



RAPID MARKET AND VALUE CHAIN ASSESSMENT OF THE BUILDING **CONSTRUCTION** **SECTOR** IN CAMBODIA

FINAL REPORT



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THE PRESENT STUDY

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Background

1| The construction industry in Cambodia has traditionally provided an important entry point into the labour market for landless and unskilled workers. The recent construction boom in Cambodia has created new jobs and attracted a new workforce, namely women. Unlike in the garment manufacturing sector, where women have traditionally been more active, the construction sector is much more prone to industrial accidents and injuries, and its workers are amongst the most vulnerable to ill health and poverty in case of maternity, disease, unemployment, disability, or old age, for lack of any form of social protection. In particular, the construction sector is associated with a disproportionately high share of serious work-related accidents and fatalities: the ILO estimates that one in five fatal accidents at work happen on a construction site.¹

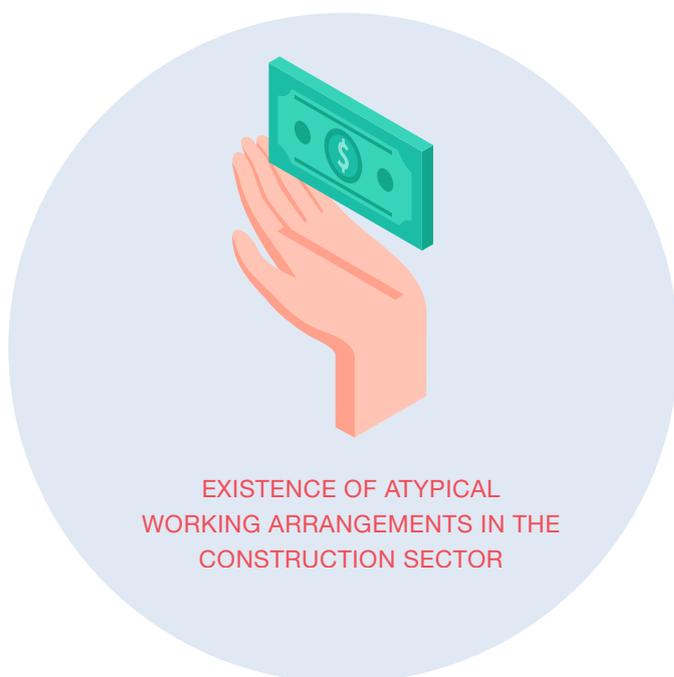
2| Consequently, the construction sector has been identified by the Ministry of Labour and Vocational Training (MoLVT) as a priority sector for this intervention. The ILO agrees on the large-scale potential of this sector to facilitate decent work and poverty reduction for both women and men.

3| The construction sector in Cambodia (like many other less developed countries) has a multi-tiered structure with complex sub-contracting arrangements. Some of these sub-contractors may be formal enterprises, but many MSMEs operate in the informal sector. Individual workers tend to be engaged on a casual basis and without written contracts, which makes for low and irregular incomes. Many workers lack personal identification and bank accounts. While traditional systems of formal social protection tend to rely on defined and stable employer-employee relationships, the existence of atypical working arrangements in the construction sector pose challenges in accessing statutory social protection benefits meant for workers.



¹ International Labour Organization (2009). Retrieved from http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067574.pdf
Accessed on 18th Nov 2017

Social Protection Systems



5| Many lower-income countries are learning from social protection policies that exists in high and middle-income countries and have begun designing and implementing their own. The Royal Government of Cambodia (RGC) is aware of the critical role that social protection can play in reducing poverty and deprivation and weakening the impact of shocks and vulnerabilities. The National Social Security Fund (NSSF), established in 2008, was an institutional initiative by the RGC to streamline social protection systems in the country. It is now making significant attempts to widen the coverage of social protection in the country.



4| Social protection is an integral element of the ILO's decent work objectives. Over the years, ILO has analysed the different dimensions of social protection within the context of life cycle events wherein the model considers all phases of life, not only working life but also including childhood and old age. ILO's convention on Social Protection floors (Recommendation 202) lays out guidelines on introducing, maintaining and implementing social protection floors to extend higher levels of social security to as many people as possible in member countries.

6| In the initial phase of developing social protection systems, policies were designed to extending social assistance to the poorest of the poor (as exemplified by ID Poor) while social insurance benefits were directed to formal workers starting with the garment and footwear industries. Initiatives to bring workers in informal employment under social protection schemes are now being launched. The RGC is also making serious efforts to strengthen the administrative capacity of the NSSF.

Social Protection Schemes

7| **Employment Injury Insurance (EII):** The Prakas (No. 109 LV/PrK) was issued by Ministry of Labour and Vocational Training (MoLVT) on 19th May 2008. Under this Prakas all workers of registered enterprise/ establishment are entitled for the employment injury benefits in case of employment injury. Employment injury benefits (offered by the NSSF) cover workplace accidents and work-related diseases, including road accidents during commutes between home and work. The fund is financed through wage-based contributions at the rate of 0.8% of reported monthly wages. EII benefits include:

- Medical care
- Nursing cash allowance
- Temporary disability cash benefit (TDB)
- Funeral (death) benefit
- Permanent disability benefit (70% of total monthly income) and caretaker benefit
- Survivor benefit pension
- In-kind rehabilitation benefit

8| **Social Health Insurance (SHI):** On 1st May 2016, the NSSF launched SHI together with maternity and sickness branches. The scheme was initially co-financed equally between employers and workers through a contribution of 1.3% of net wages by each party. Recently, the Prime

Minister of Cambodia announced that, as of January 2018, employers will make the entire contribution towards SHI for their employees. Effectively this means the workers would not contribute any part of their wages towards SHI and the employer would contribute 2.6% of net wages to the NSSF. The contribution must be at a minimum of 2,600 Riels (eqv. USD 0.65) and a maximum of 13,000 Riels (eqv. USD 3.25) per month. In addition to health insurance, the contribution also includes access to maternity and sickness benefits, which sometimes gives rise to an erroneous impression that maternity and sickness benefits are part of the SHI benefit package, rather than being separate branches.



The present study

Objective

- 9| The overarching objective of the present study was to analyse the construction sector labour market in Cambodia and collect evidence to support policy development towards expanding OSH and social protection coverage for construction workers in the country.



Study Methodology

- 10| The approach was sequenced in two phases (illustrated in Figure 1):

- Conduct an RMA to map the Cambodian construction market system and produce a long list of the most relevant value chains within it, ranked according to their potential to advance the project's dual goal of expanding OSH and social protection, for the latter specifically Employment Injury Insurance (EII)
- Conduct a value chain analysis (VCA) of the selected value chain with an OSH and social protection risk assessment. The VCA

will include an identification of the dynamics and constraints in the value chain as well as an identification of the social protection, occupational safety and health risks faced by workers at the different stages of production and a sense of what the underlying factors are.

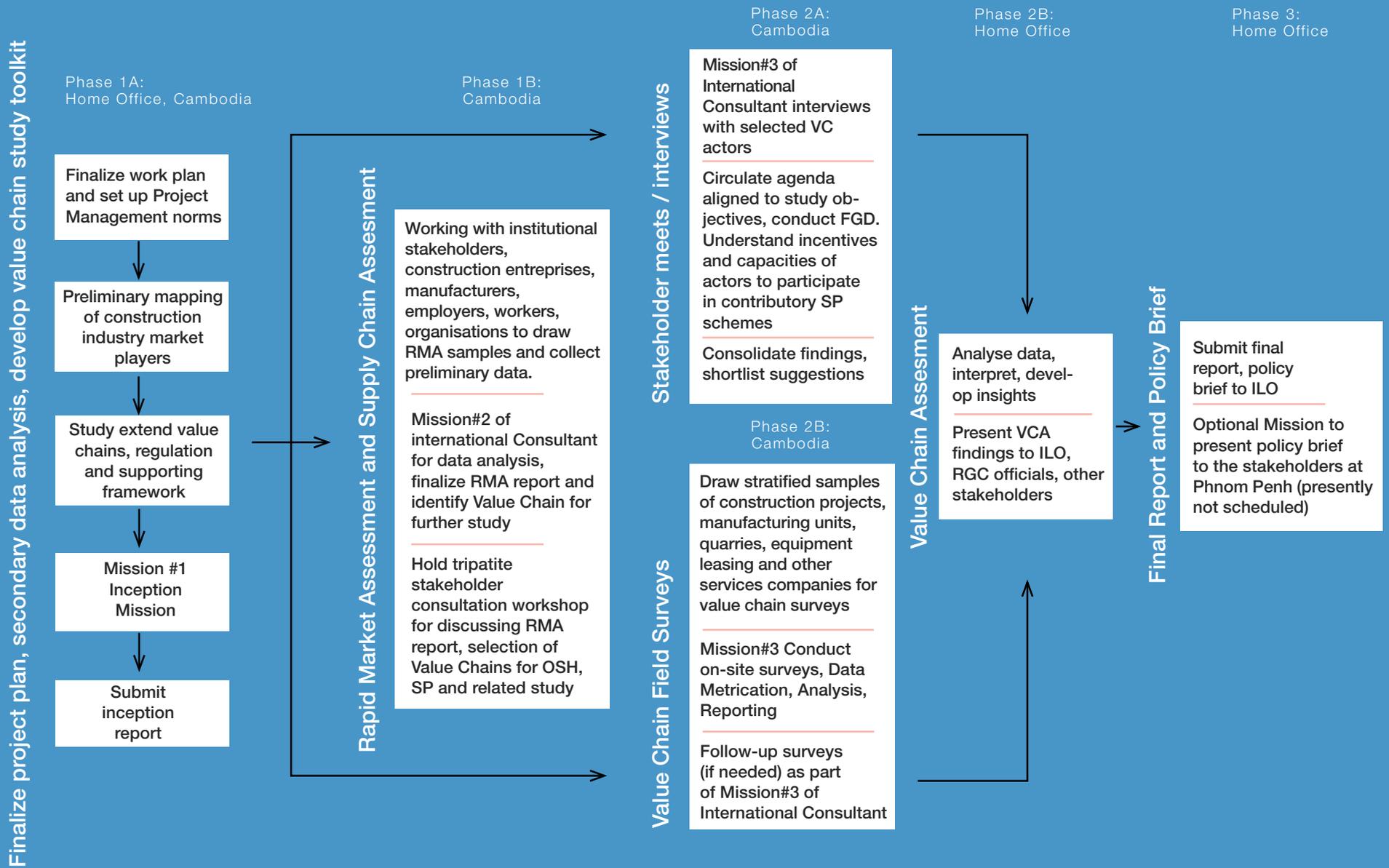
- 11| The RMA was based on study of secondary data and official statistics related to social protection and construction in Cambodia complemented by learning from meetings with stakeholders (RGC / NSSF officials, construction companies, employers and Trade Unions) and tripartite workshops.

