



International
Labour
Organization

▶ Extending social protection for workers in Cambodia

A study to understand the characteristics of workers
and enterprises in the informal economy



Funded by
the European Union

▶ **Extending social protection for workers in Cambodia**

A study to understand the characteristics of workers and enterprises in the informal economy



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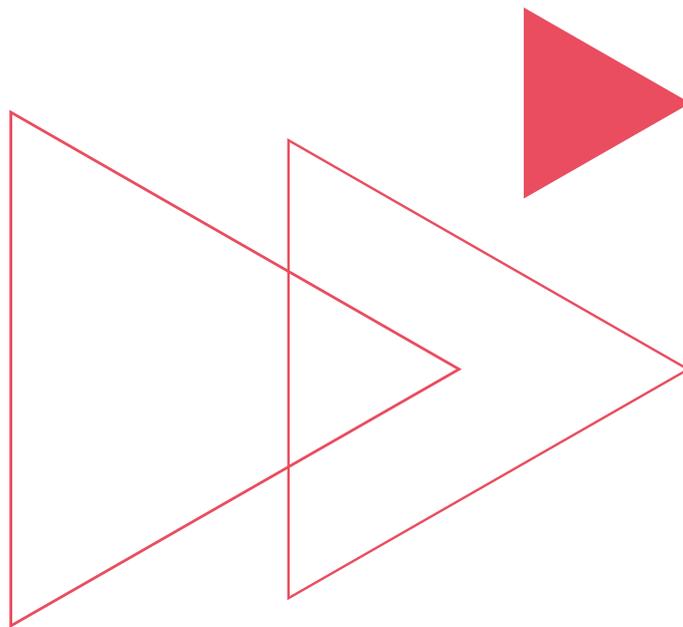
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CamDX	Cambodia Data eXchange
CIES	Cambodia Intercensal Economic Survey
CT-PWYC	Cash Transfer for People With Young Children
FTE	full-time equivalent
GDP	gross domestic product
GRET	Groupe de Recherche et d'Echanges Technologiques
IDEA	Independent Democracy of Informal Economy Association
IDPoor	Identification of Poor Households
LFS	Labour Force Survey
MEF	Ministry of Economy and Finance
MEI	Microempendedor Individual

MISTI	Ministry of Industry, Science, Technology and Innovation
MoC	Ministry of Commerce
MoLVT	Ministry of Labour and Vocational Training
MPWT	Ministry of Public Works and Transport
MSMEs	micro, small, and medium-sized enterprises
NGO	non-governmental organization
NSE	non-standard employment
NSPC	National Social Protection Council
NSPPF	National Social Protection Policy Framework
NSSF	National Social Security Fund
NSSFCS	National Social Security Fund for Civil Servants
NVF	National Veterans Fund
SES	Socio-Economic Survey
SMEs	small and medium-sized enterprises
UNDP	United Nations Development Programme



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► Executive summary

Introduction

Articles 36 and 75 of the Cambodian Constitution entitle every citizen to obtain social security and other benefits, and commits the State to establishing a social security system for workers and employees. While substantial efforts have been made in the last few years to achieve these aims, a number of challenges remain, the most important being the fact that 88 per cent of the labour force are informal (according to 2019 data), resulting in a huge proportion of the active-age population not being covered by social security. If Cambodia is to achieve its vision of comprehensive social protection coverage, and indeed meet the objectives of its Economic Recovery Plan in the Context of Living with COVID-19 in terms of promoting business recovery and alleviating the impacts and burdens on vulnerable workers and their families, substantial efforts need to be made to extend coverage to workers in the informal economy. These efforts are particularly important because the high vulnerability to poverty of large parts of the Cambodian population mean that the need for social protection against economic and life-cycle-contingent risks and uncertainties also remains high. Furthermore, the lack of formalization negatively impacts government revenue through diminished social security contributions and tax receipts.

In this context, this report presents a study of the Cambodia labour force (that is, those of active age) using data from the 2019 Cambodia Labour Force Survey (LFS) and 2019 Cambodia Socio-Economic Survey (SES). It provides a detailed analysis of the characteristics of workers and the respective enterprises in which they are employed, with an emphasis on those who are not currently covered by social security. The purpose is to inform the development of a strategy to increase the level of formalization among workers and enterprises, and to expand social protection coverage for those of active age, both in terms of contributory social security (for those with the capacity to contribute) and non-contributory social assistance (for those without such capacity).

Methodology

The study was conducted using a mixed-methods approach, including a literature review, quantitative analysis of national survey data, and key informant interviews with key stakeholders in both government and civil society.

