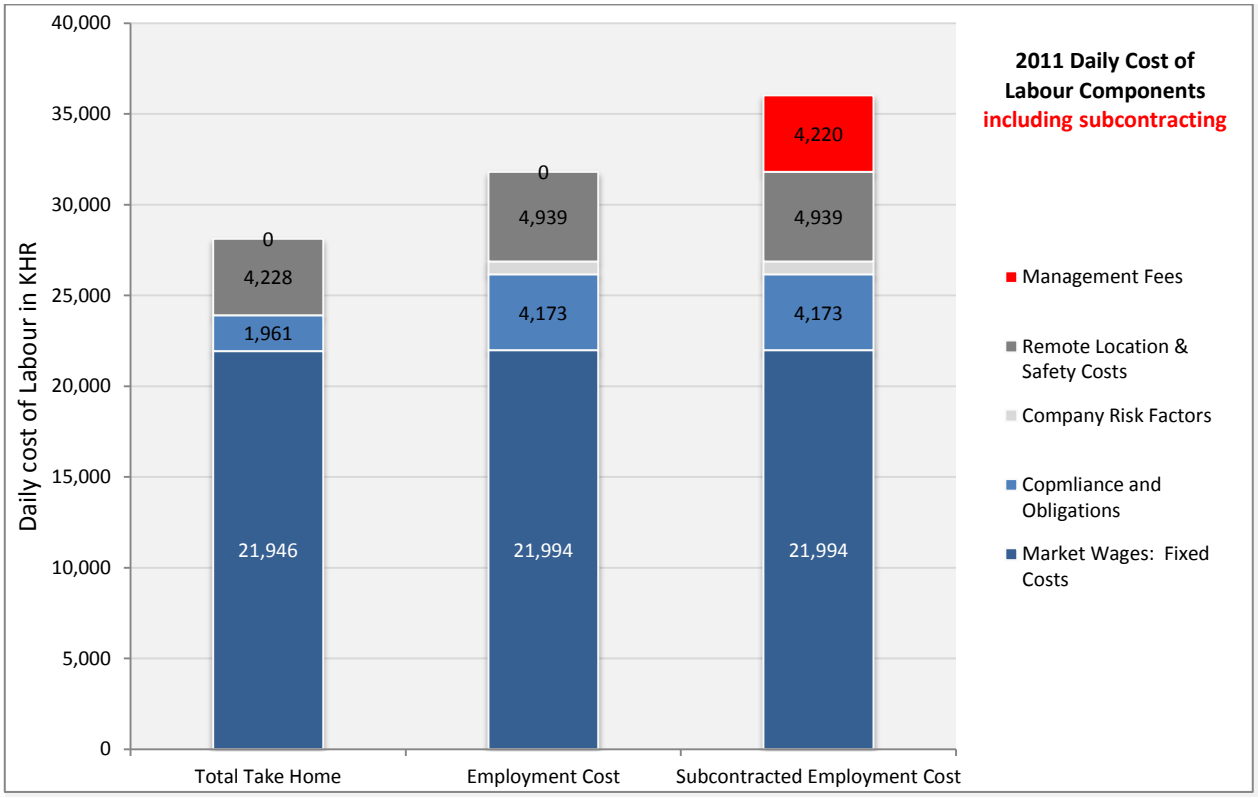
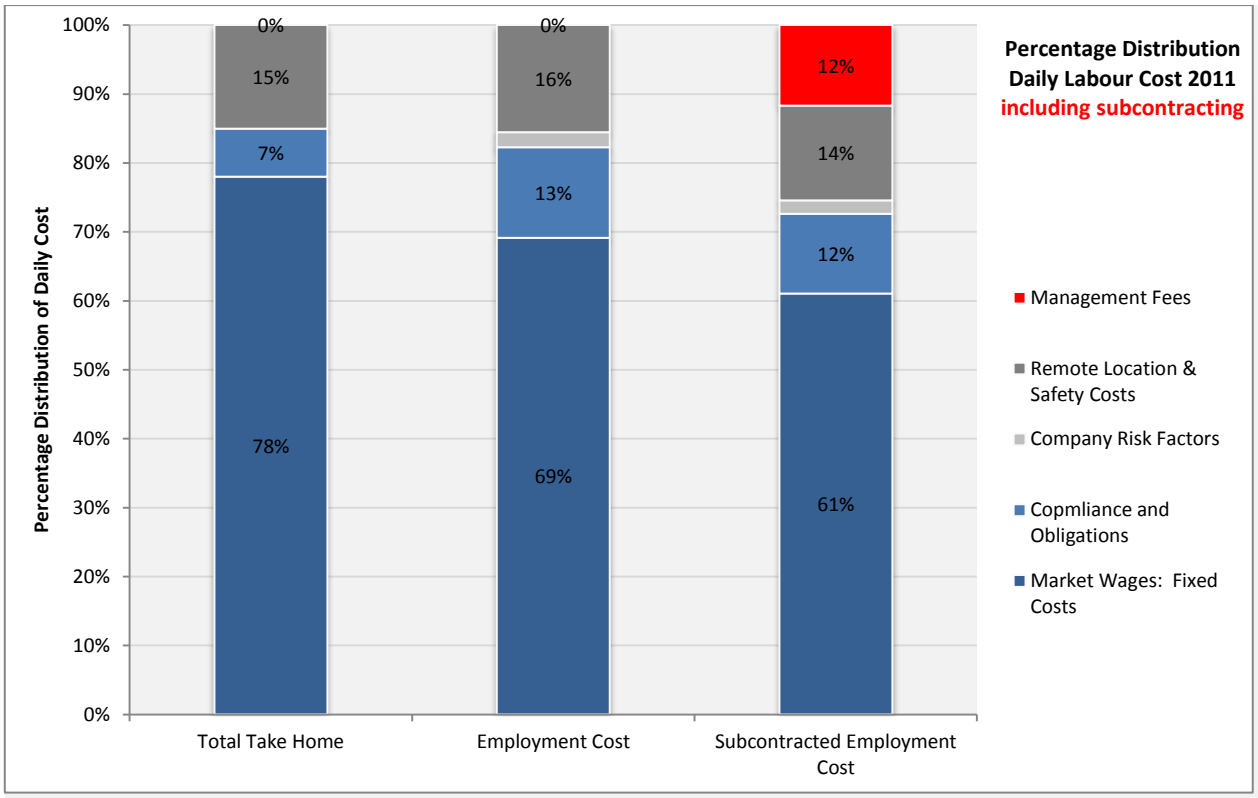


Figure 25: Distribution of 2011 Daily Employment Costs: Unskilled worker



INTUITIVE DISCUSSION: In-depth discussions and circulation of the draft report was done with representatives from government, private sector, business associations, other research agencies and economists.

There were several particular comments which during the course of study we tried to capture, however, in an attempt to remain focussed we did not elaborate on these. Given commentary from experts we have consolidated these as they are particularly important to reflect on, especially as the economy opens up.

1. **Although overall costs reflect realities of the market, in practise the breakdown the labour cost components is different**. For example, sub-contractors do not contribute to social security systems and workers do not get a pay-out at end of contract according to the law. Instead a private insurance policy might be drawn for liability insurances and a bonus paid if work is completed on time.
2. **It is important to *stress the nature of employment in the industry*. Even though a main contractor outsources employment to a subcontractor, the main contractor still has to take some responsibility financially for workers.** This means both main contractor and subcontractor carry cost of labour budget lines and responsibility. As an example: employers using subcontracting suppliers take out private liability insurances for each worker on the construction site, even if they are not the overall employer. This provides protection against work place accidents where marketing and branding of construction sites will be under the main contractor and not the sub-contractor. In addition, the main contractor may also be responsible for other aspects of employment such as transportation and accommodation as a primary condition of the sub-contractor[18]. From a practical perspective, it appears that the labour cost, when using a sub-contractor is split between the subcontractor and the main contractor. Despite where the budget line lies, the overall costs articulated in the cost of labour index reflect the realities of the market.

> "…level of remuneration and facilities requested by subcontractors compensate what is request by law in the report. Companies can find enough workers only if they covered them for accidents, provide them shelters, transportation, pay them 50% more overtime…. Building in Cambodia is not cheap and workers in construction business, even considering the difficulty of the job, are generally fairly paid compared to other workers"
>
> Foreign Investor in the construction regarding cost of labour index.

3. **The provision of accommodation is almost a given in the sector** based on industry experts feedback. It is impossible to hire workers, if accommodation is not part of the package, particularly in Phnom Penh and cities where workers cannot afford to live. These costs are often paid directly by the main contractor not the sub-contractors.
4. There was commentary on **supply of labour and the use of foreign workers** which is particularly important. The research team set out with an understanding that Vietnamese workers, especially skilled workers, were commonly used in the sector several years ago. Private sector and industry experts commented that there are less Vietnamese and more Chinese workers in the market today. The supply of labour in the context of developing need for workers is a topic that would benefit greatly from further research.

[18] Based on qualitative discussion with employers

6 CONCLUDING REMARKS AND POLICY DISCUSSION

6.1 CONCLUSION

This study seeks to understand to the movement of the market wages of unskilled and semi-skilled construction workers in Cambodia over the period 2007-2011, and whether nominal wages have kept pace with inflation trends. In addition, the study aims to construct the first ever labour cost index for Cambodian construction sector, and measure the difference between market wages and the costs of labour borne by the employer.

Somewhat surprisingly, the survey results show that over the last five years, the real wages of unskilled workers have risen significantly while the real wages of semi-skilled workers have actually declined. The nominal reported market wage for unskilled workers increased from KHR8,000 in 2007 to KHR14,250 in 2011 (78% increase), while that for semi-skilled workers increased from KHR16,000 in 2007 to KHR20,000 in 2011 (25% increase). The inflation increase in the same period was 36%. These results are at odds with the conventional wisdom that perceived skill shortages in Cambodia would be likely to lead to wages for semi-skilled construction workers to rise faster than wages for unskilled workers. Further research into this area would be beneficial to determine if the survey results reflect actual salary trends or if the results are distorted by self-reporting biases on the part of survey respondents.

Real wages for both unskilled and semi-skilled workers suffered a decline in 2008, which might be due to two possible reasons. First, there was a drastic jump in inflation in that year, and may not be feasible for employers to make such a big adjustment in the short run. Second, as a result of layoffs in garment and construction in that year, there might be excess labour supply, and it was not necessary for employers to provide a big wage increase.

This paper constructs a total labour cost index for unskilled workers in the construction sector – the first of its kind in Cambodia. It highlights that the total labour costs associated with a worker are much higher than just the market wage (base wage or wage received by a worker). The *market wage represents less than half of an individual's total labour costs*. **In 2011**, the total daily labour cost of an unskilled worker is estimated to be around KHR32,000 or US$8, which is about 223% of the daily market wage if the subcontracting/management fee is not included. In this case the employment is assumed to be made directly between employer and worker. However, the if the subcontracting fee is included when the employment goes through subcontractor, the total daily labour cost of an unskilled worker in 2011 is estimated to be around KHR 36,000 or US$9, which is about 253% of the daily market wage.

From an employer perspective, **over the five-year period**, the cost of labour is 223% of the base wage (which includes meal, travel and accommodation allowances, and excludes subcontracting fee), or 193% of the base wage (without allowances and excluding subcontracting fee). On the other hand, if employment goes through a subcontractor, the cost of labour is about 255% of base wage (with allowances and subcontracting fee), or about 224% of base wage (without allowances and with subcontracting fee). The labour index developed for this paper is an important step – but only the first step – in building an in-depth understanding of labour-related costs in the construction industry. It is hoped that labour index results presented here will facilitate further discussion and debate in the sector or could be served as a baseline of the study in other sectors or other locations.

In addition to the main finding concluded above, the supplementary findings of the study stress the following points.

Firstly, the nature of employment for construction workers is very informal. They neither have contracts nor a very clear understanding of how long they will be employed. Mostly they are employed through individual informal subcontractors. Their wages are heavily dependent on their relationship and tenure with the informal contractor.