- 12| The definition of informality according to 17th ICLS includes both enterprise as well as job-based concepts. For the purpose of this study, workers in informal employment have been considered as those who are not yet covered by the NSSF; they could be working either in the formal or informal enterprises. It may also be noted, for this study, that the construction value chain has been broadly categorized into construction site and building materials production units. The respondents would be profiled according to the categorization.

- 13| A triangulation short listing process was adopted for selecting value chains for further study. The three sources considered are:

- Overall Labour Market demand: the job roles that have been found to be repeatedly appearing in construction literature analysis of secondary labour market data reviews which shows that a large portion of the Cambodian workforce is engaged in these crafts / trades. There could be some subjective interpretation of this parameter as the number of sources searched may not have been exhaustive and

FIGURE 1
Overall approach to this study



statistical tools were not employed to ascertain the frequency of such appearances

- Estimate of workforce engaged: is based on the findings of construction workers survey conducted by the Centre for Policy Studies (CPS), Cambodia and commissioned by Trade Union BWTUC². The data can be considered as reflective of employee organization perspectives.
- Employers' views on need of study: The basis of this input was stakeholder discussion during the inception mission and search of job portal data over two years which made periodic announcements from employers on recruitment vacancies. The trades / crafts which were found to have been most repeated were taken for the triangulation exercise.
- Concrete works: Cement production units, transportation, distribution systems, RMC mixers for transportation, RCC masons / concrete mixers working at site. Batching plants and the value chains emanating from them leading to stone crushers, aggregate and sand mining are also to be included in study.
- Steel works: typically these would involve TMT bar production units (or imports), re-rolling mills, safety issues in transportation, bar-bending and steel fixing works at sites
- Carpenters / woodworkers: included saw mills, furniture production units, making and fixing of doors, windows, flooring and other wooden works. At a later stage during the course of the survey, wood workers were not included as part of the value chain report as the sample size was inadequate for further analysis.
- Worksite cleaners: Women are predominantly engaged in worksite cleaning in construction sites. This group has been included to understand the gender dimension on employment conditions, OSH risks and social protection needs.

14 | At the end of RMA phase, five Value Chains were considered for further study:

- Brick work: starting from Brick Kilns (production units), brick transportation, brick masons working on site, fly ash bricks (if imported or as may be applicable)



² BWTUC (CPS survey) 2017. Preliminary Findings on Survey of Construction Workers in Phnom Penh

Primary data collection

15| **Category – 1 (construction sites):** The survey agency collected primary data from project sites. The projects could be a mix of large and small building projects. Also, care should be taken to include sites that are at different stages of the building construction: such as excavation work, sub-structure work, super structure work up to 4 floors, super structure work above four floors, interior and finishing stage of work, and demolition works.

16| **Category – 2 (production units):** In addition to the construction project sites, production units such as Batching plants and pre cast units were also covered in the survey.

- **Quantitative analysis:** primary data collection using a structured questionnaire administered through field visits and personal interviews (Section C of this report)

- Qualitative analysis based on multiple consultative workshops with tripartite stakeholders (Section B and C of this report)

- Identification of Deficits and Vulnerabilities and undertaking a Gap Analysis on employment conditions and OSH (Section D of this report)

18 **The key findings of the study have been summarized in Section E of this report.**



Analytical Framework

17| **The analytical framework comprised following tools that were deployed at different stages of the project:**

- Rapid Market Assessment tool using 12 indicators (Section B of this report)
- Value Chain Analysis on six dimensions (Section C of this report)

RAPID MARKET ASSESSMENT

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OVERVIEW

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RMA FINDINGS

Composition of Enterprises



¹⁹| The RMA attempted to understand the labour market dynamics and constraints at the construction sites and material production units; identify occupational safety and health risks faced by the construction workers. The RMA was conducted during August – September 2017 through a sequence of:

- Desk analysis of recent and credible sources of relevant information
- Findings from two missions, one in August 2017 and the other in September 2017

²⁰| Analysis of engagement specific information collected on tripartite basis from the RGC institutions such as the NSSF, OSH Department, Ministry of Land Management, Urban Planning and Construction (MoLMUPC); Employers' associations such as Cambodian Federation of Employers and Business Associations (CAMFEBA), Cambodia Constructors Association (CCA); Workers' organization such as Building and Wood Workers Trade Union of Cambodia (BWTUC); and other stakeholders.

Overview

²¹| The construction industry is a driver of growth and development in Cambodia. It contributed to about 17% of Cambodia's total GDP growth in 2015 (World Bank, 2016). According to CB Richard Ellis, construction investment in Cambodia grew by 143% between 2015 and 2016³. Their survey shows 17% of the Fortune

500 companies, i.e. about 72 companies, operating in Cambodia are in the Engineering and Construction business.

²²| Workers in the construction sector are rendered vulnerable on multiple aspects. In general, construction work is risk-prone: ILO studies estimate that one in six fatal accidents at work happen on construction sites⁴. Moreover, in Cambodia, workers in construction sites are usually informally hired through verbal contracts either on a daily basis or for a short period of time, with wage settlement period varying between daily, weekly and monthly. Complex sub-contracting arrangements and engagement of construction workers (particularly among the lower waged segments of the labour supply chain) through verbal contracts is widely prevalent. The Cambodian Labour Law of 1997 (reference) states two things pertinent to this discussion:

Article 65: The verbal contract is considered to be a tacit agreement between the employer and the worker under the conditions laid down by the labour regulations, even if it is not expressly defined

Article 67: Contracts of daily or hourly workers who are hired for a short term job and who are paid at the end of the day, the week or fortnight period, are considered to be contracts of fixed duration with an unspecified date. A contract of a fixed duration must be in writing. If not, it becomes a labour contract of undetermined duration.

²³| Though the above legislative framework could have given the workers engaged through verbal contracts (in our study we have termed them “informally employed”) the same rights as that of regular workers, it is not enforced. If it were possible to enforce such provisions, these

³ CBRE Cambodia (Q4 2016), *Cambodian Real Estate Fearless Forecast*

⁴ International Labour Organization (2005), http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067574.pdf

workers in the construction sector could have availed social protection provisions of health insurance, maternity benefits, severance pay, EIL, leave benefits etc., which are accessible for workers with regular, written contracts - be that a Fixed Duration Contract (FDC) or an Undetermined Duration Contract (UDC).

Labour Rights

24| The Cambodian Labour Law of 1997⁵ stipulates labour rights for decent work. The Article 12 of the Labour Law is about non-discrimination in hiring and other functions on the basis of race, sex, colour, creed, religion political opinion, social origin, membership of workers' union or the exercise of union activities. Article 106 stipulates equal wage for equal work. (Each year, the Ministry in Charge of Labor issues a Prakas (ministerial order) determining the paid holidays for workers of all enterprises. Article 161 states that these paid holidays do not break off the length of service required to obtain paid annual leave, nor do they reduce this type of leave. Article 166 is about the paid leave entitlement duration of workers. Article 182 refers to entitlement of maternity leave and post-partum work conditions. Article 9 defines regular and casual workers with regard to stability of employment. Casual workers are defined as persons engaged to perform a specific work within a short period of time. Article 10 states that Casual workers are subject to the same rules and obligations and enjoy the same rights as regular workers, except for the clauses stipulated separately.

Sector and site regulations

25| Regulations in the construction sector may be grouped under the following heads

- Forming a Construction Company
- Obtaining Construction Permits
- Taking Construction Site Insurances
- Getting Environmental Clearances for Construction Projects
- Construction OSH regulations

26| Forming Construction Company: Any person, either legal or natural, who wishes to engage in construction business, must obtain a construction license from MoLMUPC. There are four types of construction licenses (i) Category 1 for construction projects of any value; (ii) Category 2 for construction projects of up to USD150,000; (iii) Category 3 for construction projects of up to USD100,000; and, (iv) Category 4 which is issued to individuals who can engage in small construction projects only.

27| Persons seeking to obtain licenses in categories 1, 2 and 3 must apply at MoLMUPC, while Category 4 licenses must be obtained at the concerned municipal authority or the provincial MoLMUPC authority. A construction license is valid for 3 years but is extendable. Foreign companies may also apply for construction licenses under Category 1, 2 and 3 only by establishing a branch or a subsidiary in Cambodia.