The literature review was conducted to appraise the current Cambodian context and the relevant policies and legislation, alongside key issues and challenges in terms of access to and coverage of the employed population by social security and the prevailing conditions in the national enterprise landscape. The review informed the quantitative data analysis and helped identify relevant stakeholders for key informant interviews, which were used to clarify information and triangulate relevant findings from the quantitative analysis.

We conducted quantitative analysis of the 2019 Cambodia LFS data; we also analysed the 2019 Cambodia SES data for triangulation purposes, as well as to dig deeper into defined areas, such as workers' ability to pay social security contributions. The quantitative analysis applies three key disaggregations:

1. Between the “formal” and “informal” sectors for both workers and enterprises.
2. Between those who are covered and those who are not covered by social security (principally the National Social Security Fund (NSSF)).
3. Between civil servants and non-civil servants (with our focus being on the non-civil-servant workforce).

To supplement and fill any gaps in the quantitative analysis, key informant interviews were conducted (led by the International Labour Organization (ILO) and the United Nations Development Programme (UNDP)) with key stakeholders, including (within government) the NSSF, the Ministry of Industry, Science, Technology and Innovation (MISTI), and the Ministry of Commerce (MoC); and (within civil society) the Independent Democracy of Informal Economy Association (IDEA) and ONG GRET (Groupe de Recherche et d'Echanges Technologiques).

Findings

Informality is a major condition of the Cambodian labour market and enterprise landscape: of the 7.3 million non-civil servant workers (that is, those of key interest for the purposes of this study), just 1.1 million (15 per cent) work in the formal sector, while 6.1 million (84 per cent) work in the informal sector, and just less than 0.1 million (1 per cent) work in households. This means that 90 per cent of the non-civil servant workforce are employed in the informal sector.¹ These figures reflect the fact that most Cambodian enterprises are informal. Nationally, only 3.5 per cent of all enterprises were officially registered with the MoC in 2015.

In terms of the employment status of those of active age, some 3.2 million non-civil servant workers (44 per cent) are wage earners (employees); while 4.1 million (56 per cent) are non-wage earners. The latter includes 0.3 million employers (4 per cent), 2.9 million own-account workers (40 per cent), and 0.9 million contributing family workers (13 per cent). This means that over half the labour force are classified as being in vulnerable forms of employment.²

In line with the vanishingly small proportion of enterprises that are officially registered, over two-thirds (70 per cent) of wage earners (employees) work within the informal sector. Unsurprisingly, the proportions of employers (85 per cent) and own-account workers (96 per cent) who work within the informal sector are even higher. However, this should not detract attention from the fact that almost as many wage earners are uninsured as own-account workers, indicating that informality is not restricted to self-employment and own-account work but is also associated with wage-earning employment. Contributing family workers are informal by definition, and, importantly, women workers are more than twice as likely as male workers to be among this group.

¹ Including civil servants, 88 per cent of the labour force work in the informal sector.

² Vulnerable forms of employment status include own-account workers and contributing family members.

Looking at employment status by sector, we see that some sectors have a particularly high share of vulnerable employment (that is, those working as own-account workers or family workers). Sectors with high shares of vulnerable employment include agriculture (55 per cent own-account workers, 25 per cent family workers); wholesale and retail trade (69 per cent own-account workers, 14 per cent family workers); and transport (48 per cent own-account workers). Similarly, the accommodation and food sector and domestic worker sector both include a significant proportion of non-employees (44 per cent and 49 per cent, respectively). By contrast, other sectors have high proportions of employees. These include construction (95 per cent), manufacturing (including both the garment and non-garment subsectors, 92 per cent in both cases), and other services (75 per cent).

This high level of informality means that the vast majority of workers are not covered by key labour rights or social protections, and thus are highly exposed to economic and life-cycle-contingent risks, which threatens their productivity and diminishes aggregate demand within the economy (that is, should any of these risks negatively impact workers' income or transpire to remove them from the labour market altogether). The low level of formalization also negatively impacts government revenue through diminished social security contributions and tax receipts.

In relation to social security, the NSSF is likely to cover somewhere between one in ten (11 per cent) and one in five (22 per cent) of the non-civil servant workforce, depending on whether one considers active or total registered NSSF members.

Even in the formal sector, not all workers appear to be insured: the LFS data estimate that, of the 1.1 million formal sector workers, 0.8 million (68 per cent) are not covered by social security, with only 0.4 million (32 per cent) insured under the NSSF. These data indicate that a significant number of people working in formal enterprises are not covered by the NSSF, in contravention of the Labour Law, which implies that many employers are not complying with the law by contributing to social security. The issue seems to be particularly serious in certain sectors (manufacturing stands out, followed by "other services" and the construction sector) and suggests the need for priority attention to these sectors in order to strengthen compliance with social security legislation.