Secondly, construction workers perceive that their well-being is gradually improving – but from very low levels. On all indicators of their well-being presented to the worker; workers noted that the adequacy of their salary and their ability to save money, eat well and afford medical services – shows a slightly improving trend. Even though the trends slightly improved, none of the positive responses encompassed more than a third of the total worker sample. Moreover, the workers' backgrounds should be considered as they neither have access to better employment opportunities or other more formal industry sectors and likely do not have a full understanding of what is available, possible to achieve given their minimal education. These findings are fascinating and would benefit from further in-depth and more technical research.

Lastly, workers face significant risks to their personal safety at work. Workers feel that their work is not as "hard as working in a garment factory", yet they have fears about their health and safety, especially if they are working on high buildings. Family members are gravely concerned about their family working in this sector; however they rely heavily on the income that this work brings them.

6.2 POLICY DISCUSSION AND IMPLICATIONS

The study touches on a host of issues that could benefit from further study and discussion. Not least, the health and safety of workers in their perceptions, the inclusion of workers in national social security, the nature of employment in the sector. In additional expert reviewers also mentioned the need for better understanding on issues related to migration, supply and demand of labour, the increase of minimum wages in the region and their impact on Cambodian workers as well as how to maintain the competitiveness of Cambodia investment climate overall.

We have articulated, what we feel are important emerging policy implications from the study, that consider our broader understanding of global and local labour and social affairs trends, as well as our understanding of emerging trends and issues in Cambodia.

Robust labour market information is becoming increasingly important for existing and potential investors to understand labour force trends. Given perceived shortages of labour and difficult to access information on real costs of labour, the outflow of labour (migration) the construction sector in particular could benefit greatly from labour market information given that it has not yet reached its full investment potential.

Employment in the sector remains mostly informal and based on relationships. Contracts are often verbal and workers only understand what daily wage they will receive. Construction workers are very concerned about the safety at work**.** Given informality of the sector, workers are excluded from important social services such as the development of the National Social Security Systems which provide work place insurances, medical and pension allowances. Even though private insurances are provided, exclusion from national systems has long term consequences for the worker, in particular for medical care and access to medical services and pension funds.

National Social Security is an emerging system in Cambodia, and globally becoming a very serious discussion to ensure that the most vulnerable are included in social safety net. For the construction sector to be able to be included in social security, *employers, particularly sub-contractors who are the main source of employment, need to be more formalised* (in terms of registration) to be able to contribute to social security. For workers to be contracted formally there needs to be *adequate types of employment contracts* given the nature of construction work. Arguably, more flexibility and new labour laws are required for more diversified industry base. Given the relatively low education of workers, worker training programs are likely necessary to ensure that workers understand their rights under the law and how social security systems benefit them. *In providing this recommendation, we need to be mindful of the risk of increasing labour costs and choking off employment in formalising the sector. Further consideration and research should be conducted.*

Experience of a construction worker, does not count towards increased earnings. Most construction workers are lowly educated**.** There is a clear need to review the construction worker labour force, their competitiveness in terms of skills and knowledge compared to the ASEAN region as ASEAN moves towards integration. There are limited training opportunities and paths for the uneducated labour force in general in Cambodia. Learning is conducted on the job. It is important at a policy level to consider the labour force competitiveness and provide meaningful accreditation of demonstrated skills and knowledge based on work experience. In addition, long term competitiveness and the ability of the

Cambodian workforce to compete for higher skilled jobs will require alternative education paths, in particular for the construction worker, but likely other types of workers too.

Maintaining a competitive cost base and competitive labour pool should be taken into account. The study shows that calculations of costs associated with labour force in the construction sector reflect real costs, even though costs may be allocated in a different manner. It is worth pointing out that the monthly wage of a mid-skilled worker is almost equivalent to that of a starting salary of a university graduate. While Cambodia remains competitive at present as perceived by existing investors, if wages continue to increase, the sector will lose its competitive edge. Initiatives to encourage use of collective bargaining at an industry level in the construction sector in the future may be a mechanism to maintain the competitive cost base of the sector.

Employers have mentioned the decrease in Vietnamese workers and the increase in Chinese workers in the sector, particularly for skilled and mid-skilled positions. More research needs to be done to review the real number of foreign skilled workers. Regardless, the development of the Cambodian workforce is particularly stressed when talking about foreign workers that are doing skilled jobs. The Cambodian workforce may risk not being promoted into skilled positions due to the lack of education systems and opportunities, accreditation of experience, and inability of workers to truly express their abilities correctly given their low level of education. Education programs, whether through public media, or unions, or local TVET institutions, or even secondary school resources centres[19] which help workers to articulate skills, experience could be very beneficial first step to help the worker compete for jobs. Such initiatives need to be encouraged at a policy level.

Finally, it is very important to create alternative education and training opportunities for workers with little or no education – regardless of the sector that they are employed in. Such education and training systems are not short lived and will evolve into continued education and training and skills upgrading in the future.

A final thought: There are a host of important factors that need to be brought together, including supply and demand trends, what other sectors are paying for similar skilled or unskilled positions, competitiveness with regional markets, understand better the reasons for migration, and how higher minimum wages in the region are really impacting the Cambodian economy and workforce. At the same time we need to ensure a deep understanding of the peculiarities of each industry within Cambodia and its needs to prioritise challenges and how to address them. Cambodian needs to maintain its cost base to remain attractive as an investment destination and at the same time generate attractive employment opportunities for the population as the economy diversifies. In doing this, education systems, returns on education, more diversified training and education opportunities for youth and quality of education need to be considered as well as ensuring that we are graduating the right mix of skills for the new diversified Cambodian economy.

For construction workers, while some of the findings around wage evolution appear to be counter intuitive, the rapid development of the economy has wage floors being determined by market forces. We do however, need to remain competitive and ensure that our workforce, moves up the career ladder and through experience is able to pursue higher value added opportunities. Wages cannot

[19] There are 26 Secondary resource centres in Cambodia under the EEQP ADB Grant No 0090-CAM(SF)

continue to increase at the rate they are, if workers are not building new skills, knowledge and opportunities to increase the income earning potential.

Given the rapid development of the economy and now diversification, competition for skills in all sectors will remain a challenge for the foreseeable future. Maintaining realistic expectations on wages for the worker and costs of labour for the employer is arguably very important to monitor for Cambodia to remain competitive.

Photo 5: Phnom Penh, a Charming City

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8 APPENDICES

8.1 APPENDIX 1: DETAILED METHODOLOGY DESCRIPTION

Desk Research & Literature Review: An extensive literature review on the trend of the economic development in Cambodia over the last 5 years was conducted. This included reviewing price levels over a period of time as well. To get an unbiased result, the team reviewed reports and collected data from various government institutions including National Institute of Statistics (NIS), National Bank of Cambodia (NBC) and MoEF, and international agencies including World Bank (WB), Asian Development Bank (ADB) and International Monetary Fund (IMF). At the same time, a number of comprehensive discussions with the experts from various institutions such as IMF, World Food Program (WFP) and labour unions were conducted to get deeper understanding of labour market in Cambodia.

Questionnaire development: The questionnaire was designed and received reviews from construction companies to inform further thinking. Questionnaires were pretested and adjusted prior to full scale implementation.

Interviewing Training: To ensure high quality data collection, all data collectors underwent training which included reviewing knowledge and delivery of questions and the questionnaire as a whole, ethics as well as role-play.

Sampling: The sample size is selected based on the activeness of the construction sector in different locations. After identifying the provinces where the survey should be conducted, the size of sample in each province was calculated. Please review the table below for details.

Table 6: Worker Sample Size

No	Locations	# of workers to be interviewed
1	Banteay Meanchey	46
2	Battambang	50
3	Kampong Chhnang	31
4	Kampong Speu	26
5	Kampot	27
6	Kandal	41
7	Phnom Penh	107
8	Pursat	30
9	Sihanouk	29
10	Takeo	22
	Total	**411**

Period of Data Collection: The data collection was conducted between January and March 2012. A random selection method was used to identify workers using a walk-in approach. We interview only workers we met with the odd number. By doing so, the representativeness of the sample to the population is maximized.

Quality control: To ensure the collected data is of high quality, each questionnaire is reviewed and audited on the same day in which the interview took please. Consistency in answers, completeness and double checks with random respondents are conducted. Each interviewer can interview at most 5 workers per day. At the end of each day, the team leader reviewed the questionnaires from all the collectors and the comments provided continuously.

8.2 APPENDIX 2: DETAIL DESCRIPTION OF LABOUR COST CONSTRUCTION

In general, implementation of labour laws in Cambodia has been flexible, especially in industries that are difficult to coordinate or monitor. Despite many construction sites being highly visible, construction workers tend to move around a lot and therefore are not easy to coordinate or regulate.

The cost of labour also depends on many other factors in addition to the wage and compliance with the law. Labour costs can depend on the location of the working site, which might involve transportation and/or accommodation costs for workers, as well as provision of meals in the event there are no accessible eating places. In addition, dangerous or difficult working conditions may require higher "risk pay" and additional health and safety measures.

Before constructing the labour cost index, below we outline some of the main non-wage costs that are incurred by employers, including those resulting from legal obligations and assumptions based on nature of work and business practices.

Legal Obligations

- Since 2008, employers with at least eight employees are required to **contribute 0.8% of average wage in the level of monthly wages to the National Social Security Fund** (NSSF), up to a maximum of 8,000 KHR per month[20].
- Employers are required to **provide 1.5 days leave per month** of continuous service, which is equivalent to 18 days per year. This leave is increased at the rate of 1 day per 3 years of service. If not used, the number of days leave exceeding 12 working days per year can be carried over to the following year for a maximum of 3 consecutive years.[21]
- At the expiration of fixed-term contract, employers are required to pay employees a severance pay proportional to the wage and the length of the contract. The exact amount of the severance pay is set by a collective agreement; otherwise it is at least equal to **5% of the wage paid during the length of the contract**.[22]
- Employers should ensure all their workers are healthy for the proposed job they are being recruited for. Employers typically pay for a **health check**. The ministry of labour provides a government accredited basic health check.
- A workplace with 20 to 49 workers must provide a bandaging room and a nurse on-site, while a workplace with 50 or more employers must **provide an infirmary** with qualified medical practitioners at or near the site[23].
- The number of hours worked by workers of either sex cannot exceed 8 hours per day or 48 hours per week[24]. In the case of exceptional and urgent job, worker may be required to work overtime, but the number of total hours worked per day cannot exceed 10 hours per day (including normal time and overtime). Employers are required to pay employees **50% higher than normal hours**. This payment

[20] See MoLVT, Prakas No. 108 on Determination and Forming of Contribution on Occupational Risk, 2008
[21] See Labour Law of Cambodia, Art. 166 & 167
[22] See Labour Law of Cambodia, Art. 73
[23] See the joint Prakas No. 330 between The Ministry in Charge of Labour and Ministry of Health on the Infirmary's Arrangement at Enterprises or Establishment Level, December 2000
[24] See Labour Law of Cambodia, Art. 137

must be **double (100% higher than normal hours)** if working at night (between 22h00 and 5h00), on public holidays or on weekly day off.[25]

Obligations and General Business Requirements

- An employer must ensure that **workplace is safe, healthy and hygienic.**[26] In the construction sector this would include safety gear and necessary tools. It is common practice for employers to pay for depreciation of personal assets.
- Should the work be in a difficult location or far from home or general economic activity, employers generally **provide transport and meal facilities** to ensure that workers can be recruited.
- The **replacement cost of workers**, given the high number of public holidays and annual leave requirements, is an additional cost that needs to be included in the cost of labour. Replacement costs are critical as they impact on productivity and the ability to complete work on time. Replacement costs do not include paying workers who work on public holidays; rather they refer to the cost of hiring other workers, who will generally demand more money given a shorter period of work.