⁵ Kram March 13, 1997 Labour Code. Retrieved from http://www.bigpond.com.kh/Council_of_Jurists/Travail/trv001g.htm Accessed on 20th Nov 2017

- 28| All construction companies are subject to the same tax regime applied to other corporate tax payers e.g. tax on profits, valued added tax, withholding tax, salary tax etc.
- 29| Obtaining Construction Permits: All land owners have a right to construct a building on their land but a construction permit must be obtained prior to the construction. Sub-Decree No. 86 on Construction Permits dated 19 December 1997 stipulates the requirements for obtaining construction permits in Cambodia. However, in order to provide habitation for the poor, a construction permit is not required if the construction is located in rural areas or far from national roads, rail roads, tourism resorts, national patrimony and protected areas regardless of its size or construction materials.
- 30| Depending on the nature of the construction, a permit may be issued by MoLMUPC or its provincial administration or municipal authority. A construction permit is valid for one year although an extension can be allowed for another year. A construction permit may also be denied on specific grounds. After obtaining the construction permit, before the construction can start, the construction owner must obtain site opening permit from the concerned municipal authority or MoLMUPC authority.
- 31| The documents⁶ required for construction permits are technical in nature and do not include any Labour deployment plan at different stages of work. It may be important to note that, no documentation on the following are needed to be submitted along with the license application:
- Registration with the NSSF
 - Insurance policy
 - List of employees or expected labour engaged in the project overall
 - Certificates of training in OSH standards
- After the documents are submitted to the concerned authority with supporting documents, review and approval of the application should be completed within 45 working days. In practice, the approval process may take significantly longer than the prescribed 45 working days.
- 32| Taking Construction Site Insurances: According to the Law on Insurance dated 4 August 2014 and the Sub-Decree No. 06 dated 22 October 2001, a construction liability insurance policy is mandatory for the individual or legal entity (who is the owner or the operator of a construction site in Cambodia) to start any construction work. However, the owner and builder may seek an exemption from the MEF of this obligation for any small-scale construction or repair.
- 33| Insurance companies, active in the construction sector propose to owners, builders and sub-contractors to take out appropriate insurance policies such as the contractor's risk all insurance policy⁷ (material damage on building or infrastructure during course of construction and third-party liability) or the erection all risks insurance policy and mandatory civil liability insurance policy⁸. It may be noted that it is not mandatory to include worker's Personnel Accident (PA) insurance (such as NSSF-EII) as a part of construction risk insurance policies to be taken by the owner / operator of the construction site. Hence, insurance company offerings do not include any PA insurance products similar to the EII cover available from NSSF to a registered construction site worker.

⁶ World Bank Ease of Doing Business 2017.

Accessed at <http://www.doingbusiness.org/data/exploreeconomies/cambodia#dealing-with-construction-permits>

⁷ Cambodia National Insurance Company 2017. Contractors All Risk insurance. Accessed on <http://www.caminco.com.kh/car.html>

⁸ Bun & Associates



Social Security Regulations

- 34| The law on Social Security Schemes for Persons Defined by the Provisions of the Labour Law was passed in 2002. The law outlines the scope of coverage of social security benefits which includes pension insurance fund, compensation fund for victims of employment injuries, and occupational health benefits. The law also mandated the establishment of National Social Security Fund (NSSF) for managing all social security schemes within its scope⁹.
- 35| The NSSF, set up in 2008, was an institutional initiative by the RGC to provide basic social security benefits to workers in private sectors. The aim of the NSSF was to manage the social security schemes referred under the law on Social Security Schemes of 2002. The NSSF is responsible for registration and collection of contribution, inspection of workplace, sites and validation of claims and claims processing. The NSSF regulates health services for registered workers and ensures provision of benefits to its members on account of contingencies such as old age, invalidity, fatality, accidents¹⁰.
- 36| 'The National Social Protection Policy Framework 2017-2025' adopted by the council of Ministers of the RGC in 2017, defines the long term vision for the development of a comprehensive social protection in Cambodia. It focuses on both pillars of social protection, viz., social assistance and social security. The overarching goal of the policy framework

is to eventually widen the social protection coverage to all citizens so as to reduce poverty and economic vulnerability ensure their income security and well-being¹¹.

OSH Regulations

- 37| In April 2005, MoLVT was mandated to be in charge of OSH matters of all persons under the provisions of the Labour Law. Chapter VIII of the Labour Law refers to the Health and Safety of Workers. The relevant articles therein are 228 to 247. Article 228 concerning the Scope of Application; Articles 229 to 232 concerning General Provisions; Articles 233 to 237 concerning Inspection; Articles 238 to 247 concerning Labour Health Services.
- 38| The MoLVT has issued sector wise regulations concerning OSH. The construction and related sector OSH regulations were issued on 30 March 2011 which are:
- Prakas077 concerning the Information at the Construction Site
 - Prakas 075 concerning the Sanitation at the Construction Site
 - Prakas 076 concerning the Prevention of Risks associated with the Changing Weather Conditions at the Construction Site
 - Prakas 078 concerning the Storage, Waste Management and Cleanliness at the Construction Site

⁹ RGC (2002). *Law On Social Security Schemes for Persons Defined By The Provisions of the Labour Law*

¹⁰ <http://www.nssf.gov.kh/default/about-us-2/>

¹¹ RGC (2017). *National Social Protection Policy Framework 2016 - 2025*



39| Apart from these, laws on Regulations on Compensation for occupational accidents and injuries had been formulated in 2002 (Prakas 243) concerning the Notice for Work-related Accidents, Formula for Compensation and Degree of Disability. The responsibility for the occupational accidents and injuries is under the NSSF.

RMA Findings

40| The ILO template for a sector-level RMA has a set of 12 indicators¹². This was adopted for the RMA and the findings have been discussed below.

41| Number of the target groups active in the sector: The tripartite stakeholders viz., Employers/ construction companies, Government agencies and Labour organizations/ Trade Unions comprise the target group:

- From the employers' side, 558 construction sector related companies (material suppliers and site contractors) have registered under NSSF between 2008 and 2017. Of these, about 123 are site contractors, which have an average of 65 employees registered with the NSSF. Based on information from MoLMUPC senior officials meeting, all contractors registered with MoLMUPC may not be registered with NSSF and thus calls for reconciliation between the databases available with the respective institutions. Within the scope of this study, such reconciliation of enterprise registration information distributed across MoLMUPC offices and NSSF databases could not be attempted.

- Employers' organizations such as Cambodia Constructors Association (CCA) have 137 members only from the construction sector while employers' organizations such as CAMFEBA are sectorally more broad based but have significant membership from the construction sector

- From the Government side, the Key RGC ministries involved in regulating this sector are MoLMUPC, MoLVT (both NSSF and OSH departments).

- From the labour side, BWTUC (Building and Wood Workers Trade Union of Cambodia) is a prominent Trade Union (TU) in the construction sector. It has about 2,000 construction sector members. Other trade unions, such as CCTUF, CUF, FBWW, CLOWBUF¹³ are engaged in activism for workers' rights in this sector. The TUs step in for their members for negotiation with employers; training and building awareness among construction workers. About 200-250 thousand Cambodian workers are employed in the construction sector (poll of estimates and checked with MoLMUPC). Of them, only about 4% are enrolled under the NSSF. Few workers were aware of their rights and are members of Trade Unions. About 20% workers were aware about unionization, 8% were union members; 45% were aware about sick leave entitlements, 28% about maternity leave and 18% about annual leave¹⁴.

42| Nature of target group's participation in the sector:

- Employer: Formal Domestic and Foreign companies undertaking real estate development and construction works.

¹² ILO Geneva (2017). *Rapid Market Assessment of Key Sectors For Women And Youth In Zimbabwe*
http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_554171.pdf

¹³ CCTUF : Cambodian Construction workers trade union federation, CUF: Cambodian Union Federation, FBWW : Federation of Building and Wood Workers

¹⁴ BWTUC-CPS survey (2017), *Preliminary Findings on Survey of Construction Workers in Phnom Penh*



- **Government:** MoLMUPC (Ministry of Land Management, Urban Planning and Construction), autonomous NSSF (National Social Security Fund) and MoLVT (Ministry of Labour and Vocational Training) OSH Department are the primary actors on the Government's side.
- MoLMUPC is primarily involved in construction company licensing, approval of building drawings, construction site permits, technical inspections, completion certificates, etc.
- The NSSF is legally and financially an autonomous entity and draws its authority from its status as an institution of Public administration. The technical supervision of NSSF is with the MoLVT while MEF is in charge of NSSF's finances. NSSF is mandated to become the leading organization which provides social security services to workers in private sectors who are under the labour law.
- The Department of OSH, under MoLVT, is responsible for supervision of the occupational safety and inspection of construction sites as well as production units. The OSH inspectors are in charge of reviewing working conditions including wage, contracts, working hours, freedom of association etc.
- **Workers:** There are different categories of workers employed at different levels of the value chain. The construction labour market in Cambodia has a three-tiered structure based on variety of job-roles, skill levels and employment arrangements. The High skilled workforce are generally expatriates comprising of engineers, architects, project managers etc., are usually employed at tier 1 in formal enterprises. The workforce at the middle and lower end of the value chain comprising of construction workers and machine operators is

primarily Cambodian and is generally employed at tier 2 or tier 3. An illustrative description of the multi-tiered labour market structure and linkages between the enterprise actors and workers is shown in Figure 2.