Not being insured by social security is related to different characteristics of workers. Age is one such characteristic, with older workers less likely to be insured than younger ones. Income is important too, with poorer workers also being less likely to be insured. For example, the LFS estimates that nearly all (99.5 per cent) of those in the bottom income quintile are uninsured, versus around 85 per cent in each of the upper three quintiles. Similarly, a person's education level matters for being insured, with those with lower levels of education less likely to be insured. For example, in 2019, 70 per cent of those insured by the NSSF had a secondary education or higher, while only 44 per cent of uninsured workers did. Finally, gender also plays a role: men are less likely to be insured, with 95 per cent of male workers being uninsured, compared to 92 per cent of female workers. This is driven by women's predominance among the workforce in the manufacturing sector (women represent almost two-thirds (64 per cent) of all such workers), and especially within the garments subsector (where they constitute over three-quarters (76 per cent) of all workers).

³ Based on planned legislation for the NSSF pension scheme.

Beyond personal characteristics, the sector in which a non-civil servant worker is active also affects their likelihood of being insured. The sector reporting both the largest number of uninsured workers (2.6 million) and the highest proportion of uninsured workers (99.9 per cent) is agriculture, followed by wholesale and retail trade (1.3 million; 99 per cent), manufacturing (1.0 million; 75 per cent), construction (0.8 million; 98 per cent), other services (0.5 million; 87 per cent), transport (0.3 million; 98 per cent), and accommodation and food (0.3 million; 99 per cent). By contrast, the sectors with the lowest rates of informal sector workers are manufacturing – garments industry only (52 per cent), other services (62 per cent), and manufacturing – non-garments industry (65 per cent).

The barriers to coverage by social security are both financial and non-financial. In regard to the former, using SES 2019 data we were able to look at wage earners' potential to contribute a maximum of 6.75 per cent of their income to an NSSF pension.³ We found that around half (52 per cent) of all employees are potentially able to contribute towards such a pension (though this proportion drops to 38 per cent if we assume that employees are required to cover the whole of household consumption by themselves). However, this proportion differs across different economic sectors, with the highest proportions of workers with the ability to contribute being in the construction, manufacturing and public administration sectors, and the lowest being domestic workers (none of whom have the capacity to contribute), agricultural workers, and those working in wholesale and retail trade.

The different capacities to contribute across different types of workers indicates that distinct strategies will be required to provide income security and access to services for those with higher capacity to contribute – that is, extending coverage of the NSSF – versus those with limited or no capacity to contribute (such as the poor and vulnerable) – for whom non-contributory measures will be needed.

Moreover, despite the somewhat encouraging findings on ability to contribute, debt remains a significant challenge for around a third of households, and may prove a significant hinderance to workers' ability to contribute, especially among the poorest income quintiles, as these households are more likely to have the highest ratio of outstanding debt to average annual per capita consumption of all quintiles bar the wealthiest quintile.

Beyond financial obstacles, there are other key non-financial barriers to accessing social security on the demand side. One of these is a lack of knowledge and awareness about benefits and processes. One study found that close to two-thirds of respondent workers were not aware of the NSSF at all (Oxfam 2022). Another barrier is a lack of trust in the system among both workers and enterprises alike: just under half (47 per cent) of study respondents cited this as an issue.

These issues are conditioned and compounded on the supply side by capacity and other constraints within the NSSF and other related government organizations and institutions (including the legal and policy framework). These constraints include:

- ▶ Limited administrative and technical capacity.
- ▶ Weak coordination between the NSSF and other government agencies (for example, due to the lack of an integrated management information system).
- ▶ Low capacity and knowledge of enterprises regarding registration and compliance.
- ▶ Low or conflicting incentives to register and comply.
- ▶ Complex and burdensome administrative procedures.
- ▶ Weak enforcement of compliance.

The effect of the registration and compliance burden on enterprises is that workers in the formal sector and in medium and large enterprises are significantly more likely to report being insured than those in the informal sector and micro and small enterprises – and this in a context in which micro-, small- and medium-sized enterprises (MSMEs) account for 99.8 per cent of all enterprises in the country. To give a more detailed picture: while 65 per cent of workers in enterprises with 50 workers or more are reportedly not insured, this figure is 94 per cent for those working in small enterprises and 98 per cent for those in micro-enterprises. Thus, the smaller the enterprise size, the more likely a worker is to be employed by an informal (that is, non-registered) enterprise. This indicates that specific strategies need to be developed for small and micro-enterprises, as well as pointing to the need to strengthen compliance and registration for larger enterprises to ensure more (or all) of these are formalized.