Customary or Cultural "Obligations"

The context and cultural norms of a country are taken into account when understanding the cost of labour. In Cambodia, the following practices are customary:

- Providing a **13th month cheque or bonus** at Khmer New Year and a token of appreciation at Pchum Benh, two important national holidays. Often the 13th month cheque is split between these two holidays or a token sum of money is provided at these two holidays.
- Providing a celebration party, games, meals or drinks just before Khmer New Year.

General Market Trends

- The **garment and footwear sector** is the only sector with a minimum wage, which is currently $61 plus a $5 allowance per month[27]. This sector also provides a mandatory attendance bonus and a seniority bonus. The sector is monitored closely for compliance.
- In the garment sector, recent union and employer negotiations have highlighted the challenges workers face around travel and the increase in petrol prices. The NSSF administrators have also called meetings to address the increasing number of accidents in the sector due to the unsafe methods of travel being used to get to work. Some unions and employers have agreed to provide an allowance of $10 per month to support worker needs in consideration of economic changes.

[25] See Labour Law of Cambodia, Art. 137 - 140
[26] See Labour Law of Cambodia, Art. 229, 230 $ 250, and MoLVT, Prakas No. 075 on Sanitation at the Construction Site, 2011
[27] P.M Hun Sen, at the 16th Government-Private Sector Forum on 23 November 2011, announced a $5 health allowance for garment and footwear workers

8.3 APPENDIX 3: DETAILED FIGURES AND TABLES

Figure 26: Gender of Respondents

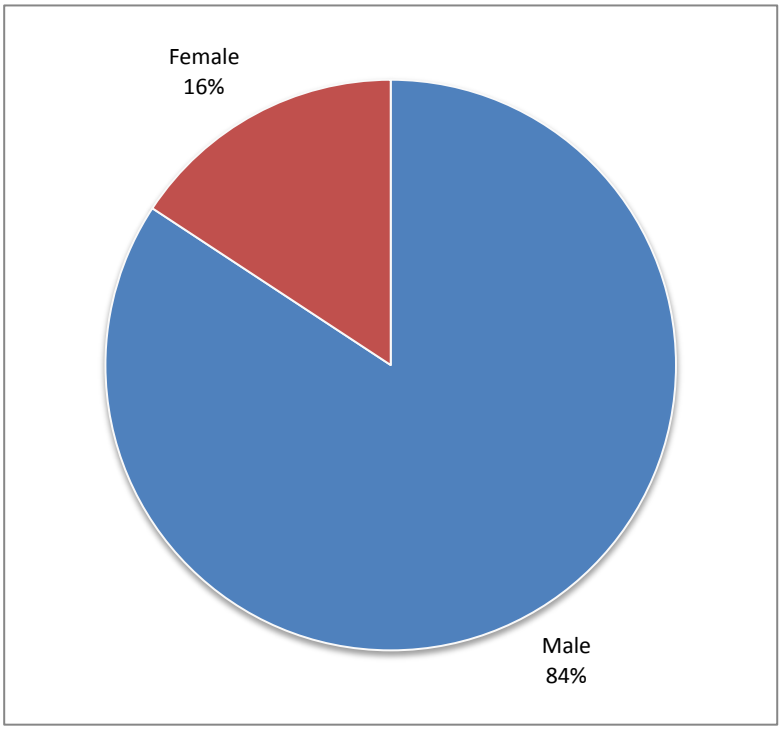
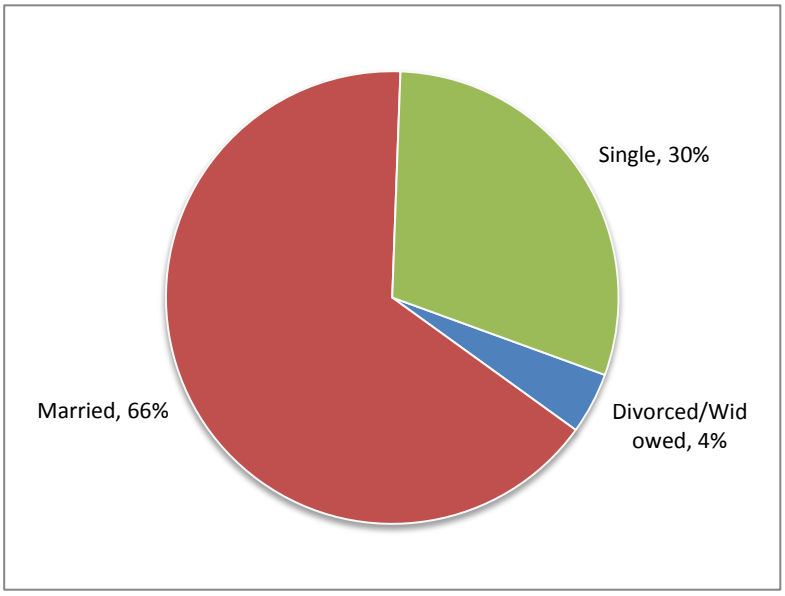


Figure 27: Marital Status of Respondents



8.3.1 Figures and Table about Detail Wage

Figure 28: Mean Wage of Unskilled Construction Workers by Year and by Gender

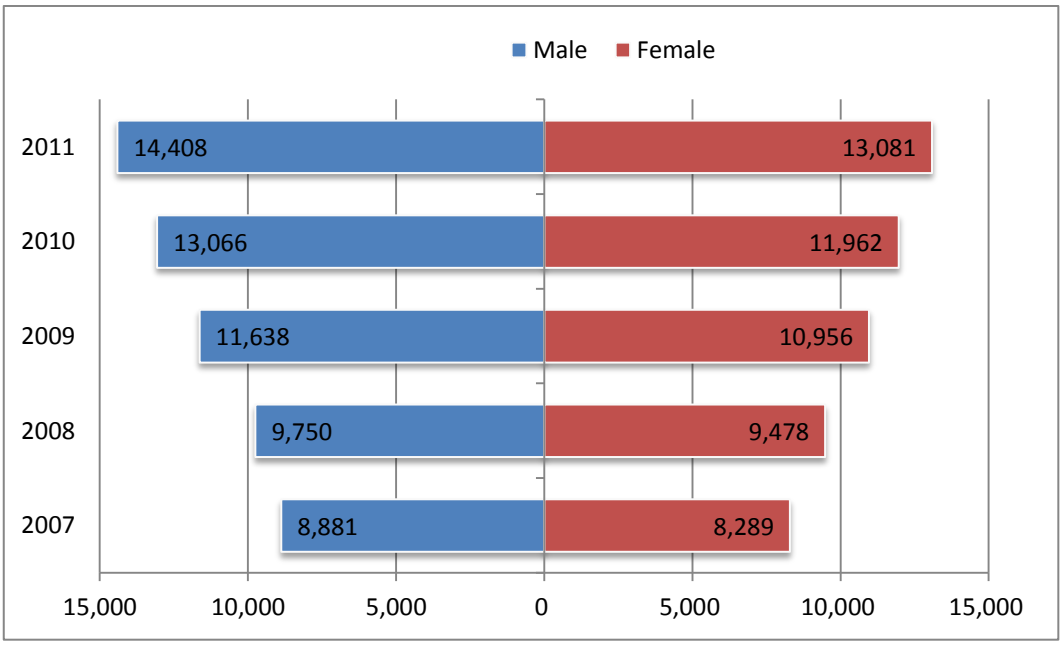


Figure 29: Mean Daily Wage for Unskilled Construction Workers by Experience

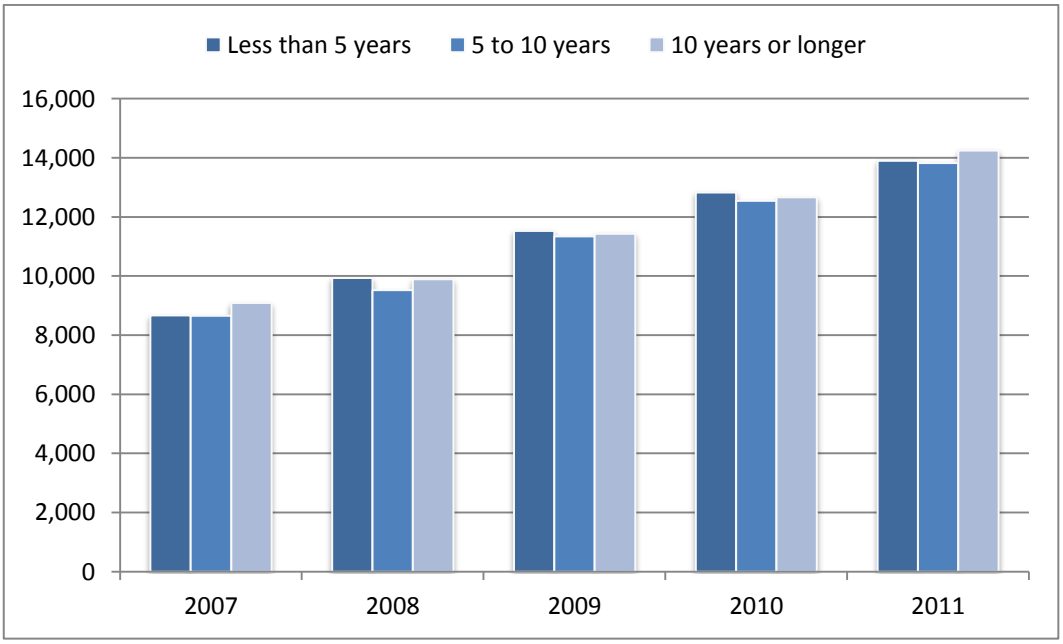


Figure 30: Mean Daily Wage for Semi-skilled Construction Workers by Experience

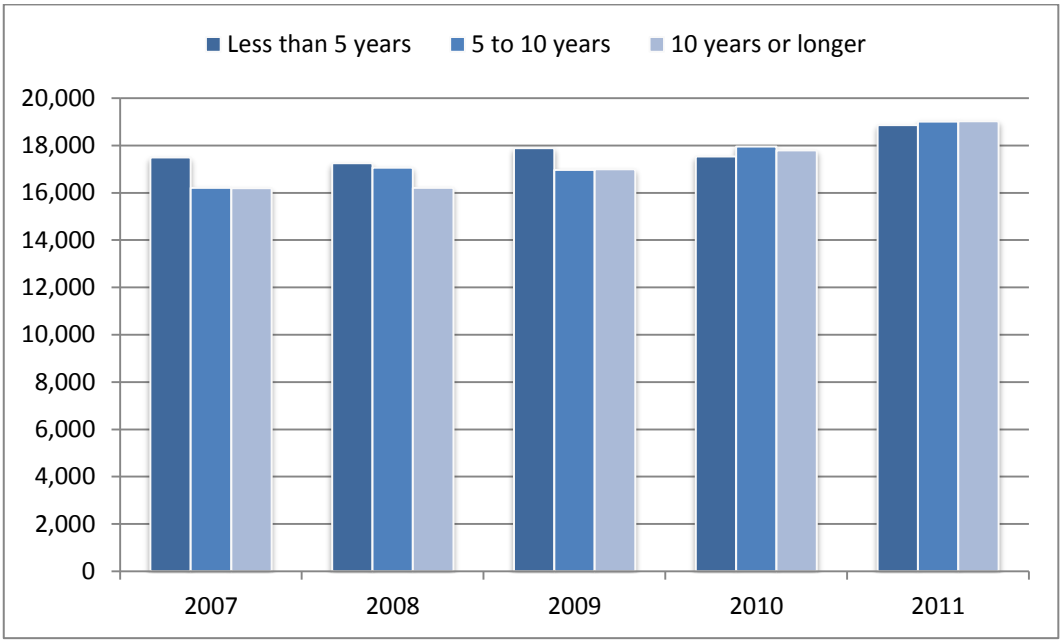


Figure 31: Mean Reported Daily Construction Wage vs. Inflation Adjusted Daily Wage (Unskilled vs. Semi-skilled)