⁴³ | Involvement and contribution of target (and other) groups:

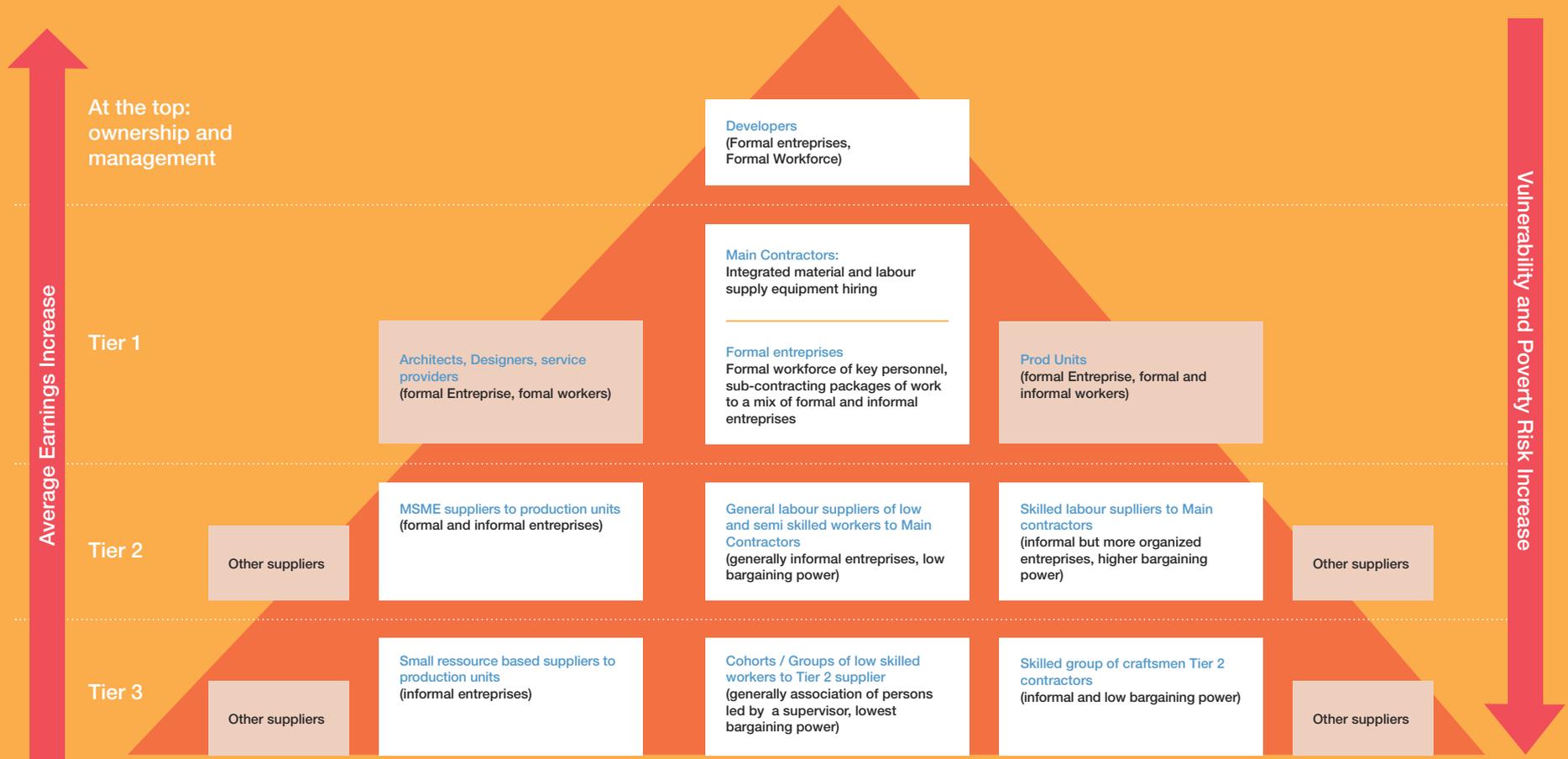
- 137 construction related companies are members of the CCA, they are most involved in the construction sector wide activities. Together these members constitute to be the major contributors to the Cambodian construction industry.
- RGC agencies MoLMUPC, MoLVT (both NSSF and OSH) are present in a regulatory role for monitoring and overseeing enforcement; as well as in a supportive role to encourage participation by the private sector to enhance coverage and come up with better and safer construction practices.
- Other target groups include hospitals, with which the NSSF has contracts to provide requisite healthcare to beneficiaries.

⁴⁴ | **Conduciveness of political economy:** Politico-economic environment is favourable for construction sector growth. RGC policy thrust is on extending social protection to construction workers in the formal and informal sector. At the same time, the recent announcement making employers solely responsible for the total 2.6% of workers' wage contribution to the NSSF health insurance makes the situation less favourable for employers who might be motivated to go further into informality to avoid these costs, particularly if the employers views are not taken into consideration during the implementation planning and enforcement is not improved.



RAPID MARKET ASSESMENT

FIGURE 2
Construction labour market structure in Cambodia (illustrative)



45| Climate Change: The RMA report sets out the climate issues Extreme Weather Events (EWE), floods and droughts affecting Cambodia construction sector and Environment regulations to be followed to obtain construction permits from MoLMUPC and Council of Ministers (CoM).

Composition of Enterprises:

46| Various enterprises, which have their unique production and services outputs, participate in the construction value chain. These enterprises can broadly be categorized into site enterprises and off-site enterprises.

Site enterprises

- Formal enterprises working as Real Estate Developers, Main Contractors and Tier 1 Major Sub-Contractors.
- Informal Enterprises

Off-site enterprises

- Batching plants, brick kilns, quarrying units and stone crushers
- Construction material trading / distribution companies
- Equipment leasing (or equivalent) companies
- Construction services companies providing architectural, design engineering, construction supervision and similar other services.

47| Prospects for productivity and working conditions improvements

- Studies show that labour productivity in Cambodia is low. Site management constraints, external constraints like late payment, poor weather conditions, site location, and statutory compliance comprise more than 60% of the constraints while workforce constraints accounted for 22% of the identified factors¹⁵.
- A majority of workers perceive general working conditions in construction sites to be safe, although when probed for specific hazards, the workers responses reveal the need for improvement in occupational safety and working conditions. In a preliminary survey of more than 1,000 construction workers in Phnom Penh¹⁶, 12% workers perceived construction sites as unsafe with poor working conditions. When enquired about specific hazards, 34% said that flooding or unsanitary conditions prevail in construction sites. 38% talked about electrical hazards while 41% spoke about lapses in safety equipment provision or usage.
- Accident statistics reported to NSSF for the period 2008-2017 show that the number of accidents in construction project sites is 346 while the number of accidents in construction materials related works was 2,326. This is an important finding as it shows that while construction sites might be more visible, workers in the production part of the chain are also extremely vulnerable to work accidents. Thus, any intervention seeking to improve working conditions for construction workers must look beyond the final site of construction all the way to natural resource sourcing and production units, operating at the beginning of the construction value chain.

¹⁵ Durdyev, S. and Mbachu, J. 2017. *Key constraints to labour productivity in residential building projects: evidence from Cambodia. International journal of construction management, 2017*

¹⁶ BWTUC-CPS survey (2017), *Preliminary Findings on Survey of Construction Workers in Phnom Penh*

48| Willingness of market players to change

- The MoLVT is committed to improving OSH, working conditions, enforce labour inspections; provide thrust to extend social protection coverage to workers, increase minimum wages, build their skills; bring in a Building Code by MoLMUPC to upgrade testing technology, ease permit processing.
- Trade Unions are coming forward to contribute constructively through participatory processes as well as through activism for rights. They place particular priority on being part of the social security system.
- Employers acknowledge that provision of Personal Protective Equipment (PPE), OSH

training to workers should be their responsibility. This will help bring down accidents. Also standardized training for workers of each type and level will raise productivity.

- 49| Likelihood of distortion: Health Equity Fund (HEF) proposed expansion and NSSF coverage could have some underlying overlapping areas; workers registered in HEF may need to be made aware of the NSSF's EII and SHI scheme benefits. The source of the distortion would be that if wage workers, who have an employer legally liable for their social security contributions, are offered subsidized benefits, this will provide a negative incentive to register and participate in the contributory system, which is the only long-term sustainable option to offer coverage.



VALUE CHAIN ANALYSIS



28-29

OVERVIEW

Actor Groups

Schematic representation of the chains

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VCA ACTIVITIES

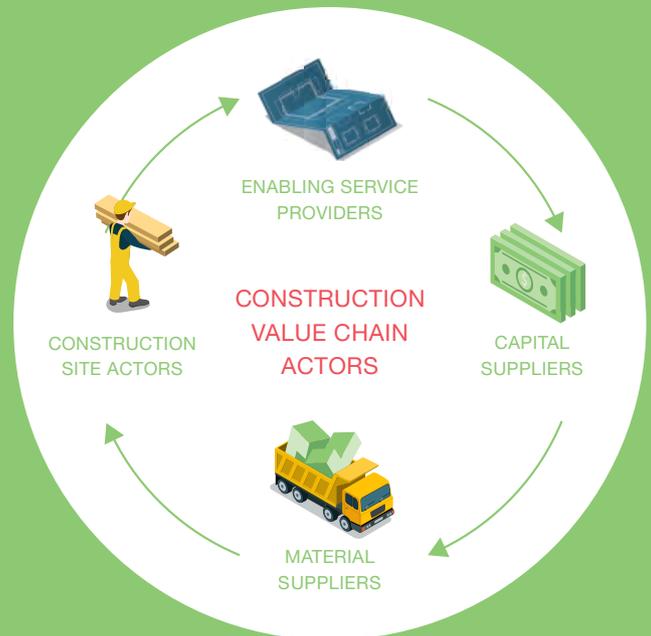
35

VCA FINDINGS

50 | Following the ILO definitions, a value chain “describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers”. This includes activities such as design, production, marketing, distribution and support services, up to the final consumer. The activities are thus often divided among several businesses. A sector, on the other hand, refers to areas of the economy in which business share the same or related products or services. Sectors are broader than value chains, and within sectors we often find several value chains.

51 | Typical construction value chains in any country consists of five categories of players¹⁷:

- Clients (public and private)
- Architects, designers, draughtsmen
- Building contractors (including sub-contractors).
- Input suppliers (largely comprising building material producers and importers), equipment and allied service providers
- Customers



Actor Groups

53 | Construction sites: comprise a mix of small and large sites. The small sites primarily refer to residential complexes and retail arcades while large sites refer to resorts, airports, bridge, ferry, terminal etc. Enterprise actors consist of construction companies, members of CAMFEBA and CCA and other small and medium registered construction companies. The regulatory actors for this segment which were of interest to this study are MoLMUPC, MoLVT (both NSSF and OSH Department). The labour market in this group comprises of workers in formal and informal employment, the latter being predominant.

Overview

52 | The construction industry in Cambodia consists of a cluster of large and small enterprises at different levels of the supply chain. Construction Value Chain actors may be grouped into three: Construction site actors, Material suppliers, Capital Suppliers and Enabling Service Providers. A brief description of the actor groups and a schematic representation of the building construction value chains are provided below.