Policy implications for extending social security coverage

The key finding of the study is that the high level of informality in the Cambodian economy means that the majority of workers are not covered by key labour rights or social protections, which exposes them to a variety of economic and life-cycle-contingent risks. This in turn poses knock-on risks to the State and economy in the form of reduced revenues, lower productivity and reduced domestic demand. As part of its COVID-19 Economic Recovery Plan (Cambodia, MEF 2021), the Government of Cambodia should therefore develop and implement a comprehensive strategy for formalizing enterprises and for expanding the coverage of social protection in the working-age population – that is, among workers in the informal economy. This will have the benefit of increasing government revenue through increasing social security contributions and tax receipts.

Here it is important to acknowledge that there is no one-size-fits-all solution, but rather such an endeavour requires a combination of contributory social security and non-contributory social assistance, taking into account the heterogeneity of the active-age population. Only such a dual approach can ensure that those with limited or no contributory capacity have access to a basic level of social protection through the social assistance pillar, while providing more comprehensive protection via the NSSF to those with contributory capacity.

Key elements of a strategy to increase coverage of social protection for the active-age population could include the measures below, which cover both mid-to-long-term and short-term horizons.

Mid-to-long-term measures

Develop and implement a national, integrated and multi-sectoral strategy or road map for formalizing enterprises and for expanding coverage of social protection to the working-age population. This strategy should go beyond social protection and involve multi-ministry efforts, including the Ministry of Commerce, the MoLVT (including NSSF) and the Ministry of Economy and Finance. It should establish and strengthen links between social protection and other policy areas – such as business registration, labour legislation, taxation and employment policies – to increase the incentives for both workers and enterprises to register.

Make efforts to formalize enterprises, particularly micro and small enterprises, which dominate the Cambodian enterprise landscape. These efforts should aim at making the benefits of formalization outweigh the costs. Given the large size of the informal sector in Cambodia and its heterogeneity, this will require a gradual approach and tailored strategies to address coverage gaps in different sectors. This could mean targeting selected sectors or subsectors where the challenges are relatively smaller as a first priority, before slowly expanding to other sectors where the barriers to expanding coverage are relatively higher. As part of these efforts, it is important to create an enabling environment for businesses and to remove or ease barriers to formalization (such as low productivity, limited access to finance, tax burdens, poor information and administrative complexity). In regard to providers of digital platform services in particular, and depending on how the Government decides to classify the employment relation between these services and their workforce, such providers could be obligated to make social security contributions on behalf of their workforce, as well as to provide other employment-based protections (such as paid annual leave).

Put in place integrated financing for social protection coverage, involving both contributory social security for those with capacity to contribute and non-contributory social assistance for those without such capacity (such as agricultural workers, own-account workers, and contributing family workers). This is particularly relevant given the prevalence of vulnerability and precarious employment in Cambodia, as many workers struggle to make sufficient contributions to allow them to receive adequate benefits.

Short-term measures

Create an interagency taskforce to develop a common shared vision for an integrated approach to formalization among relevant government ministries, departments and agencies. The taskforce could sit, for example, under the General Secretariat of the National Social Protection Council and could lead the development of a national integrated strategy or road map for formalizing enterprises and expanding coverage of social protection to the active-age population (see the first recommendation under the mid-to-long-term measures above).

Improve coordination between the NSSF and relevant ministries to ensure data sharing and complementarity between different government services, including through the Cambodia Data eXchange (CamDX) platform. For example, information on members of the NSSF and beneficiaries of social assistance programmes could be connected to better coordinate the provision of services across

and between these groups, and/or information on NSSF members and licensing agencies such as Ministry of Public Works and Transport and MISTI could be shared to enforce social security regulations for employers. Enterprises already registered with the relevant sector ministry (such as MISTI) could be automatically forwarded on to the MoC to be formally registered if currently informal.

Improve communications about the benefits and costs of social security and of formalization, including the existing legal obligations and administrative processes for registering for and claiming benefits. Communication should take place across a variety of media, and specific messages should be tailored to specific target groups (such as workers and enterprises, various economic sectors, and MSMEs and large businesses).

Simplify administrative processes for registering, making contributions, and claiming and paying benefits. Government investments in digital services (for example, CamDX and online business registration) could be leveraged to increase efficiency and strengthen linkages across different relevant government organizations. Specific elements here could include the following:

- ▶ Connecting the NSSF to CamDX and the single portal online registration system.
- ▶ Putting in place an automated connection to CamDX for the General Department of Identification, Ministry of Interior, to simplify registration processes and enable online registration.
- ▶ Using the bespoke web application developed in partnership with the NSSF to aid the registration and payment of contributions for self-employed and domestic workers.
- ▶ Improving the skills of MoC and NSSF staff in terms of online business registration (for the former) and online registration (for the latter).
- ▶ Harmonizing payments and contributions mechanisms between social insurance and social assistance programmes to enable efficient subsidization of contributions by the Government as well as payment of benefits.