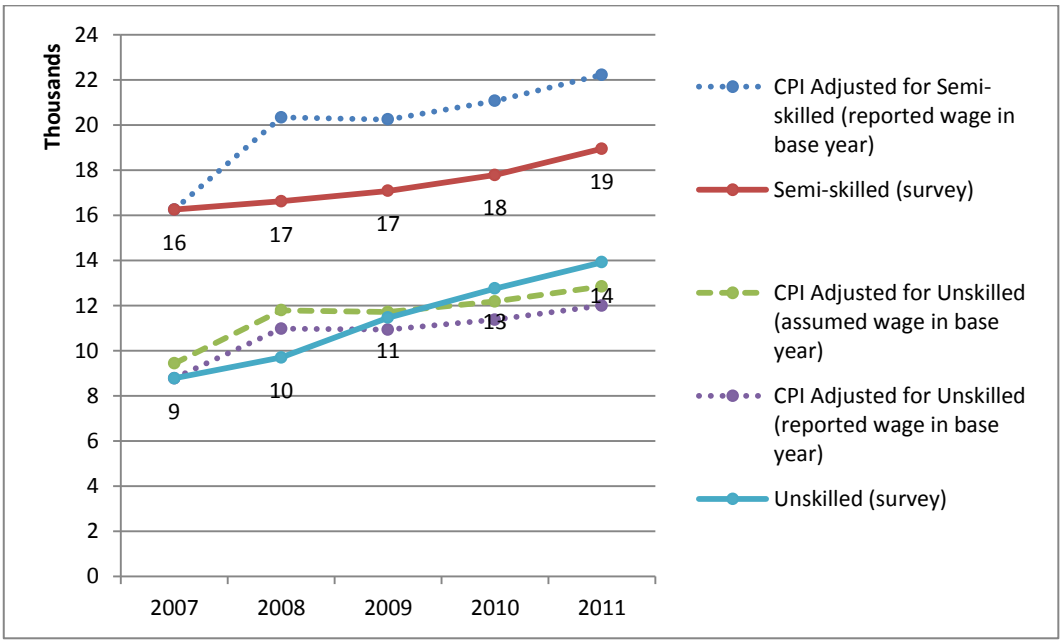


Figure 32: Mean Reported Daily Wage vs. Inflation-adjusted Daily Wage Unskilled and Semi-Skilled workers

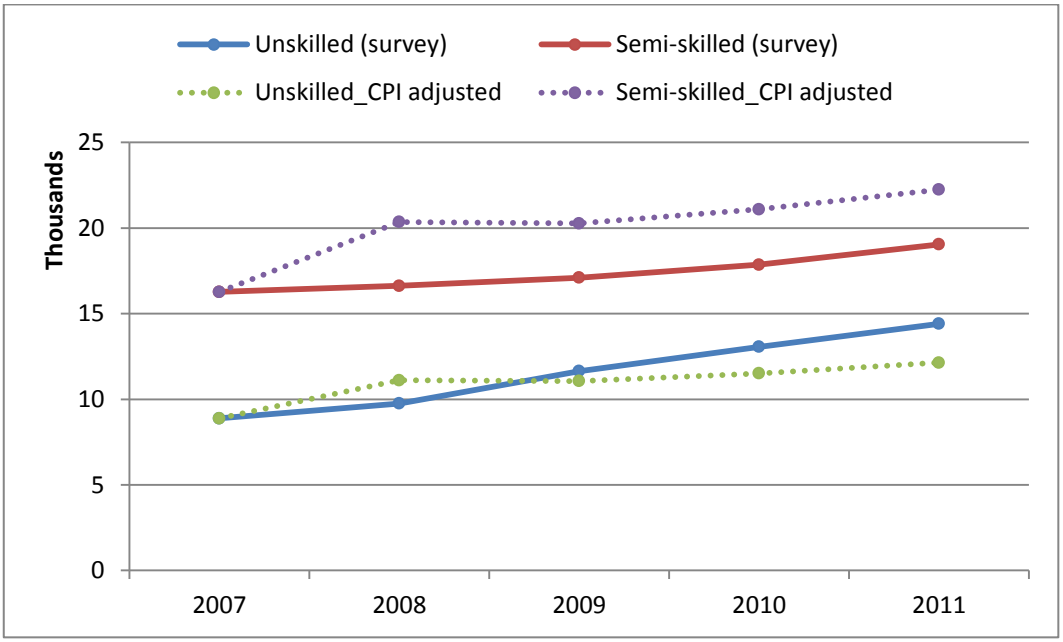


Figure 33: Mean Reported Daily Wage vs. Inflation-adjusted daily Wage of Unskilled Workers by Gender

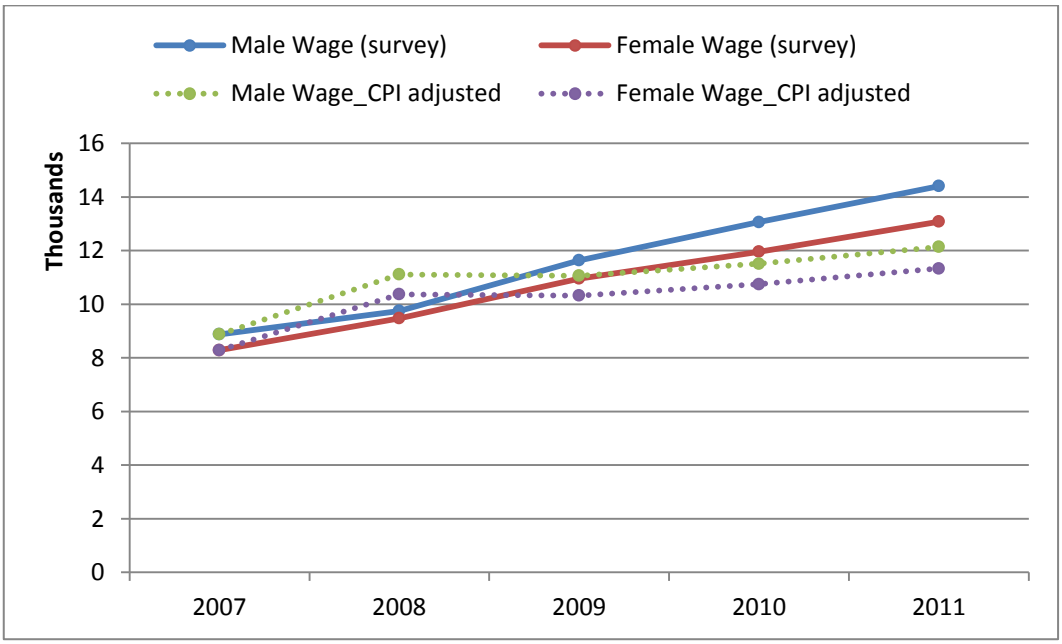


Table 7: Data Table: Worker Daily Reported Wages by Skill and Gender

Statistic	Unskilled					Semi-skilled				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Male										
Mean	8,881	9,750	11,638	13,066	14,408	16,275	16,623	17,102	17,858	19,044
Median	8,000	9,000	12,000	13,250	15,000	16,000	17,000	18,000	18,000	20,000
Std deviation	2,463	2,403	2,563	2,674	2,212	3,182	3,439	3,206	3,856	3,462
# observations	*84*	*86*	*98*	*98*	*114*	*51*	*69*	*88*	*127*	*172*
Female										
Mean	8,289	9,478	10,956	11,962	13,081	15,000	16,000	16,333	15,250	16,000
Median	8,000	9,000	10,750	12,000	13,000	15,000	16,000	18,000	15,000	16,500
Std deviation	1,881	1,928	1,963	1,730	1,772			2,887	2,062	3,162
# observations	*19*	*23*	*34*	*39*	*68*	*1*	*1*	*3*	*4*	*6*
Total										
Mean	8,772	9,693	11,462	12,752	13,912	16,250	16,614	17,077	17,779	18,941
Median	8,000	9,000	12,000	12,000	14,250	16,000	17,000	18,000	18,000	20,000
Std deviation	2,369	2,305	2,434	24,88	2,152	3,155	3,415	3,184	3,836	3,487
# observations	*103*	*109*	*132*	*137*	*182*	*52*	*70*	*91*	*131*	*178*

Table 8: Data Table: Worker Reported Daily Wages by Experience and Skill

Time in construction	Unskilled					Semi-skilled				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Less than 5 yrs										
Mean	8,667	9,940	11,534	12,833	13,906	17,500	17,250	17,889	17,537	18,864
Median	10,000	10,000	12,000	12,000	14,750	17,500	16,000	18,000	18,000	20,000
# observations	3	25	73	93	154	2	4	9	41	92
5 to 10 yrs										
Mean	8,662	9,531	11,349	12,547	13,825	16,211	17,071	16,976	17,961	19,019
Median	8,000	9,000	11,000	12,000	14,000	16,000	18,000	18,000	18,000	20,000
# observations	74	64	43	32	20	19	28	42	51	54
10 yrs or longer										
Mean	9,096	9,900	11,438	12,667	14,250	16,194	16,211	17,000	17,795	19,031
Median	8,000	10,000	12,000	13,000	15,000	16,000	16,500	18,000	18,000	20,000
# observations	26	20	16	12	8	31	38	40	39	32
Total										
Mean	8,772	9,693	11,462	12,752	13,912	16,250	16,614	17,077	17,779	18,941
Median	8,000	9,000	12,000	12,000	14,250	16,000	17,000	18,000	18,000	20,000
# observations	103	109	132	137	182	52	70	91	131	178

Table 9: Data Table: Worker Reported Daily Wages by Skills and Provincial Location

Provinces	Unskilled					Semi-skilled				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Banteay Meanchey										
Mean	10,400	11,357	12,308	13,684	14,558	16,400	16,833	16,833	18,818	20,071
Median	12,000	11,000	12,000	13,000	14,750	16,000	16,000	16,000	18,000	20,000
Std deviation	3,209	2,174	1,974	2,029	1,525	2,074	1,835	1,835	2,442	2,526
Battambang										
Mean	8,571	9,643	10,633	12,133	13,469	16,667	16,000	17,200	16,000	16,472
Median	8,000	9,500	10,500	12,000	13,000	15,000	15,500	18,000	15,000	16,000
Std deviation	2,277	1,906	1,716	1,506	1,586	2,887	2,944	3,421	2,449	2,670
Kampong Chhnang										
Mean	8,857	8,667	9,600	9,429	11,636	16,000	15,000	13,200	15,875	15,500
Median	8,000	8,000	9,000	10,000	12,000	16,000	13,000	12,000	15,000	15,000
Std deviation	2,268	1,633	1,517	787	1,362	5,657	4,761	2,683	4,941	3,060
Kampong Speu										
Mean	7,400	7,800	9,375	12,600	14,500		15,333	18,333	18,000	20,200
Median	8,000	7,000	9,500	12,000	15,000		18,000	20,000	20,000	20,000
Std deviation	1,517	2,775	2,287	1,342	1,650		4,619	2,887	2,739	1,476
Kampot										
Mean	8,500	9,333	10,000	14,000	14,818	12,000	15,000	15,500	15,800	19,333
Median	8,500	9,000	10,000	14,000	15,000	12,000	15,000	15,000	16,000	20,000
Std deviation	707	577	0	2,000	1,471		4,243	3,317	2,864	1,155
Kandal										
Mean	8,333	9,600	12,429	14,000	14,900	18,250	19,200	20,000	20,857	21,333
Median	7,000	9,000	13,500	15,000	15,500	19,000	18,000	20,000	20,000	20,000
Std deviation	3,327	2,702	3,690	3,286	2,183	2,363	3,033	2,191	1,952	2,646
Phnom Penh										
Mean	8,942	9,978	11,758	13,327	15,138	16,650	17,125	17,912	18,766	20,606
Median	8,000	10,000	12,000	14,000	15,000	16,000	17,500	18,000	20,000	20,000
Std deviaton	2,491	2,612	2,461	2,407	1,604	2,720	3,248	2,811	2,936	3,218
Preah Sihanouk										
Mean	11,000	11,250	12,833	12,875	14,286	17,600	17,143	17,750	18,125	20,000
Median	10,000	11,000	12,500	14,500	15,000	18,000	18,000	18,000	18,000	20,000
Std deviation	1,732	1,500	1,941	3,603	1,799	3,286	2,795	2,712	1,553	0
Pursat										
Mean	9,143	9,333	10,375	10,333	10,538	12,500	13,333	15,167	14,400	15,067
Median	8,000	8,000	10,000	10,000	10,000	12,500	14,000	14,500	14,500	15,000
Std deviation	2,478	1,936	1,685	1,581	1,266	707	1,155	2,639	2,011	2,251
Takeo										
Mean	7,667	7,750	9,167	10,800	11,400	13,000	13,000	13,500	14,600	16,000
Median	8,000	8,000	8,500	10,000	10,000	10,000	10,000	12,000	14,500	15,000
Std deviation	577	500	1,602	2,280	2,066	4,472	4,472	4,087	3,062	1,958