¹⁷ ILO Geneva. 2015. Good Working Conditions Good Business? An Analysis of Zambia's Building Construction Market System.

- 54 | Material Suppliers: Natural Resources (eg, limestone, gravel, stone, sand, timber) and Manufactured Resources (Bricks, cement, concrete, glass, aluminium comprise material supplies. Enterprise actors at this stage are stone quarry owners, sub-contractors supplying sand, gravel while for manufactured resources, enterprise actors are brick kiln enterprises, glass, aluminium, steel manufacturers. The labour market in this group comprise of workers in both formal and informal employment, the latter being employed by the smaller suppliers.
- 55 | Capital Suppliers and Enabling Service Providers: Capital supplies consist of financial investments and equipment lessors. The enterprise actors are Real Estate Developers, Banks and Financial Institutions, and private financiers. Examples of enabling service providers are Architects. The labour market in this group comprises mostly formal workers.



Small sites



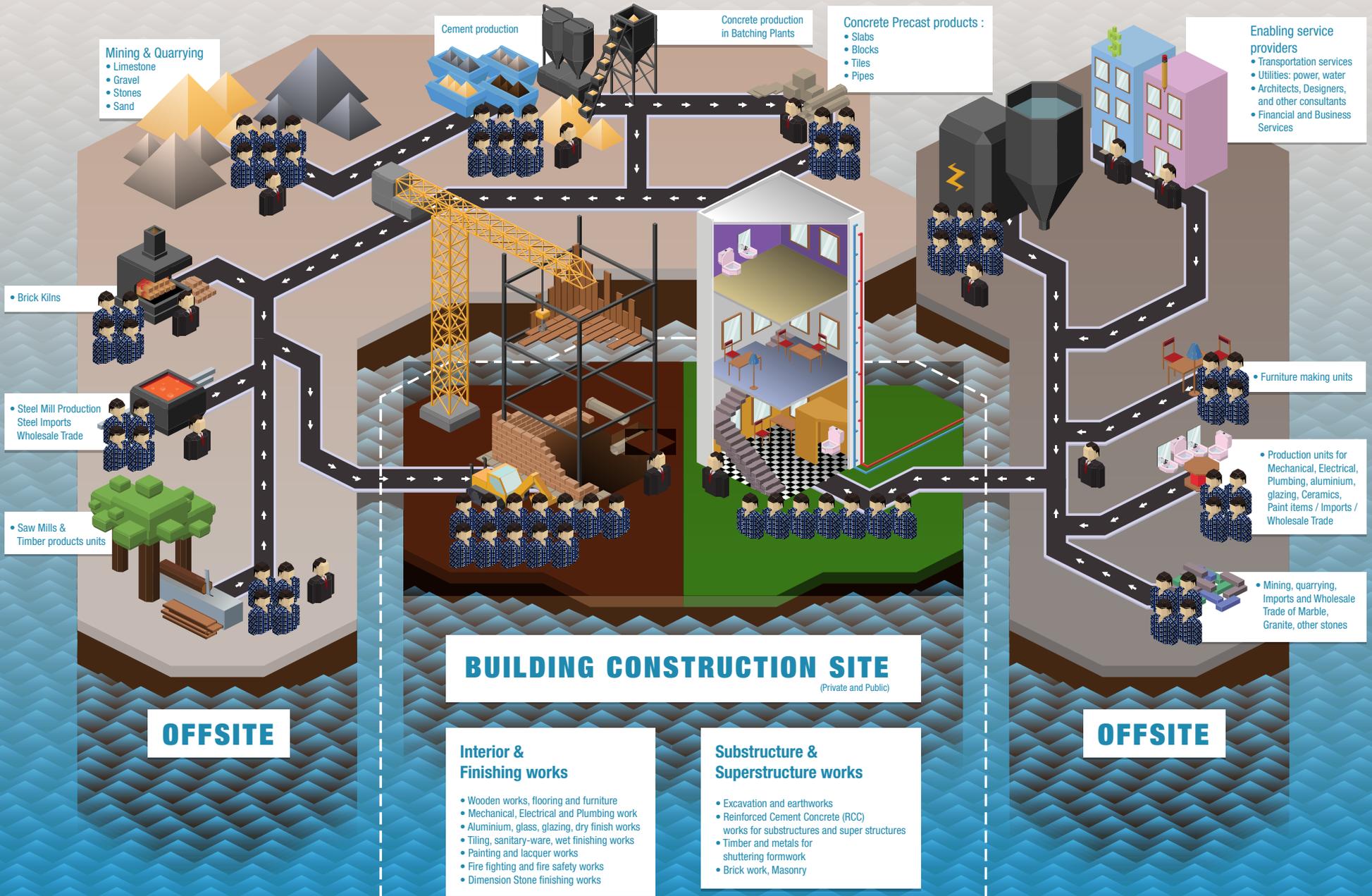
Large sites

Schematic representation of the chains

- 56 | The structure of the construction value chain is illustrated in Figure 3. Labour engagement in the construction sector may be studied under two segments (a) workers at the construction sites (coloured brown and green in Figure 3), and (b) workers employed at the off-site building material production units (coloured grey in Figure 3).
- 57 | Labour supply chains at construction sites: The jobs at the construction site involve excavation and earthwork, bricklaying, structural works, steel and timber works, machine operations, Mechanical-Electrical-Plumbing (MEP) and other finishing works. Sub-contracting of site works commonly form a part of the labour supply chains. The nature of construction work requires flexible and mobile teams of workers. The large enterprises at the top of the supply chain generally outsource work to medium and small sub-contractors with specialized services, who in turn hire workers with varying job-roles and skill-set. The construction site companies rely heavily on recruitment of workers through sub-contractors which provides an important labour market entry point for landless and low skilled worker.

Supply Value Chain

FIGURE 3
Building Construction Value Chains in Cambodia (Schematic)



58| *Labour supply chains at off-site production units:* Building materials such as cement, steel, aluminium, glass, timber, ceramics which are used as inputs, are brought in from their respective off-site production units. The character of enterprises in the off-site construction value chain and employment conditions of their labour force (skills, wages and social protection benefits) vary in some aspects. In the building materials supply chain, the enterprise nature is largely formal. For example, on the one hand, input provisions like glass, steel, and aluminium come from large enterprises that need huge capital investment to set up and operate to achieve economies of scale. The workforce employed in these enterprises is technically qualified professionals who are formally engaged.



59| On the other hand, stone quarries / crushers, saw mills and furniture making units are generally MSMEs and from our survey were seen to be employing workers informally. Workers learn on-the-job and their wages may improve as they improve their skills. Intra-segment swapping for higher wages for the same job role happens in production unit labour supply chains: example, concrete workers may be working at off-site production units (batching plants, pre-cast units) or at construction sites where in-situ casting works are in progress.

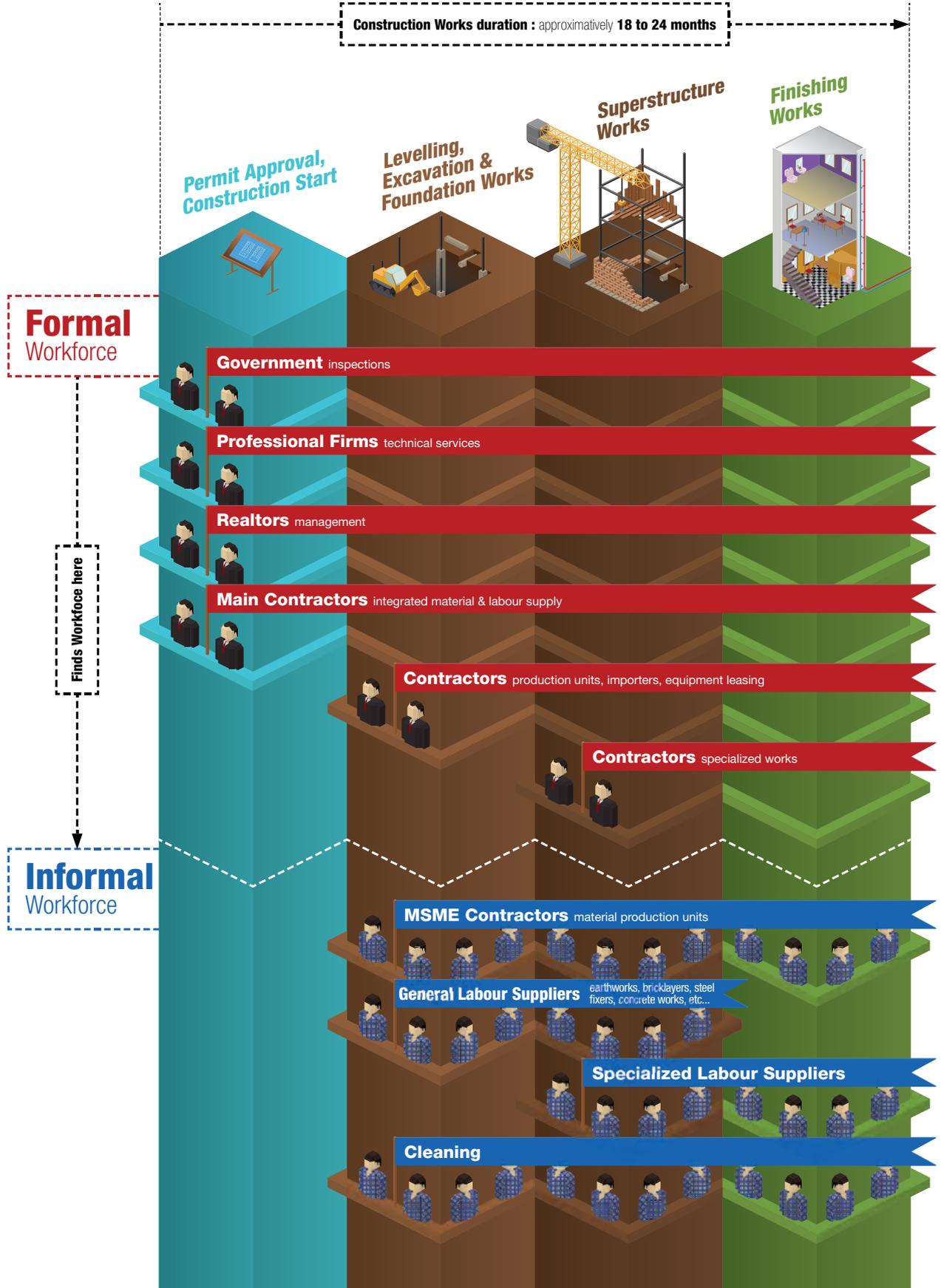
VCA activities

60| The value chain study framework has been explained in the introduction section. The research team conducted site visits to identify sub-contracting levels in the value chains. In-depth interviews were conducted with main contractors and sub-contractors. Many of the target respondent enterprises did not allow site visits for survey data collection. Hence, the survey activities were limited to willing managers from participating enterprises only. Structured questionnaires were designed keeping in view the on-site construction activities. Key - informant interviews were conducted with construction site workers. A separate questionnaire for workers was designed for the purpose. In all, ten construction companies allowed access to their sites and sixty one workers responded to the questionnaires.