Strengthen compliance and enforcement, including strengthening the NSSF inspection function, drawing on improvements with data linkages across government agencies, reviewing the system and enforcement of penalties imposed on enterprises and employers for non-compliance, and exploring linking compliance to licensing for certain sectors (such as transport, manufacturing and construction). The preliminary focus could be on medium to large enterprises in the manufacturing sector, given the study's finding regarding people working in formal enterprises in this sector not being covered by the NSSF, despite the legal requirement in this regard.

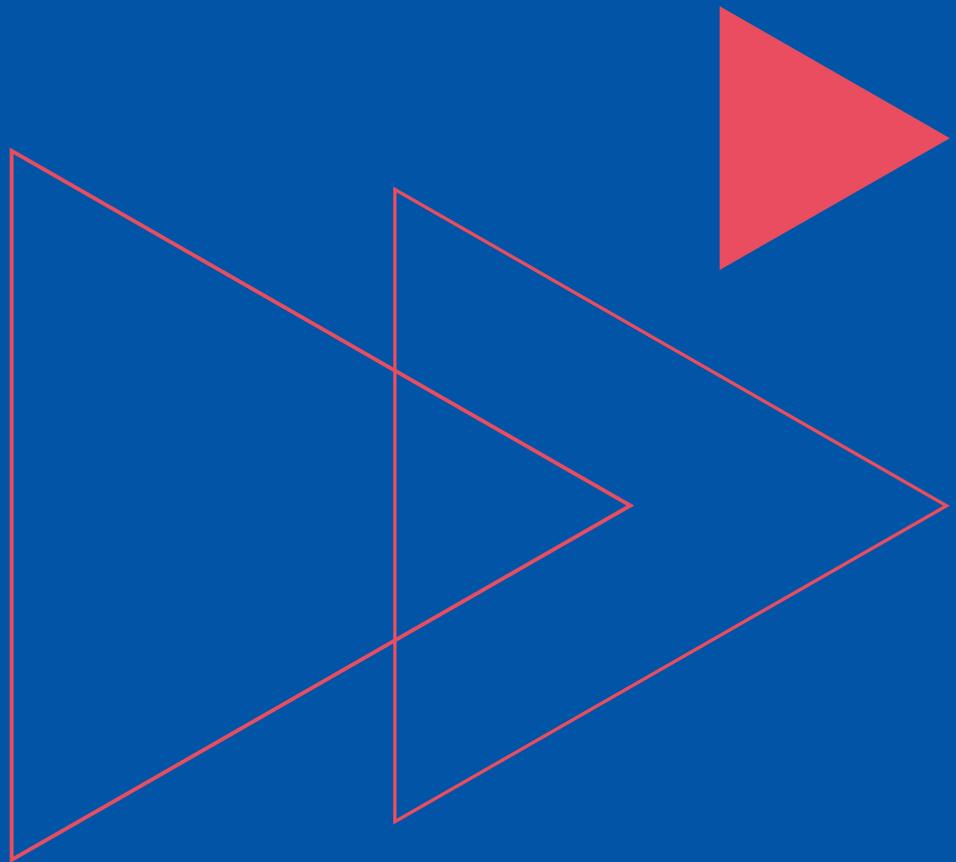
Develop new legal provisions, including updating the Sub-Decree on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021) to include self-employed persons, so as to enable the NSSF to cover this group.

Address high levels of private debt, which could undermine many Cambodian workers' ability to contribute to social security. Such measures could be facilitated by the Government by tying debt restructuring or forgiveness to business registration, taxation and social security registration. This could include own-account workers and micro and small enterprise owners/employers.



1

Introduction



The aim of this assignment is to conduct a detailed analysis of the 2019 Cambodia Labour Force Survey (LFS) and 2019 Cambodia Socio-Economic Survey (SES) data in order to better understand the characteristics of workers and enterprises that are not currently covered by social security. The purpose is to inform the development of a strategy to increase the level of formalization among workers and enterprises, and to expand social protection coverage for those of active age, both in terms of contributory social security (for those with the capacity to contribute) and non-contributory social assistance (for those without such capacity).