Table 10: Data Table: Worker Reported MEDIAN Wages by Provincial Location and Gender

Province	Unskilled					Semi-skilled				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Banteay Meanchey										
Male	12,000	11,500	13,000	15,000	15,000	16,000	16,000	16,000	18,000	20,000
Female	10,000	10,000	11,000	13,000	13,000					
Battambang										
Male	8,000	9,000	10,000	12,000	15,000	17,500	15,000	15,000	15,000	15,000
Female	8,000	9,500	10,750	12,000	13,000	15,000	16,000	18,000	16,500	18,000
Kampong Chhnang										
Male	8,000	8,000	9,500	10,000	12,000	16,000	13,000	12,000	15,000	15,000
Female	6,000		8,000							
Kampong Speu										
Male	8,000	7,000	9,500	12,000	15,000		18,000	20,000	20,000	20,000
Kampot										
Male	8,000	9,500	10,000	15,000	15,000	12,000	15,000	15,000	16,000	20,000
Female	9,000	9,000	10,000	13,000	15,000					
Kandal										
Male	7,000	9,500	13,500	15,000	16,000	19,000	18,000	20,000	20,000	20,000
Female	7,000	8,000	9,000	10,000	14,000					20,000
Phnom Penh										
Male	8,500	10,000	12,000	15,000	16,000	16,000	17,500	18,000	20,000	20,000
Female	8,000	8,000	12,000	12,000	15,000					15,000
Preah Sihanouk										
Male	13,000	13,000	12,000	12,000	15,000	18,000	18,000	18,000	18,000	20,000
Female	10,000	10,000	14,000	15,000	14,500				15,000	
Pursat										
Male	9,500	10,000	11,000	11,000	10,000	12,500	14,000	15,000	15,000	15,000
Female	6,000	8,000	10,000	10,000	10,000			13,000	13,000	12,500
Takeo										
Male	8,000	8,000	8,500	10,000	10,000	10,000	10,000	12,000	14,500	15,000
Female					11,000					
Total										
Male	8,000	9,000	12,000	13,250	15,000	16,000	17,000	18,000	18,000	20,000
Female	8,000	9,000	10,750	12,000	13,000	15,000	16,000	18,000	15,000	16,500

8.3.2 Perception Charts

On the next page

Figure 34: Is construction your main source of income?

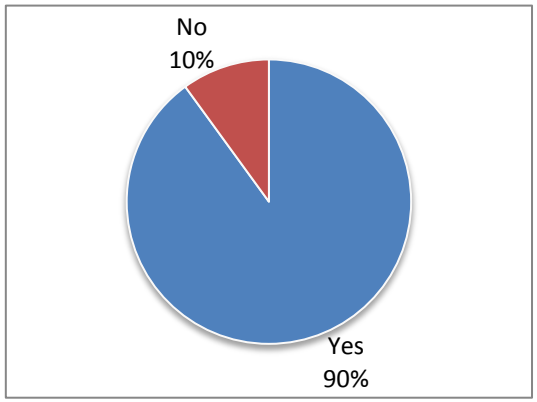


Figure 35: Do you get an income from other sources?

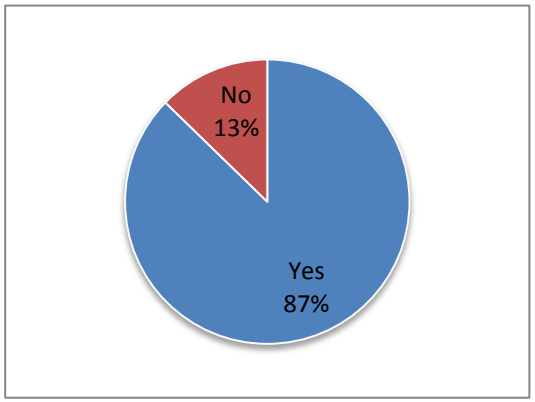


Figure 36: If you had a choice, would you still stay in construction?

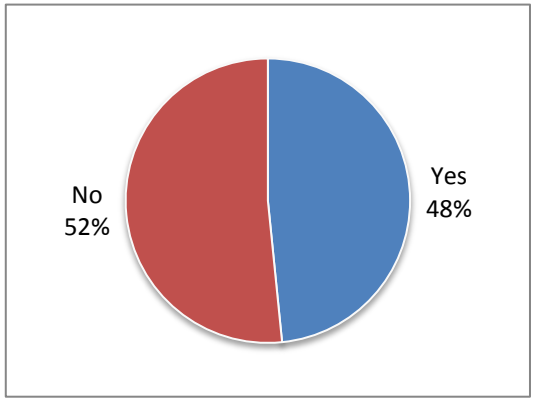


Figure 37: Are you afraid something might happen to you at work?

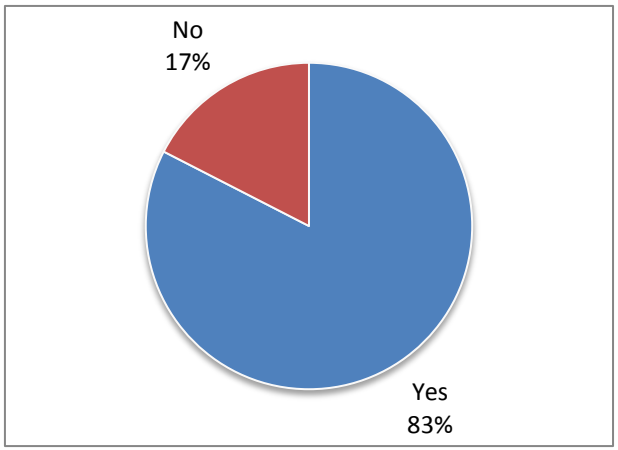


Figure 38: Does your family worry about your safety at work?

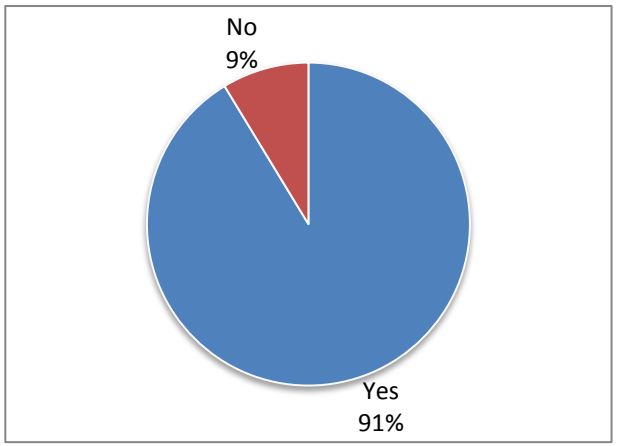


Figure 39: Did your family ever ask you to stop working in construction?

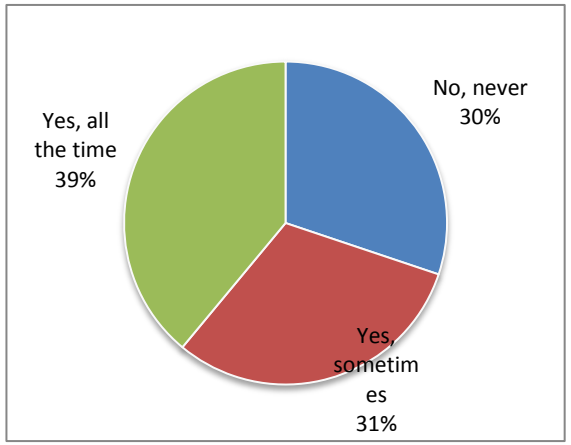
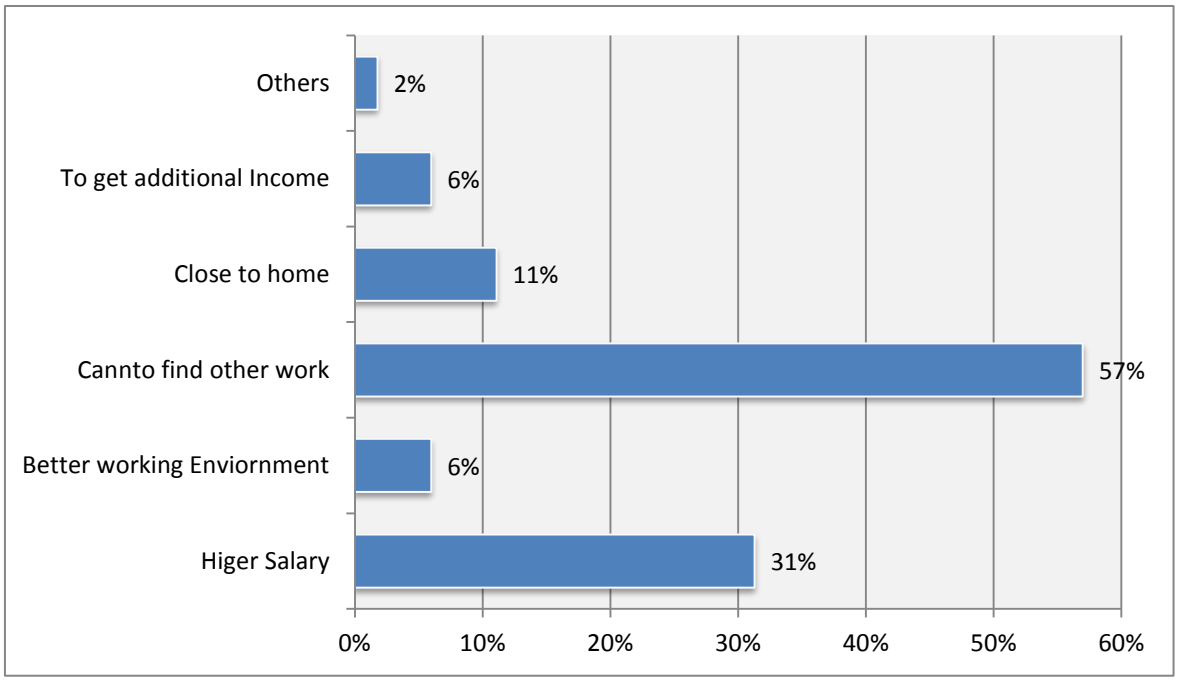


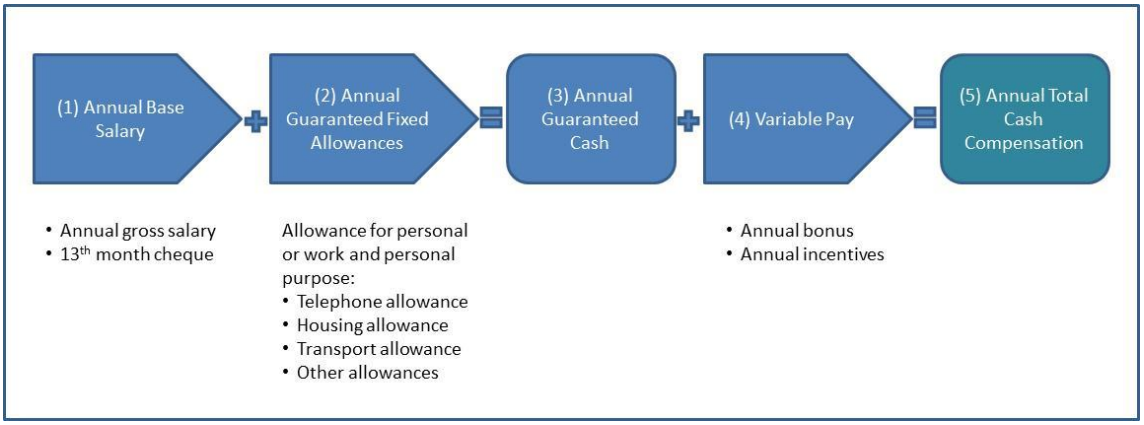
Figure 40: Reasons to Work in Construction