61| Quantitative and qualitative data were obtained for the overall construction value chains as well as the four job roles that were identified above through subsequent interviews with Employer representatives, workers and their Trade Unions. The four value chains that were studied in further detail include viz. steel workers, cement workers, bricklayers, and worksite cleaners. (Figure 4) maps these job roles to the overall construction value chain by stages of project execution.

Supply Value Chain

FIGURE 4
Selection of job roles within Value Chains for further analysis





VCA findings

62 | *High levels of Informality:* Low skilled or medium skilled workers such as steel workers, cement workers, concrete mixers, bricklayers, and worksite cleaners are primarily hired through verbal arrangements. The nature of such verbal contracts also varies according to job-roles. At any site, a particular phase of work engaging steel fixers or bricklayers are required to be continuously engaged for 6 months or more which is for a relatively longer term as compared to concrete workers or worksite cleaners. These workers (concrete workers or worksite cleaners) are employed as daily wage earners as their nature of work required completion on a daily basis. These workers are at the lowest hierarchy of the labour market value chain and experience high vulnerability.

63 | *Formal Contracts:* Skilled personnel such as engineers, designers, architects and other technical and managerial jobs roles are bound by formal/ written contract in the nature of UDC's (Undetermined Duration Contract) or FDCs (Fixed Duration Contract). In most of the construction projects in Cambodia, the high skilled jobs – (engineers, architects, project managers etc.,) towards the top of the value chain belong to nationals from Singapore, South Korea, Japan, Thailand, and China. On the other hand, the workforce at the lower end of the value chain is primarily Cambodian.

66 |

The construction labour market may be segmented according to job roles and skill levels with entailing employment typologies based on nature of contract as shown in Table 1.

64 | *Irregular Employment:* Owing to the nature of work in construction sites, most of the medium and low skilled workers have irregular employment. The study found that only 30% workers were employed in construction sites round the year, and 59% were engaged for a duration of 6 months to 1 year. The remaining 11% are the most vulnerable group of daily wage earners engaged through verbal employment arrangement doing low skilled jobs.

65 | *Inter-sectoral Mobility:* Many workers in construction sites who have irregular employment or their earnings from construction are very low, engage in other alternative forms of livelihood. Most of these workers, when not engaged in construction work, were engaged in seasonal agriculture work (Table 2). Among the 89% whose usual principal activity status (UPS)¹⁸ is construction, 67% were engaged in subsidiary employment¹⁹. Among the 30% workers who were regularly employed in construction sector in the reference period of 1 year, 18% had subsidiary employment- which indicates that earnings from construction are inadequate for supporting their household.

Among the workers, employed in construction sites round the year, incidence of subsidiary employment is highest among worksite cleaners (50%) all of

¹⁸ The usual principal activity (UPS) status of the person (UPS) is the activity on which a person spent relatively longer time (major time criterion – at least 6 months) during the one year preceding the date of survey.

¹⁹ A person whose principal usual status was determined on the basis of the major time criterion may have pursued some economic activity for a relatively shorter time (minor time – at least 30 days) during the reference period of one year preceding the date of survey. The status in which such economic activity is pursued is the subsidiary economic activity status of the person.



TABLE 1
Labour market segments, Value Chain actors, power relationships

Labour Market Segment		Employment Contract Types	Enterprise Actors	Workers' profiles	Assessment of power relationships
Labour Supply Chain	Formal and Regular (highly skilled technical employee staff, Professionals)	UDC, written contracts	Realtors, Construction Companies, Architect & Design Firms	Planning Engineers, Construction Managers, Marketing staff, Accountant, HR, Admin staff	Relatively lower power distance, comparatively higher bargaining power
	Formal contractual, Employed across the year (Professionals)	One Long Term or Multiple FDCs, written contracts	Realtors, Construction Companies, Architect & Design Firms	Architects, Accountants, Legal Professionals, Consultants	Largely individual work, competitive market driven remuneration
	Formal or Informal contractual, Employed across the year (High in-demand workforce)	FDCs through written contracts or verbal agreements to complete tasks spanning over weeks / months	Tier 1 and Tier 2 labour suppliers to construction companies and material production units	Specialized construction site workers, Equipment Operators, production machine operators	Relatively lower power distance, comparatively higher bargaining power, some amount of association
	Informal, Employed full year (part time in Principal, part time in Subsidiary employment)	Verbal agreements to complete tasks spanning over weeks / months	Construction sites, Off-site material production units	Semi-skilled workers: Plumber, Electrician, Steel workers	Higher Power distance, Lower bargaining power
	Informal, Employed part of the year (no Subsidiary employment)	Verbal agreements to complete tasks spanning over weeks / months	Construction sites, Off-site material production units	Low and semi-skilled workers: Concrete and batching plant workers, Bricklayers, Furniture unit workers	Even Higher Power distance, Lower bargaining power
	Informal, Employed (may not have subsidiary employment)	Verbal Contracts, daily or weekly wage earners	Sub-contracting enterprises linked to construction sites	Low skilled workers: Bricklayer assistants, Worksite cleaners, Material carrying workers	Highest Power Distance, Lowest Bargaining Power

67| whom are women. This reiterates the fact that women are disadvantaged in terms of job-roles, skills as well as earnings (See para 68 for wage differential between men and women). Among the 59% whose employment period is more than 6 months but less than a year, 49% had subsidiary employment (57%) of the identified bricklayers are not employed throughout the year even after considering subsidiary employment. Considering this job roles has a low farm to off-farm entry barrier, makes this section of the workforce vulnerable. The steel fixers are even more vulnerable, with 75% of them reporting they are unable to find work throughout the year even after considering subsidiary employment (see Table 2). This nature of the construction sector workforce, frequent change in their locations across project sites, and

seasonality poses administrative challenges for NSSF to include them in their schemes.

68| *Working Hours:* In the course of the value chain survey, the workers reported that they usually worked for eight hours per day, six days a week and were paid extra if they worked overtime. Generally their working hours were from 7:00 am to 11:00 am and from 1:00 pm to 5:00 pm. Depending on the construction project and the stage of production, some workers also worked in shifts while a few workers also worked overtime.

69| *Wages:* Unlike the garment sector, workers in the construction sector are still not protected by a minimum wage floor. According to the 2017 survey

TABLE 2

Assessment of the informal segments of construction site labour supply chain

Segments of the Labour Supply Chain in the Construction Sector		Selected actors in the construction site value chain				
Informal Segments (excluding written employment contracts)		Bricklayers	Concrete workers	Steel fixers	Worksite cleaner	Overall (incl. other job roles)
Informal, Employed throughout the year	No subsidiary employment	29%	0%	13%	17%	30%
	Subsidiary Employment	0%	33%	12%	50%	
Informal, Employed between 6 months to 1 year	No subsidiary employment	0%	17%	0%	17%	59%
	Subsidiary Employment	57%	17%	75%	16%	
Informal, Employed for less than 6 months	No subsidiary employment	14%	33%	0%	0%	11%
	Subsidiary Employment	0%	0%	0%	0%	



of construction workers in Phnom Penh²⁰, the average monthly wage of a worker was USD 190 (including overtime) whereas that of a garment wage worker was USD 226. Our study found that the average monthly wage rate of a construction worker is USD 202. Only 26% workers reported that they are able to save any amount from their disposable incomes. It may be pointed out that although construction sector workers reported inadequate and irregular incomes, the VC survey did not find any instance of non-payment of wages. In case of overtime work, they were paid for the extra hours of work done at the going rate.

⁷⁰ | *Wage settlement*: A study of wage settlement periods for selected job roles, show some roles to be more vulnerable than others (Table 3). All worksite cleaners, who are at Tier 3 of the labour market hierarchy (lowest tier), are employed as daily wage earners. The nature of their work requires the job to be undertaken and completed on a daily basis. Overall, the daily wage earners, who constitute almost half of the workforce we surveyed (49%, Table 3) are at the highest level of vulnerability in the labour market supply chain.

⁷¹ | Similarly, the steel workers (most of them working on bar bending, cutting and tying of

steel wires), are also required to work on short term assignments (may be a week) and hence are employed on weekly basis and their wages are also settled accordingly. Such categories of workers are also vulnerable.

⁷² | *Gender differential in wage rates*: the proportion of women in construction sites is small as compared to men. This is because the general perception is that women are less capable of performing heavy work. Women are mainly involved in low skilled jobs like cleaning the worksite, carrying materials, bricklaying and tile sealing. Many women who live with their families in construction sites, particularly seasonal workers, engage in unpaid work such as worksite cleaning. Women also reported to be usually earning less than their male counterparts. Our value chain survey found the average monthly wage rate of male workers is USD 213 while that of female workers is USD 127 (about 40% lower) that corroborates with earlier findings²¹ of USD 217 and USD 144 respectively (about 34% lower).