1.1. Background

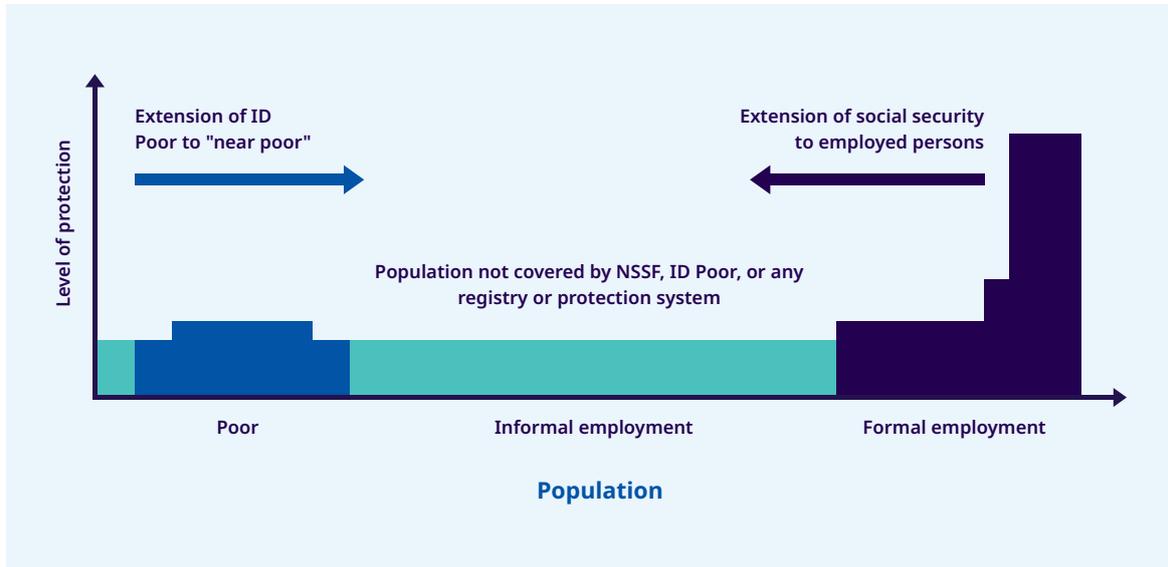
According to the National Social Protection Policy Framework 2016–25 (NSPPF), the Cambodian Government’s long-term vision is to build an efficient and financially sustainable social protection system that can serve as an effective policy tool for reducing and preventing poverty, vulnerability and inequality; strengthening human resource development; and stimulating economic growth (Cambodia, Government of Cambodia 2017).

Substantial efforts have been made in the last few years to significantly increase the coverage of social protection and the different functional benefits it provides.⁴ In 2017 the Government published the NSPPF, which outlines an ambitious vision for the sector, in which a comprehensive set of policies and institutions operate coherently to respond to both the current and future needs of society (OECD 2017). The NSPPF-defined concrete governance arrangements and the rapid establishment of the National Social Protection Council (NSPC) in 2017 enabled the translation of policy into tangible actions. The financial and human resources that have been put into the NSPC General Secretariat have made it the lead social protection actor in the country, which in turn has led to strong government ownership and buy-in of social protection policy.

Since the launch of the NSPPF, the social protection system has been enhanced through the introduction of new social assistance schemes, alongside the improvement of existing ones, as well as the extension of the types of benefits provided by the social security tier under the National Social Security Fund (NSSF).

⁴ The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), defines nine functional benefits provided by social security systems: (1) medical care; (2) sickness benefit; (3) unemployment benefit; (4) old-age benefit; (5) employment injury benefit; (6) family benefit; (7) maternity benefit; (8) invalidity benefit; and (9) survivors’ benefit. These are supplemented by other benefits encompassed by the wider definition of social protection, namely: housing, basic education, and other income support and assistance/social inclusion.

► **Figure 1. Stylized representation of a strategy for extending social protection coverage of workers in the informal economy**



Source: Adapted from ILO (2019).

The Government has taken on greater responsibility for the financing and management of various elements of the system, and the NSPC and its General Secretariat have played an important role in convening stakeholders around the policy, as well as coordinating the national social protection response to COVID-19 (ILO, forthcoming).

Acknowledging these important developments within the Cambodian social protection sector, however, does not imply that there is not more work to be done to continue to expand and strengthen national social protection services. A number of challenges to the vision laid out in the NSPPF are recognized, including:

⁵ A recent review of the NSPPF finds the following:

- Less than one in ten school children receive support from scholarship programmes.
- Around 40 per cent of mothers receive a lump-sum payment on the birth of a child.
- One in five mothers receive maternity support through the NSSF.
- 14 per cent of workers are insured against injury.
- 15 per cent of those with moderate or severe disabilities receive disability benefits.
- Around one in ten persons over 60 are covered by pensions .
- Around a third of individuals have access to subsidized healthcare services (ILO, forthcoming).