Note: the above figure resulted from the multiple reasons per worker

8.4 APPENDIX 4: HRINC STARTING SALARY SURVEY 2011 FOR SKILLED WORKERS

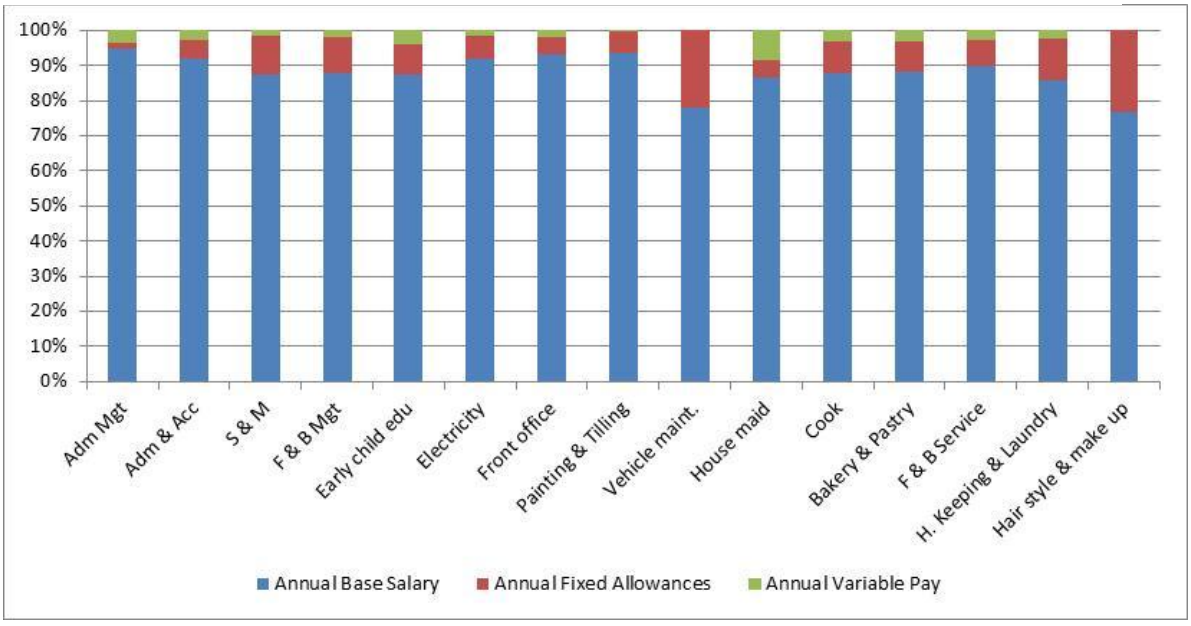
Figure 41: Components of Annual Total Cash Compensation



Source: HRINC Starting Salary Survey for Skilled Professions

The percentage that fixed allowances and variable pay contribute to overall take-home salary is presented in the chart below.

Figure 42: Average gross total cash compensation (in %), all companies in Phnom Penh



Source: HRINC Starting Salary Survey for Skilled Professions

Table 11: Compensation Practices: HRINC Starting Salary Survey 2011

Compensation Practice	Implementation	All Sectors	Hotel	Bakery	Restaurant	Other companies [28]	NGO	Garden & Landscape	BS & BS [29]	Car Repair	Construction	ECC [30]	Housemaid
Bonus/ Incentives	% of Companies provide	65%	88%	80%	80%	71%	33%	40%	100%	75%	44%	45%	75%
	% of Companies don't provide	34%	13%	20%	20%	14%	67%	60%	0%	25%	56%	55%	25%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Overtime	% of Companies provide	65%	100%	80%	40%	57%	67%	100%	75%	88%	67%	27%	13%
	% of Companies don't provide	34%	0%	20%	60%	29%	33%	0%	25%	13%	33%	73%	88%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Employee salary advances	% of Companies provide	61%	63%	60%	60%	57%	33%	50%	75%	88%	22%	82%	75%
	% of Companies don't provide	38%	38%	40%	40%	29%	67%	50%	25%	13%	78%	18%	25%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Meal allowance	% of Companies provide	59%	88%	20%	60%	57%	0%	50%	63%	88%	44%	64%	88%
	% of Companies don't provide	39%	13%	80%	40%	29%	100%	50%	38%	13%	44%	36%	13%
	No response	2%	0%	0%	0%	14%	0%	0%	0%	0%	11%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Workplace accident insurance	% of Companies provide	58%	88%	100%	60%	86%	100%	20%	38%	38%	33%	64%	50%
	% of Companies don't provide	41%	13%	0%	40%	0%	0%	80%	63%	63%	67%	36%	50%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***

[28] Other companies include super market, newspaper and distribution companies.
29 Beauty salon and Baber shop
30 Early child care

Compensation Practice	Implementation	All Sectors	Hotel	Bakery	Restaurant	Other companies [28]	NGO	Garden & Landscape	BS & BS [29]	Car Repair	Construction	ECC [30]	Housemaid
Company outings & parties	% of Companies provide	55%	75%	100%	80%	86%	100%	10%	25%	38%	33%	73%	38%
	% of Companies don't provide	42%	25%	0%	20%	0%	0%	90%	75%	63%	67%	18%	63%
	No response	2%	0%	0%	0%	14%	0%	0%	0%	0%	0%	9%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Employee loans	% of Companies provide	53%	63%	60%	40%	71%	17%	50%	50%	50%	33%	73%	63%
	% of Companies don't provide	46%	38%	40%	60%	14%	83%	50%	50%	50%	67%	27%	38%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Transport benefits	% of Companies provide	46%	75%	20%	40%	57%	0%	80%	38%	75%	44%	36%	13%
	% of Companies don't provide	53%	25%	80%	60%	29%	100%	20%	63%	25%	56%	64%	88%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Telephone allowance	% of Companies provide	41%	63%	60%	40%	71%	67%	20%	13%	38%	44%	27%	38%
	% of Companies don't provide	58%	38%	40%	60%	14%	33%	80%	88%	63%	56%	73%	63%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Medical Cash Benefits	% of Companies provide	39%	63%	60%	60%	43%	67%	0%	0%	25%	22%	55%	63%
	% of Companies don't provide	59%	38%	40%	40%	43%	33%	100%	88%	75%	78%	45%	38%
	No response	2%	0%	0%	0%	14%	0%	0%	13%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
13th month cheque	% of Companies provide	35%	38%	60%	0%	57%	83%	10%	0%	25%	33%	36%	63%
	% of Companies don't provide	64%	63%	40%	100%	29%	17%	90%	100%	75%	67%	64%	38%
	No response	1%	0%	0%	0%	14%	0%	0%	0%	0%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Study	% of Companies provide	31%	13%	40%	40%	29%	83%	10%	0%	25%	22%	73%	13%

Compensation Practice	Implementation	All Sectors	Hotel	Bakery	Restaurant	Other companies [28]	NGO	Garden & Landscape	BS & BS [29]	Car Repair	Construction	ECC [30]	Housemaid
allowance	% of Companies don't provide	67%	88%	60%	60%	57%	17%	90%	100%	63%	78%	27%	88%
	No response	2%	0%	0%	0%	14%	0%	0%	0%	13%	0%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***
Hospital Insurance	% of Companies provide	28%	25%	0%	0%	43%	67%	10%	25%	38%	11%	55%	25%
	% of Companies don't provide	69%	75%	100%	100%	43%	33%	90%	75%	63%	78%	45%	75%
	No response	2%	0%	0%	0%	14%	0%	0%	0%	0%	11%	0%	0%
	Total	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***	***100%***

8.5 APPENDIX 5: COST OF LABOUR (EMPLOYMENT COST) DATA SHEETS

Table 12: Data Table: 2007 Daily Cost of Labour Calculations: Unskilled worker

2007	Median Daily Wages (Total Sample)	Median Daily Wages (Male)	Median Daily Wages (Female)
Daily Wage on normal working day (8 hours)	8,000.00	8,000.00	8,000.00
Hourly Wage based on 8 hour working day	1,000.00	1,000.00	1,000.00
OT @ 150% per hour	1,500.00	1,500.00	1,500.00
Public Holiday Daily Wage Payment (Daily wage received regardless)	8,000.00	8,000.00	8,000.00
Hourly Wage on Public Holiday (Including daily wage)	2,000.00	2,000.00	2,000.00
OT @ 200% per hour (of Public Holiday Base Wage Payment)	2,000.00	2,000.00	2,000.00
Number of working days per month	26		
Exchange Rate used	*4,000.00*		

Cost of Labour or Employment Components	Total Sample	Male	Female	Percentage of Total Sample			
Market Wages: Fixed Costs				% of Subtotal	% of Worker Take Home	% of Total Cost of Labour	% of Daily Wage Received
Daily Wage Received	8,000.00	8,000.00	8,000.00	64.73%	50.47%	44.37%	100.00%
KNY / Pchum Benh Incentive	666.67	666.67	666.67	5.39%	4.21%	3.70%	8.33%
KNY Celebration Party	38.46	38.46	38.46	0.31%	0.24%	0.21%	0.48%
Overtime	3,000.00	3,000.00	3,000.00	24.27%	18.93%	16.64%	37.50%
Public Holiday Pay	435.90	435.90	435.90	3.53%	2.75%	2.42%	5.45%
Public Holiday OT pay 2 hours per day	217.95	217.95	217.95	1.76%	1.37%	1.21%	2.72%
Subtotal Market Wages: Fixed Costs: KHR	*12,358.97*	*12,358.97*	*12,358.97*	*100.00%*	*77.97%*	*68.54%*	*154.49%*
Subtotal Market Wages: Fixed Costs: USD	3.09	3.09	3.09				
Market Wages: Variable Costs							
Over time if needed	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: KHR	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: USD	-	-	-				
Compliance and Obligations							
NSSF Contribution	-	-	-	0.00%	0.00%	0.00%	0.00%
Health Check by Government	32.05	32.05	32.05	1.32%	0.20%	0.18%	0.40%
Labour Book by government	64.10	64.10	64.10	2.64%	0.40%	0.36%	0.80%
Update Staff Movement Forms	3.21	3.21	3.21	0.13%	0.02%	0.02%	0.04%
Medical Coverage	1,230.77	1,230.77	1,230.77	50.63%	7.76%	6.83%	15.38%
Annual Leave	461.54	461.54	461.54	18.99%	2.91%	2.56%	5.77%
Termination Payout	639.10	639.10	639.10	26.29%	4.03%	3.54%	7.99%
Subtotal Compliance and Obligation: KHR	*2,430.77*	*2,430.77*	*2,430.77*	*100.00%*	*15.33%*	*13.48%*	*30.38%*
Subtotal Compliance and Obligation: USD	0.61	0.61	0.61				
Company Risk Factors							
Replacement cost of worker	317.04	317.04	317.04	100.00%	2.00%	1.76%	3.96%
Subtotal Company Risk Factors: KHR	317.04	317.04	317.04	100.00%	2.00%	1.76%	3.96%
Subtotal Company Risk Factors: USD	0.08	0.08	0.08				
Remote Location & Safety Costs							
Meals (if far away or other)	461.54	461.54	461.54	15.78%	2.91%	2.56%	5.77%
Transportation (if far away)	769.23	769.23	769.23	26.30%	4.85%	4.27%	9.62%
Accomodation (if remote area)	1,200.00	1,200.00	1,200.00	41.03%	7.57%	6.66%	15.00%
Health and Safety Requirements	493.59	493.59	493.59	16.88%	3.11%	2.74%	6.17%
Subtotal Tools & Means to implement work: KHR	*2,924.36*	*2,924.36*	*2,924.36*	*100.00%*	*18.45%*	*16.22%*	*36.55%*
Subtotal Tools & Means to implement work: USD	0.73	0.73	0.73				
Grand Total Cost of Labour per day: KHR	*18,031.14*	*18,031.14*	*18,031.14*		*113.75%*	*100.00%*	*225.39%*
Grand Total Cost of Labour per day: USD	4.51	4.51	4.51				
Management Fees							0.00%
Cost of Management Fees: KHR	*2,377.79*	*2,377.79*	*2,377.79*		*15.00%*	*13.19%*	*29.72%*
Cost of Management Fees: USD	0.59	0.59	0.59				
Grand Total Cost per day: KHR Including Subcontracting Fees	*20,408.93*	*20,408.93*	*20,408.93*		*128.75%*	*113.19%*	*255.11%*
Grand Total Cost per day: USD Including Subcontracting Fees	5.10	5.10	5.10				
Worker Total Take Home: KHR	*15,851.92*	*15,851.92*	*15,851.92*		*100.00%*	*87.91%*	*198.15%*
Worker Total Take Home: USD	3.96	3.96	3.96				