⁷³ | *Occupational Safety and Health Risks*: Our survey indicates that basic amenities such as living accommodation, toilets, drinking water, and fire-safety equipment are available for workers in the construction sites. However,

TABLE 3
Analysis of wage settlement period

Wage Settlement period	Selected actors in the construction site value chain				Overall (incl. other job roles)
	Bricklayers	Concrete workers	Steel fixers	Worksite cleaner	
Daily	29%	67%	13%	100%	49%
Weekly	57%	33%	88%	0%	30%
Monthly	14%	0%	0%	0%	21%

²⁰ BWTUC-CPS survey (2017), Preliminary Findings on Survey of Construction Workers in Phnom Penh

²¹ ibid



transport and canteen facilities are not commonly provided in companies. The CARE LRFCW Project Baseline Assessment 2016 reported that while most of the construction sites had basic sanitation facilities there was a good scope for improving present sanitation and hygiene conditions. The data on accidents presented in Table 4 is based on reported incidents that have been recorded by the NSSF.

74| Interview of workers in construction sites in the course of our value chain survey also reiterates that minor accidents are quite common in

construction sites and many of the labourers have faced accidents or have seen accidents happening to co-workers. Another survey commissioned by the ILO broadly estimated that for every ten incidents reported, four are not. Hence, the data can be taken as indicative only and may not reflect the gravity of the actual situation. It can be assumed that many more accident cases may have happened both in the formal and informal sectors but were not reported.

75| From the total number of accidents reported, those that occurred in the material production

TABLE 4
Accidents reported to the NSSF in construction value chain

Construction related sectors		Number of accidents (Aug 2008 - Aug 2017)		
		Victims		
		Male	Female	Total
1	Manufacture of articles concrete, cement and plaster	335	17	352
2	Cutting, Shaping and finishing of stone	203	57	260
3	Wood and wood products, straw and plating works	742	493	1235
4	Glass products, Mining and Quarrying, Steel works	445	34	479
Sub TOTAL accidents in construction materials related works		1,725	601	2,326
5	Construction of complete buildings	155	30	185
6	Real estate activities with own or leased property	121	40	161
Sub TOTAL accidents in construction project sites		276	70	346
7	Wholesale of machinery, equipment and supplies	45	37	82
8	Architectural and engineering activities and relate technical consultancy	27	13	40
Sub TOTAL accidents in construction services		72	50	122
TOTAL accidents in the above sectors		2,073	721	2,794



units and its supply chain (2,326) far exceeded the number of accidents that happened at the construction sites (346). Thus there is a simultaneous need to focus on improving social protection coverage for workers engaged at the construction material production units along with those who are working at the construction sites in order to achieve comprehensive extension of social protection measures across the entire value chain.

⁷⁶ Increasing trend of company registrations with the NSSF: Between 2009 and 2017, the annual rate of growth in companies registered with NSSF was observed to be about 49% while the annual increase in the registration of workers is about 42%. While this in itself is encouraging, the overall coverage of workers is still limited to only 3.97% (Table 5) of the estimated 200,000 construction sector workforce in the country. This corroborates with our survey findings of only 3% workers being registered with NSSF, and 5% with the HEF.

TABLE 5
NSSF registration increases of construction companies and their employees²²

Year (y-o-y for August)	Number of Companies Registered with NSSF	Number of workers Registered with NSSF	Avg. number of workers per company registered with NSSF
2009	5	482	96
2010	18	1,385	77
2011	21	1,431	68
2012	37	1,548	42
2013	47	1,900	40
2014	63	2,795	44
2015	75	3,939	53
2016	102	5,668	56
2017	123	7,951	65
Percentage of workers registered under NSSF out of estimated 200,000 workers in the sector		3.97%	Almost static and much less than number of workers engaged in mid-sized construction sites

Source: NSSF, DEFT Analysis

²² Data extracted from NSSF database using Code 4520 for construction companies

77| Our survey findings also show some smaller construction firms (mostly working as sub-contractors to larger construction companies) are not registered with either the MoLMUPC or the NSSF. Some of these firms, practically, were an association of persons established through community networks. In order to address this gap, there is a need to increase the pace of registration of sub-contracting firms in the construction sector.

78| Challenges to Worker's Performance: One of the most critical factors that act as hindrance to high labour productivity in the construction sector is low education level among workers. An ADB study²³ reported that about 40% of workers lacked sufficient education to perform well at their jobs. The construction sector continues to be a low barrier, attractive entry point for farm to off-farm low end job seekers who, otherwise, have limited options.

79| However, once engaged in the construction sector for a while, low levels of education become a challenge for the workers to move up the skill value chain and improve their wages. Over the years primary school enrolment rates have improved and are now around 98%. However, only about 30% of the youth move onward to complete high school. Our value chain survey also shows that most of the workers had dropped out of school before completing their secondary education. A preliminary survey of more than 1,000 construction workers in Phnom Penh revealed that only 13% workers had undergone some kind of vocational skill training of which 6% had attended formal TVET courses and 7% had been informally trained on job²⁴. With the advancement of construction technologies being deployed, many of the skilled construction job roles require clear concepts of measurement and Technical, Vocational Education and Training (TVET).



²³ ADB and ILO (2015), Cambodia. Addressing the Skills Gap: Employment Diagnostic Study.

²⁴ BWTUC-CPS survey (2017), Preliminary Findings on Survey of Construction Workers in Phnom Penh

DEFICITS AND VULNERABILITIES: GAP ANALYSIS



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Deficits and vulnerabilities:
GAP ANALYSIS

Deficits and vulnerabilities: GAP ANALYSIS

⁸⁰ A constraint analysis is given in Table 6 to understand the key gaps in expanding the social protection coverage to workers in the construction sector in Cambodia.

TABLE 6
Deficits and Vulnerabilities, Gap Analysis

SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
<p>Scope of application</p>	<p>Labour law of 1997, recognizes workers with written as well as verbal contract.</p> <p>Casual workers are subject to same rules and obligations and enjoy the same rights as regular workers. Legally, all on-site construction workers, irrespective of contract status are within the ambit of labour law. Since, according to law, fixed duration contracts must be written, otherwise they automatically obtain the status of permanent contract</p>		<p>Written contracts found primarily for construction staff along higher ladder of the VC. Workers' contract mainly verbal and they rarely enjoy same benefits, rights and privileges</p>	<p>Enforcement gap</p>



SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
Worker's rights	Workers and employers have right to form professional organizations for protecting their rights as well as moral and material interests. Workers have rights to group under workers' unions		Awareness of rights among workers is low. In a preliminary study of more than 1000 construction workers conducted in 2017, only 8% workers reported to be member of trade unions.	Awareness building about workers' rights to be encouraged

Employment Conditions

No-discrimination in work opportunities	No employer to discriminate in recruitment or providing work opportunity on the basis of color, gender, political opinion		gender discrimination of work opportunities and job roles visible	Enforcement gap
Working hours	The labour law stipulates that number of working hours cannot exceed eight hours per day, or 48 hours per week. If workers are required to work overtime for exceptional and urgent jobs, the overtime hours shall be paid at a rate of fifty percent higher than normal hours. If the overtime hours are worked at night or during weekly time off, the rate of increase shall be one hundred percent.		Workers in construction site reported that they usually work for 8 hours per day. Working hours: 7am to 11am & 1pm to 5pm. Overtime is prevalent. Workers get extra wages but rarely 50% higher than the normal hour wage rate	Enforcement gap



DEFICITS AND VULNERABILITIES: GAP ANALYSIS

SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
Wage Rate	According to Cambodian labour law, the wage must be at least equal to the guaranteed minimum wage; that is, it must ensure every worker of a decent standard of living compatible with human dignity. For work of equal conditions, professional skill and output, the wage shall be equal for all workers subject to this law, regardless of their origin, sex, age.		Minimum wages still not worked out for the construction sector. Wage discrimination on the basis of gender visible. No equal pay for equal work	Enforcement gap
 <p>Paid leave : public holiday/ paid annual leave/ paid sick leave</p>	Labour law has provisions for paid public holiday for workers of all enterprises. In case that the public holiday coincides with a Sunday, workers will have the following day off. Time off for holidays cannot be the reason for reducing monthly, bi-monthly, or weekly wages. Workers paid hourly, daily or by piece rate shall be entitled to an indemnity equal to the wage lost. This indemnity shall be paid by employer. Labour law (1997) provisions for paid annual leave based on conditions of continuous service. No legal provision for paid sick leave	Health Insurance scheme of NSSF defined under provisions of labour law to provide daily allowance for absence from work due to sickness (issued through sub-decree in 2016)	None of the workers recruited by verbal contract received paid leave. Even very few regular workers (UDCs) said that they received paid leave	Paid annual leave: Enforcement gap Paid sick leave: Labour law amended through sub-decree & attempted to be implemented through NSSF. Now it has become an enforcement issue

SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
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Occupational Safety and Health (OSH)

Working conditions	legal provisions exist for maintaining hygiene and sanitation standards and working conditions necessary for health of workers		Basic amenities such as living accommodation, toilets, drinking water, fire-safety equipment are available for workers in the construction sites. However, transport and canteen facilities are not commonly provided in companies.	Enforcement fair but quality to improve
Occupational Safety	Provision for guaranteeing workplace safety. Machinery, tools equipment to be installed and maintained in the best possible safety conditions		Perception of majority (2/3 rd approx) that worksite conditions are safe or moderately safe. More than 2/3 rd of total workers in the value chain survey reported using protective gear. Supervisors pay for protective gear and workers repay them (CARE study)	Structured intervention required. Provision of PPE by employers to be encouraged. PPE to be standardized for different job roles and employers to provide such equipment to workers.



SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
 <p>Work related accidents/ Injury</p>	<p>In case of work related injury or accidents, the enterprise has to accept responsibility. Victims of work-related accidents shall be entitled to medical assistance (benefits in kind, medical treatment and medicament as well as hospitalization) and to all surgical assistance and prostheses deemed necessary after the accident.</p>	<p>EII scheme exists in which employers fully pay the contribution to the NSSF at a rate of 0.8 per cent of the average “subject-to-contribution wages”. Benefits that employees can expect to receive from the NSSF include: transportation, health care until recovery, daily allowance during the period of absence from work, allowance for permanent work injuries, rehabilitation services, funeral allowance and allowance for dependants.</p>	<p>Minor accidents common in construction sites. Some fatal accidents were also reported. Most of the workers are not registered under NSSF</p>	<p>Previously, EII limited to enterprises with 8 workers. Now Regulation has been amended to include enterprises with at least 1 worker- which means workers having verbal contracts & working under tier 2 or tier 3 sub-contractors are eligible for EII. Employers to be fully responsible for provision of EII to workers. It has become an enforcement issue now.</p>
<p>OSH Inspection</p>	<p>Labour law provides for OSH inspection. The Department of Inspection under the MoLVT is in charge of OSH inspection.</p>		<p>Only enterprises registered with the NSSF are under the purview of OSH inspection. Need for joint inspection involving MoLMUP-C&MoLVT needs to be explored</p>	<p>Regulation/ legislation gap: Joint inspections likely to improve effectiveness of inspections</p>

DEFICITS AND VULNERABILITIES: GAP ANALYSIS

SOCIAL PROTECTION IN CONSTRUCTION SECTOR: MAJOR CONSIDERATIONS	SAFEGUARDS	INSTITUTIONAL INITIATIVE	ON-GROUND OBSERVATIONS	GAP ANALYSIS
Maternity	<p>According to Cambodia's labour law, a woman is entitled to maternity leave of 90 days. The employer is prohibited to laying off women during their maternity leave. Women are entitled to half of their wage, including prerequisites during the maternity leave although wage benefits shall be granted only to women having a minimum of uninterrupted service in the enterprise</p>		<p>Majority of supervisors/ sub-contractors do not prefer to hire pregnant women. If a woman worker gets pregnant during the tenure of her work, she is advised to stop working as construction work is perceived to be unsafe.</p>	

KEY FINDINGS



81| Informality in the labour supply chain: The construction labour supply chain in Cambodia (like many other countries) is characterized by complex sub-contracting arrangements. A few large formal enterprises of realtors and main contractors sub-contracted work to smaller enterprises who were either formal or informal MSMEs. These MSMEs are either off-site building material production units (which supply intermediate products and related services to construction sites) or are purely labour suppliers at the construction sites. Informality permeates different tiers of the construction value chain both at construction sites and off-site. Thus, any intervention seeking to improve working conditions for construction workers must look beyond the final site of construction all the way to the natural resource sourcing and production units, operating at the beginning of the construction value chain.



82| The construction site companies rely on recruitment of workers through sub-contractors, which provides an important labour market entry point for the landless and low skilled workers. The nature of employment contract with low skilled or medium skilled workers such as steel workers, cement workers, concrete mixers, bricklayers, and worksite cleaners is primarily verbal. The nature of verbal contract also varies according to job-roles. At any site, a particular phase of work required steel fixers or bricklayers are required to be continuously engaged for 6 months or more. The VCA survey mirrored this and showed that unwritten, verbal agreements were prevalent for these job-roles. Such agreements, which could be classified as contracts but as an informal understanding between parties, were for a pre-determined duration needed to complete certain activities at that stage of construction. Other workers, such

as concrete workers or worksite cleaners, were employed as daily wage earners as their nature of work required completion on a daily basis. These workers were at the lowest hierarchy of the labour market value chain and experience highest vulnerability.

83| Irregularity in employment, seasonality and mobility: Most of the medium and low skilled construction site workers have irregular employment. The study found that only 30% of such workers were employed in sites round the year, 59% were engaged between 6 months to 1 year, and 11% were engaged for a period of less than 6 months. Most of these workers, when not engaged in construction work, were engaged in seasonal agriculture work. This nature of the construction sector workforce, frequent change in their locations across project sites, and seasonality poses administrative challenges for NSSF to include them in their schemes.

84| Wage settlement: A study of wage settlement periods for selected job roles, show some roles to be more vulnerable than others. All worksite cleaners, who are at bottom of the labour market hierarchy, are employed as daily wage earners. The nature of their work requires the job to be undertaken and completed on a daily basis. Overall, the daily wage earners, who constitute almost half of the workforce we surveyed (49%) are at the highest level of vulnerability in the labour market supply chain. Similarly, the steel workers (most of them working on bar bending, cutting and tying of steel wires), are also required to work on short term assignments (may be a week) and hence are employed on weekly basis and their wages are also settled accordingly. Such categories of workers are also vulnerable.

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- 85| Gender inequality in wages: A smaller number of women work in construction sites as compared to men. Women are mainly involved in low skilled jobs like cleaning worksite, carrying materials, bricklaying and to an extent in steel fixing works. Many women live with their families in the construction sites, particularly seasonal workers. Women reported to be usually earning less than their male counterparts: VCA survey found the average monthly wage rate of male workers is USD 213 while that of female workers is USD 127 (about 40% lower).
- 86| Need to evolve a Minimum Wage Floor: Cambodia has evolved and implemented a minimum wage floor for garment sector workers. However, a minimum wage floor is yet to be evolved and established for the construction sector. Our survey findings show differing wages for same job roles (e.g. for male concrete workers, it varied between USD 150 and USD 225) across project sites. If this minimum wage floor can be achieved through a tripartite consultation process (involving Government, construction sector employers and workers organizations), it would help advance the goal of extending improved social protection coverage to workers.
- 87| Accidents: Workers reported that minor accidents are quite common in construction sites and many of the labourers have faced accidents or have seen accidents happening to co-workers. From the findings from a previous ILO study, it is likely that more accident cases may have happened but were not reported to the NSSF. Also, from the total number of accidents reported to NSSF, those that occurred in the material production units and its supply chain (2,326) exceeded the number of accidents that happened at the construction sites (346). Thus there is a simultaneous need to focus on improving social protection coverage for workers engaged at the construction material production units along with those who are working at the construction sites in order to achieve comprehensive extension of social protection measures across the entire value chain.
- 88| Occupational Safety: The Cambodian labour law aims to ensure workplace safety for workers which include safe installation of machinery and tools being maintained in the best possible safety conditions. The VCA survey reveals that majority of the construction site workers believed that their worksite conditions were safe or moderately safe. However, the provisioning of Personal Protective Equipment (PPE) by the employers differed across sites. Though about 2/3rd of workers surveyed in the VCA reported using some kind of PPE that may not have been adequate for their job roles. A structured tripartite intervention that standardizes adequacy and provisioning of PPE according to job roles that is consistently adopted could help improve safety conditions across construction sites.
- 89| Weak enforcement through OSH inspection: The VCA survey and consultative meetings with stakeholders revealed that enforcement through OSH inspections was still weak in the construction sector. That the OSH inspectors were not empowered enough to undertake appropriate enforcement measures was a common finding in meetings with OSH Department and NSSF officials, MoLMUPC officials. From the discussions it emerged that in many cases, the OSH inspectors were not even allowed to enter the construction sites. Introducing joint inspection through a Joint sub-decree to include MoLMUPC and NSSF as well along with OSH Department could strengthen enforcement through OSH inspections.

KEY FINDINGS

⁹⁰| Low coverage of Social Protection: The annual rate of growth (between 2009 and 2017) for NSSF registrations among construction companies was 49%. However, the overall coverage of construction workers under NSSF was still limited to only 3.97% of the estimated workforce of about 200,000 in the country. The findings from the VCA survey were similar: only 3% workers were registered with NSSF while 5% had enrolled for the HEF. A large number of construction workers were informally engaged through the MSME firms working as sub-contractors to the larger main contractors. In order to extend NSSF coverage to a larger number of construction workers, there is a need to register more MSME sub-contracting firms along their employees with the NSSF. In the tripartite workshop, the employers' organizations stated their willingness to support any such initiative by the NSSF and play a role in the process. They also suggested that the sub-contractors be appropriately incentivized to come forward for registrations.

⁹¹| Likely challenges to extend NSSF coverage to smaller construction firms: The present NSSF processes are aligned to employers being accountable for registering their workforce and making monthly contributions to the NSSF. These processes expect some capacity of the employers to deal with NSSF's institutional processes of employee record keeping and making monthly contributions to the NSSF which most MSME construction companies presently lack. Moreover, the NSSF processes at present are not designed to handle non-standard employment types and any periodicity of collection other than monthly. This is in

variance with prevalence of unwritten contracts in the construction labour supply chain with multiple types of wage settlement periods: daily, monthly or on a task completion basis.

⁹²| Hence, it can be expected that challenges of collection would emerge when the NSSF registrations are expanded to cover MSME sub-contractors. As a measure of addressing this challenge, NSSF may consider the premise that "principal employer is liable" and accordingly the main contractor for the project shall be liable to pay the NSSF contribution in case of default by any of its sub-contractors. In a tiered and hierarchical construction labour market supply chain, this would require the main contractors to issue written contracts to all their sub-contractors who, in turn, would be required to issue written contracts to all their respective sub-contractors thereby formalizing the entire construction value chain.

⁹³| Likelihood of distortion (offerings from HEF and NSSF): Registration with the HEF provides access to healthcare and other benefits to at least 2 million poor and vulnerable individuals. The proposed expansion of NSSF Employment Injury Insurance (EII) and Social Health Insurance (SHI) coverage could be perceived to have some underlying overlapping areas (especially since NSSF also issues the HEF cards). Workers either registered or opting for HEF registration would need to be made aware on the offerings and differences between HEF, NSSF EII and SHI schemes. Building this awareness among the construction sector workforce could help increase registration under the NSSF schemes.







RAPID MARKET AND VALUE CHAIN ASSESSMENT OF THE BUILDING **CONSTRUCTION** **SECTOR** IN CAMBODIA

FINAL REPORT

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