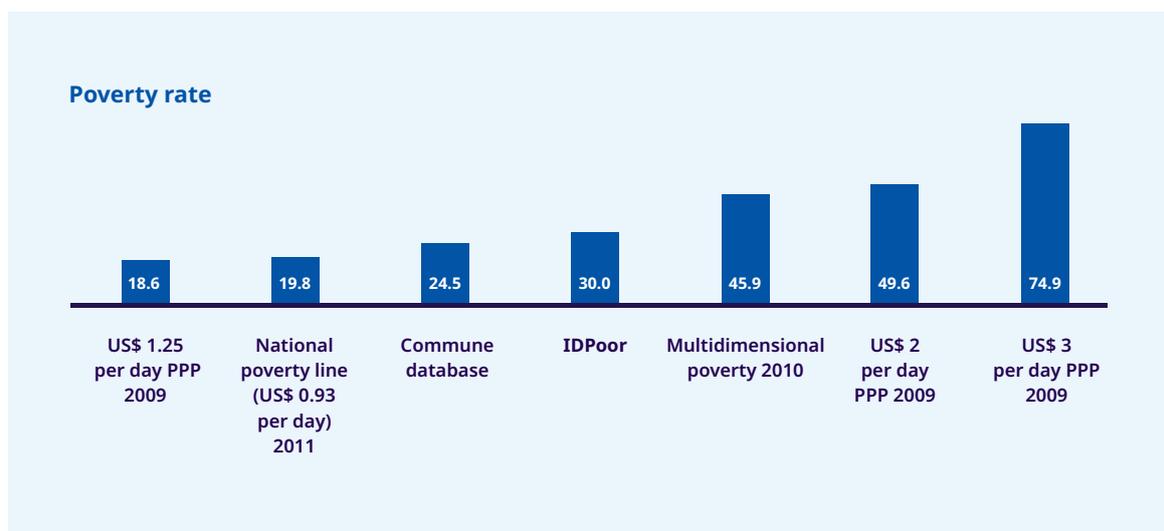
⁶ Including in agriculture and the industrial sector, and in social sectors such as health and education (World Bank 2014).

- ▶ Limited coverage and adequacy of social protection benefits.⁵
- ▶ Areas of low effectiveness and efficiency within the system due to high costs and inconsistency of benefits across schemes.
- ▶ Underdeveloped systems for monitoring policy.

There are also difficulties stemming from the broader operating context, such as the low level of development in the financial investments environment, and the need for reform of tax policy in relation to social protection services, and for these to operate without imposing a heavy administrative and financial burden on their members and beneficiaries.

The conditions of much of Cambodia's population mean that the need for social protection against economic and life-cycle-contingent risks and uncertainties (including from both contributory and non-contributory programmes) remains high – even before one considers the impact of COVID-19 (ILO, UNICEF, IOM and UN Women 2022; Charadine and Hör 2021). While supportive government policies⁶ have resulted in monetary poverty falling rapidly since the early 2000s (from 52 per cent in 2004 to around 18 per cent in 2019 (World Bank 2021b)) and in inequality also declining, a large proportion of the population remains highly vulnerable to falling back into poverty, with the poverty rate extremely sensitive to changes in the poverty line (World Bank 2014; ADB 2014). Analysis also demonstrates that other deprivation levels have not declined as quickly as monetary poverty, with multidimensional poverty remaining significantly higher than monetary poverty in 2011 (World Bank 2014). Climate change, internal and international migration patterns, urbanization, and changes to the age structure of the population are likely to increase demand for social protection over the longer term (OECD 2017).

▶ **Figure 2. Comparison of poverty lines in Cambodia in 2011 (%)**



Source: ADB 2014.

Furthermore, during the COVID-19 pandemic, the United Nations Development Programme (UNDP) found that while the income of informal workers had dropped significantly, very few (<5 per cent) reported receiving support from the Government (for example through the IDPoor programme⁷) as of January/February 2021 (UNDP 2022).⁸ Meanwhile, the World Bank (2021a) estimates that COVID will significantly increase poverty, by between 5 and 6 percentage points, reversing around six years of poverty reduction efforts, with those remaining above the poverty line also likely to face significantly increased economic stress. Substantial efforts therefore need to be made to extend social protection coverage to workers in the informal economy, including via a more gender-sensitive approach that can effectively and appropriately respond to women workers' voices and specific needs.⁹

As a result of this situation, the Government's recent COVID-19 Economic Recovery Plan highlighted strengthening social protection and increasing formalization as crucial elements for aiding economic and social recovery in the post-COVID-19 landscape (Cambodia, MEF 2021).¹⁰ At the same time, it is recognized that a variety of differing ideas and approaches regarding how to achieve these aims are currently being discussed among key stakeholders, and there are varying perceptions about the extent to which the term "formalization" denotes business registration, tax contribution, social protection coverage, and/or skills development, among other dimensions. Thus, building consensus and developing a common country strategy are essential in order to address the problems of both high levels of informality in the labour market and low levels of coverage and adequacy of social protection.