Note: worker take home includes daily wage received, KNY/ Pchom Benh incentive, overtime, public holiday pay, public holiday overtime pay, variable cost, annual leave pay, termination payout, meal allowance, transportation allowance and accommodation allowance

Table 13: Data Table: 2008 Daily Cost of Labour Calculations: Unskilled worker

2008	Median Daily Wages (Total Sample)	Median Daily Wages (Male)	Median Daily Wages (Female)
Daily Wage on normal working day (8 hours)	9000.00	9000.00	9000.00
Hourly Wage based on 8 hour working day	1125.00	1125.00	1125.00
OT @ 150% per hour	1687.50	1687.50	1687.50
Public Holiday Daily Wage Payment (Daily wage received regardless)	9000.00	9000.00	9000.00
Hourly Wage on Public Holiday (Including daily wage)	2250.00	2250.00	2250.00
OT @ 200% per hour (of Public Holiday Base Wage Payment)	2250.00	2250.00	2250.00
Number of working days per month	26		
Exchange Rate used	*4,000.00*		

Cost of Labour or Employment Components	Total Sample	Male	Female	Percentage of Total Sample			
				% of Subtotal	% of Worker Take Home	% of Total Cost of Labour	% of Daily Wage Received
Market Wages: Fixed Costs							
Daily Wage Received	9,000.00	9,000.00	9,000.00	64.72%	50.39%	44.29%	100.00%
KNY / Pchum Benh Incentive	750.00	750.00	750.00	5.39%	4.20%	3.69%	8.33%
KNY Celebration Party	44.87	44.87	44.87	0.32%	0.25%	0.22%	0.50%
Overtime	3,375.00	3,375.00	3,375.00	24.27%	18.90%	16.61%	37.50%
Public Holiday Pay	490.38	490.38	490.38	3.53%	2.75%	2.41%	5.45%
Public Holiday OT pay 2 hours per day	245.19	245.19	245.19	1.76%	1.37%	1.21%	2.72%
Subtotal Market Wages: Fixed Costs: KHR	***13,905.45***	***13,905.45***	***13,905.45***	***100.00%***	***77.86%***	***68.43%***	***154.50%***
Subtotal Market Wages: Fixed Costs: USD	**3.48**	**3.48**	**3.48**				
Market Wages: Variable Costs							
Over time if needed	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: KHR	**-**	**-**	**-**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Subtotal Market Wages: Variable Costs: USD	**-**	**-**	**-**				
Compliance and Obligations							
NSSF Contribution	-	-	-	0.00%	0.00%	0.00%	0.00%
Health Check by Government	32.05	32.05	32.05	1.18%	0.18%	0.16%	0.36%
Labour Book by government	64.10	64.10	64.10	2.35%	0.36%	0.32%	0.71%
Update Staff Movement Forms	6.41	6.41	6.41	0.24%	0.04%	0.03%	0.07%
Medical Coverage	1,384.62	1,384.62	1,384.62	50.80%	7.75%	6.81%	15.38%
Annual Leave	519.23	519.23	519.23	19.05%	2.91%	2.56%	5.77%
Termination Payout	718.99	718.99	718.99	26.38%	4.03%	3.54%	7.99%
Subtotal Compliance and Obligation: KHR	***2,725.40***	***2,725.40***	***2,725.40***	***100.00%***	***15.26%***	***13.41%***	***30.28%***
Subtotal Compliance and Obligation: USD	**0.68**	**0.68**	**0.68**				
Company Risk Factors							
Replacement cost of worker	357.21	357.21	357.21	100.00%	2.00%	1.76%	3.97%
Subtotal Company Risk Factors: KHR	**357.21**	**357.21**	**357.21**	100.00%	2.00%	1.76%	3.97%
Subtotal Company Risk Factors: USD	**0.09**	**0.09**	**0.09**				
Remote Location & Safety Costs							
Meals (if far away or other)	538.46	538.46	538.46	16.16%	3.01%	2.65%	5.98%
Transportation (if far away)	923.08	923.08	923.08	27.70%	5.17%	4.54%	10.26%
Accomodation (if remote area)	1,300.00	1,300.00	1,300.00	39.02%	7.28%	6.40%	14.44%
Health and Safety Requirements	570.51	570.51	570.51	17.12%	3.19%	2.81%	6.34%
Subtotal Tools & Means to implement work: KHR	***3,332.05***	***3,332.05***	***3,332.05***	***100.00%***	***18.66%***	***16.40%***	***37.02%***
Subtotal Tools & Means to implement work: USD	**0.83**	**0.83**	**0.83**				
Grand Total Cost of Labour per day: KHR	***20,320.11***	***20,320.11***	***20,320.11***		***113.77%***	***100.00%***	***225.78%***
Grand Total Cost of Labour per day: USD	**5.08**	**5.08**	**5.08**				
Management Fees							**0.00%**
Cost of Management Fees: KHR	***2,679.05***	***2,679.05***	***2,679.05***		***15.00%***	***13.18%***	***29.77%***
Cost of Management Fees: USD	**0.67**	**0.67**	**0.67**				
Grand Total Cost per day: KHR Including Subcontracting Fees	***22,999.16***	***22,999.16***	***22,999.16***		***128.77%***	***113.18%***	***255.55%***
Grand Total Cost per day: USD Including Subcontracting Fees	**5.75**	**5.75**	**5.75**				
Worker Total Take Home: KHR	***17,860.34***	***17,860.34***	***17,860.34***		***100.00%***	***87.89%***	***198.45%***
Worker Total Take Home: USD	**4.47**	**4.47**	**4.47**				

Note: worker take home includes daily wage received, KNY/ Pchom Benh incentive, overtime, public holiday pay, public holiday overtime pay, variable cost, annual leave pay, termination payout, meal allowance, transportation allowance and accommodation allowance

Table 14: Data Table: 2009 Daily Cost of Labour Calculations: Unskilled worker

2009	Median Daily Wages (Total Sample)	Median Daily Wages (Male)	Median Daily Wages (Female)
Daily Wage on normal working day (8 hours)	12,000.00	12,000.00	10,750.00
Hourly Wage based on 8 hour working day	1,500.00	1,500.00	1,343.75
OT @ 150% per hour	2,250.00	2,250.00	2,015.63
Public Holiday Daily Wage Payment (Daily wage received regardless)	12,000.00	12,000.00	10,750.00
Hourly Wage on Public Holiday (Including daily wage)	3,000.00	3,000.00	2,687.50
OT @ 200% per hour (of Public Holiday Base Wage Payment)	3,000.00	3,000.00	2,687.50
Number of working days per month	**26**		
Exchange Rate used	***4,000.00***		

Cost of Labour or Employment Components	Total Sample	Male	Female	Percentage of Total Sample			
Market Wages: Fixed Costs				**% of Subtotal**	**% of Worker Take Home**	**% of Total Cost of Labour**	**% of Daily Wage Received**
Daily Wage Received	12,000.00	12,000.00	10,750.00	64.78%	51.11%	45.34%	100.00%
KNY / Pchum Benh Incentive	1,000.00	1,000.00	895.83	5.40%	4.26%	3.78%	8.33%
KNY Celebration Party	44.87	44.87	44.87	0.24%	0.19%	0.17%	0.37%
Overtime	4,500.00	4,500.00	4,031.25	24.29%	19.17%	17.00%	37.50%
Public Holiday Pay	653.85	653.85	585.74	3.53%	2.78%	2.47%	5.45%
Public Holiday OT pay 2 hours per day	326.92	326.92	292.87	1.76%	1.39%	1.24%	2.72%
Subtotal Market Wages: Fixed Costs: KHR	***18,525.64***	***18,525.64***	***16,600.56***	***100.00%***	***78.91%***	***69.99%***	***154.38%***
Subtotal Market Wages: Fixed Costs: USD	**4.63**	**4.63**	**4.15**				
Market Wages: Variable Costs							
Over time if needed	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: KHR	**-**	**-**	**-**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Subtotal Market Wages: Variable Costs: USD	-	-	-				
Compliance and Obligations							
NSSF Contribution	187.82	187.82	171.05	5.37%	0.80%	0.71%	1.57%
Health Check by Government	38.46	38.46	38.46	1.10%	0.16%	0.15%	0.32%
Labour Book by government	72.12	72.12	72.12	2.06%	0.31%	0.27%	0.60%
Update Staff Movement Forms	9.62	9.62	9.62	0.27%	0.04%	0.04%	0.08%
Medical Coverage	1,538.46	1,538.46	1,538.46	43.99%	6.55%	5.81%	12.82%
Annual Leave	692.31	692.31	620.19	19.79%	2.95%	2.62%	5.77%
Termination Payout	958.65	958.65	858.79	27.41%	4.08%	3.62%	7.99%
Subtotal Compliance and Obligation: KHR	***3,497.44***	***3,497.44***	***3,308.69***	***100.00%***	***14.90%***	***13.21%***	***29.15%***
Subtotal Compliance and Obligation: USD	**0.87**	**0.87**	**0.83**				
Company Risk Factors							
Replacement cost of worker	516.51	516.51	470.38	100.00%	2.20%	1.95%	4.30%
Subtotal Company Risk Factors: KHR	**516.51**	**516.51**	**470.38**	100.00%	2.20%	1.95%	4.30%
Subtotal Company Risk Factors: USD	**0.13**	**0.13**	**0.12**				
Remote Location & Safety Costs							
Meals (if far away or other)	615.38	615.38	615.38	15.66%	2.62%	2.32%	5.13%
Transportation (if far away)	1,230.77	1,230.77	1,230.77	31.32%	5.24%	4.65%	10.26%
Accomodation (if remote area)	1,500.00	1,500.00	1,500.00	38.17%	6.39%	5.67%	12.50%
Health and Safety Requirements	583.33	583.33	583.33	14.85%	2.48%	2.20%	4.86%
Subtotal Tools & Means to implement work: KHR	***3,929.49***	***3,929.49***	***3,929.49***	***100.00%***	***16.74%***	***14.85%***	***32.75%***
Subtotal Tools & Means to implement work: USD	**0.98**	**0.98**	**0.98**				
Grand Total Cost of Labour per day: KHR	***26,469.08***	***26,469.08***	***24,309.11***		***112.74%***	***100.00%***	***220.58%***
Grand Total Cost of Labour per day: USD	**6.62**	**6.62**	**6.08**				
Management Fees							**0.00%**
Cost of Management Fees: KHR	***3,521.68***	***3,521.68***	***3,207.12***		***15.00%***	***13.30%***	***29.35%***
Cost of Management Fees: USD	**0.88**	**0.88**	**0.80**				
Grand Total Cost per day: KHR Including Subcontracting Fees	***29,990.76***	***29,990.76***	***27,516.24***		***127.74%***	***113.30%***	***249.92%***
Grand Total Cost per day: USD Including Subcontracting Fees	**7.50**	**7.50**	**6.88**				
Worker Total Take Home: KHR	***23,477.88***	***23,477.88***	***21,380.83***		***100.00%***	***88.70%***	***195.65%***
Worker Total Take Home: USD	**5.87**	**5.87**	**5.35**				

Note: worker take home includes daily wage received, KNY/ Pchom Benh incentive, overtime, public holiday pay, public holiday overtime pay, variable cost, annual leave pay, termination payout, meal allowance, transportation allowance and accommodation allowance

Table 15: Data Table: 2010 Daily Cost of Labour Calculations: Unskilled worker

2010	Median Daily Wages (Total Sample)	Median Daily Wages (Male)	Median Daily Wages (Female)
Daily Wage on normal working day (8 hours)	12,000.00	13,250.00	12,000.00
Hourly Wage based on 8 hour working day	1,500.00	1,656.25	1,500.00
OT @ 150% per hour	2,250.00	2,484.38	2,250.00
Public Holiday Daily Wage Payment (Daily wage received regardless)	12,000.00	13,250.00	12,000.00
Hourly Wage on Public Holiday (Including daily wage)	3,000.00	3,312.50	3,000.00
OT @ 200% per hour (of Public Holiday Base Wage Payment)	3,000.00	3,312.50	3,000.00
Number of working days per month	26		
Exchange Rate used	*4,000.00*		

Cost of Labour or Employment Components	Total Sample	Male	Female	Percentage of Total Sample			
Market Wages: Fixed Costs				% of Subtotal	% of Worker Take Home	% of Total Cost of Labour	% of Daily Wage Received
Daily Wage Received	12,000.00	13,250.00	12,000.00	64.76%	49.42%	43.46%	100.00%
KNY / Pchum Benh Incentive	1,000.00	1,104.17	1,000.00	5.40%	4.12%	3.62%	8.33%
KNY Celebration Party	48.08	48.08	48.08	0.26%	0.20%	0.17%	0.40%
Overtime	4,500.00	4,968.75	4,500.00	24.29%	18.53%	16.30%	37.50%
Public Holiday Pay	653.85	721.96	653.85	3.53%	2.69%	2.37%	5.45%
Public Holiday OT pay 2 hours per day	326.92	360.98	326.92	1.76%	1.35%	1.18%	2.72%
Subtotal Market Wages: Fixed Costs: KHR	***18,528.85***	***20,453.93***	***18,528.85***	***100.00%***	***76.31%***	***67.11%***	***154.41%***
Subtotal Market Wages: Fixed Costs: USD	4.63	5.11	4.63				
Market Wages: Variable Costs							
Over time if needed	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: KHR	-	-	-	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Subtotal Market Wages: Variable Costs: USD	-	-	-				
Compliance and Obligations							
NSSF Contribution	194.26	211.04	194.26	5.30%	0.80%	0.70%	1.62%
Health Check by Government	41.67	41.67	41.67	1.14%	0.17%	0.15%	0.35%
Labour Book by government	72.12	72.12	72.12	1.97%	0.30%	0.26%	0.60%
Update Staff Movement Forms	12.82	12.82	12.82	0.35%	0.05%	0.05%	0.11%
Medical Coverage	1,692.31	1,692.31	1,692.31	46.19%	6.97%	6.13%	14.10%
Annual Leave	692.31	764.42	692.31	18.89%	2.85%	2.51%	5.77%
Termination Payout	958.65	1,058.51	958.65	26.16%	3.95%	3.47%	7.99%
Subtotal Compliance and Obligation: KHR	***3,664.13***	***3,852.88***	***3,664.13***	***100.00%***	***15.09%***	***13.27%***	***30.53%***
Subtotal Compliance and Obligation: USD	0.92	0.96	0.92				
Company Risk Factors							
Replacement cost of worker	607.06	659.49	607.06	100.00%	2.50%	2.20%	5.06%
Subtotal Company Risk Factors: KHR	**607.06**	**659.49**	**607.06**	100.00%	2.50%	2.20%	5.06%
Subtotal Company Risk Factors: USD	0.15	0.16	0.15				
Remote Location & Safety Costs							
Meals (if far away or other)	692.31	692.31	692.31	14.39%	2.85%	2.51%	5.77%
Transportation (if far away)	1,538.46	1,538.46	1,538.46	31.98%	6.34%	5.57%	12.82%
Accomodation (if remote area)	1,920.00	1,920.00	1,920.00	39.91%	7.91%	6.95%	16.00%
Health and Safety Requirements	660.26	660.26	660.26	13.72%	2.72%	2.39%	5.50%
Subtotal Tools & Means to implement work: KHR	***4,811.03***	***4,811.03***	***4,811.03***	***100.00%***	***19.81%***	***17.42%***	***40.09%***
Subtotal Tools & Means to implement work: USD	1.20	1.20	1.20				
Grand Total Cost of Labour per day: KHR	***27,611.07***	***29,777.32***	***27,611.07***		***113.71%***	***100.00%***	***230.09%***
Grand Total Cost of Labour per day: USD	6.90	7.44	6.90				
Management Fees							0.00%
Cost of Management Fees: KHR	***3,642.38***	***3,956.93***	***3,642.38***		***15.00%***	***13.19%***	***30.35%***
Cost of Management Fees: USD	0.91	0.99	0.91				
Grand Total Cost per day: KHR Including Subcontracting Fees	***31,253.44***	***33,734.26***	***31,253.44***		***128.71%***	***113.19%***	***260.45%***
Grand Total Cost per day: USD Including Subcontracting Fees	7.81	8.43	7.81				
Worker Total Take Home: KHR	***24,282.50***	***26,379.56***	***24,282.50***		***100.00%***	***87.94%***	***202.35%***
Worker Total Take Home: USD	6.07	6.59	6.07				

Note: worker take home includes daily wage received, KNY/ Pchom Benh incentive, overtime, public holiday pay, public holiday overtime pay, variable cost, annual leave pay, termination payout, meal allowance, transportation allowance and accommodation allowance

Table 16: Data Table: 2011 Daily Cost of Labour Calculations: Unskilled worker

2011	Median Daily Wages (Total Sample)	Median Daily Wages (Male)	Median Daily Wages (Female)
Daily Wage on normal working day	14,250.00	15,000.00	13,000.00
Hourly Wage based on 8 hour working day	1,781.25	1,875.00	1,625.00
OT @ 150% per hour	2,671.88	2,812.50	2,437.50
Public Holiday Daily Wage Payment (Daily wage received regardless)	14,250.00	15,000.00	13,000.00
Hourly Wage on Public Holiday (Including daily wage)	3,562.50	3,750.00	3,250.00
OT @ 200% per hour of Public Holiday Base Wage Payment	3,562.50	3,750.00	3,250.00
Number of working days per month	26		
Exchange Rate used	*4,000.00*		

Cost of Labour or Employment Components	Total Sample	Male	Female	Percentage of Total Sample			
Market Wages: Fixed Costs				% of Subtotal	% of Worker Take Home	% of Total Cost of Labour	% of Daily Wage Received
Daily Wage Received	14,250.00	15,000.00	13,000.00	64.79%	50.65%	44.80%	100.00%
KNY / Pchum Benh Incentive	1,187.50	1,250.00	1,083.33	5.40%	4.22%	3.73%	8.33%
KNY Celebration Party	48.08	48.08	48.08	0.22%	0.17%	0.15%	0.34%
Overtime	5,343.75	5,625.00	4,875.00	24.30%	18.99%	16.80%	37.50%
Public Holiday Pay	776.44	817.31	708.33	3.53%	2.76%	2.44%	5.45%
Public Holiday OT pay 2 hours per day	388.22	408.65	354.17	1.77%	1.38%	1.22%	2.72%
Subtotal Market Wages: Fixed Costs: KHR	***21,993.99***	***23,149.04***	***20,068.91***	***100.00%***	***78.18%***	***69.14%***	***154.34%***
Subtotal Market Wages: Fixed Costs: USD	**5.50**	**5.79**	**5.02**				
Market Wages: Variable Costs							
Over time if needed	-	-	-	0.00%	0.00%	0.00%	0.00%
Subtotal Market Wages: Variable Costs: KHR	**-**	**-**	**-**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Subtotal Market Wages: Variable Costs: USD	**-**	**-**	**-**				
Compliance and Obligations							
NSSF Contribution	225.07	235.14	208.30	5.39%	0.80%	0.71%	1.58%
Health Check by Government	48.08	48.08	48.08	1.15%	0.17%	0.15%	0.34%
Labour Book by government	80.13	80.13	80.13	1.92%	0.28%	0.25%	0.56%
Update Staff Movement Forms	12.82	12.82	12.82	0.31%	0.05%	0.04%	0.09%
Medical Coverage	1,846.15	1,846.15	1,846.15	44.24%	6.56%	5.80%	12.96%
Annual Leave	822.12	865.38	750.00	19.70%	2.92%	2.58%	5.77%
Termination Payout	1,138.40	1,198.32	1,038.54	27.28%	4.05%	3.58%	7.99%
Subtotal Compliance and Obligation: KHR	***4,172.77***	***4,286.02***	***3,984.02***	***100.00%***	***14.83%***	***13.12%***	***29.28%***
Subtotal Compliance and Obligation: USD	**1.04**	**1.07**	**1.00**				
Company Risk Factors							
Replacement cost of worker	703.35	734.81	650.93	100.00%	2.50%	2.21%	4.94%
Subtotal Company Risk Factors: KHR	**703.35**	**734.81**	**650.93**	100.00%	2.50%	2.21%	4.94%
Subtotal Company Risk Factors: USD	**0.18**	**0.18**	**0.16**				
Remote Location & Safety Costs							
Meals (if far away or other)	769.23	769.23	769.23	15.57%	2.73%	2.42%	5.40%
Transportation (if far away)	1,538.46	1,538.46	1,538.46	31.15%	5.47%	4.84%	10.80%
Accomodation (if remote area)	1,920.00	1,920.00	1,920.00	38.87%	6.82%	6.04%	13.47%
Health and Safety Requirements	711.54	711.54	711.54	14.41%	2.53%	2.24%	4.99%
Subtotal Tools & Means to implement work: KHR	***4,939.23***	***4,939.23***	***4,939.23***	***100.00%***	***17.56%***	***15.53%***	***34.66%***
Subtotal Tools & Means to implement work: USD	**1.23**	**1.23**	**1.23**				
Grand Total Cost of Labour per day: KHR	***31,809.34***	***33,109.10***	***29,643.09***		***113.06%***	***100.00%***	***223.22%***
Grand Total Cost of Labour per day: USD	**7.95**	**8.28**	**7.41**				
Management Fees							**0.00%**
Cost of Management Fees: KHR	***4,220.12***	***4,408.85***	***3,905.56***		***15.00%***	***13.27%***	***29.61%***
Cost of Management Fees: USD	**1.06**	**1.10**	**0.98**				
Grand Total Cost per day: KHR Including Subcontracting Fees	***36,029.46***	***37,517.95***	***33,548.65***		***128.06%***	***113.27%***	***252.84%***
Grand Total Cost per day: USD Including Subcontracting Fees	**9.01**	**9.38**	**8.39**				
Worker Total Take Home: KHR	***28,134.12***	***29,392.36***	***26,037.07***		***100.00%***	***88.45%***	***197.43%***
Worker Total Take Home: USD	**7.03**	**7.35**	**6.51**				

Note: worker take home includes daily wage received, KNY/ Pchom Benh incentive, overtime, public holiday pay, public holiday overtime pay, variable cost, annual leave pay, termination payout, meal allowance, transportation allowance and accommodation allowance

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