In addition, it is important to acknowledge that the informal economy is not uniform or homogenous, but instead comprises diverse sets of workers and business units or enterprises, each with different characteristics. Tailored approaches will therefore be required if social protection is to be expanded in terms of both coverage and adequacy, and a mix of both contributory and non-contributory mechanisms will need to be used. The sheer size of the informal economy (88 per cent of the labour force are informal according to 2019 data) suggests that only a gradual and piecemeal approach consisting of multiple small but precisely targeted and coordinated efforts, based on a concrete action plan, will likely be effective in any expansion strategy.

In order to support the Government in this regard, the ILO and UNDP are collaborating with government and non-government stakeholders in the design of strategies and policy options for moving towards a more integrated approach to formalization. This study is one of a number of research activities being commissioned to support this endeavour. It aims to do this by providing a detailed analysis of the characteristics of the labour force and the enterprise landscape, with a specific focus on informal workers (as defined by international statistical standards – see section 2.2.1 below) and those not currently covered by social security.

⁷ The IDPoor Programme, established in 2006 within the Ministry of Planning, is part of the Government of Cambodia's ongoing efforts to reduce poverty and support socioeconomic development throughout the country. Being the Government's mandatory standard tool for targeting pro-poor measures in the country, the programme provides regularly updated information on poor households to a large number of government and non-governmental agencies to help them target services and assistance to the poorest and most vulnerable households. The IDPoor Programme is regulated by Sub-Decree No. 291 on Identification of Poor Households, which was promulgated in December 2011.

⁸ According to the German Agency for International Cooperation (GIZ), around 750,000 beneficiary households currently carry an active IDPoor card, which entitles them to access various social and pro-poor services, such as discounted or free medical services, cash transfer services, and scholarships (Germany, GIZ 2021). The SES 2019 data indicate that, across all workers (including civil servants), an estimated 9.3 per cent reside in IDPoor households, with this figure being higher in rural areas (11.2 per cent) than in urban areas (6.0 per cent). Excluding civil servants, the IDPoor Programme covers around 9.7 per cent of workers. Among the total population, the NSPPF review finds that the IDPoor programme covers around 17 per cent (ILO, forthcoming).

⁹ According to the 2019 LFS, women workers make up 47.8 per cent of informal workers, including those working in the informal sector and households, and are especially over-represented among contributing family workers.

¹⁰ See also "Cambodia to Further Enhance and Strengthen Resilience and Preparedness against COVID-19", Khmer Times, 22 September 2021.

1.2. Social protection in Cambodia

Articles 36 and 75 of the Cambodian Constitution entitle every citizen to obtain social security and other benefits determined by law and commits the State to establishing a social security system for workers and employees. The Constitution specifically recognizes certain vulnerable groups that require state support, including mothers, children, people with disabilities, and families of deceased soldiers. It also commits the State to supporting women, especially those in rural areas, to access employment and medical care, send their children to school, and enjoy decent living conditions.

The NSPPF of 2017 provides the mechanism under which citizens' constitutional rights are to be realized. It articulates a vision of expanding social protection in the country, with the ultimate goal of achieving comprehensive coverage using a combination of contributory social security and non-contributory social assistance.

1.2.1. Social assistance

This study focuses on social protection for those of active age. As such, the emphasis of much of the analysis is on those who are not currently covered by social security. However, given the current conditions of the Cambodian economy and labour market, with large numbers of people engaged in agriculture and/or working in informal and/or vulnerable employment conditions, and who at the same time are either poor or highly susceptible to poverty, have limited ability to contribute to social security, and are exposed to a variety of different economic and life-cycle-contingent risks, it is important to acknowledge that any expansion of social protection will require an integrated mix of both contributory and non-contributory programmes.

The NSPPF divides the non-contributory social assistance subsector into four components:

1. Emergency response
2. Human capital development
3. Vocational training
4. Welfare for vulnerable groups

Since the launch of the NSPPF, a number of programmes have been implemented under these components, including the following:

- ▶ Health Equity Fund, which provides free healthcare to families holding IDPoor cards.
- ▶ Food Reserve Programme of the National Committee for Disaster and Food Security Programmes of the Ministry of Finance (MEF), which seeks to prevent food insecurity.
- ▶ Nutrition programmes for pregnant women and children, which seek to promote maternal and infant health.
- ▶ Scholarship programmes for primary schools, which aim to encourage school attendance, especially for children from poor households.
- ▶ School feeding programmes, which seek to support students' physical and mental development.
- ▶ Vocational training programmes, which hope to promote vocational skills to meet labour market demands (Cambodia, Government of Cambodia 2017).

More recently, the Cash Transfer for People with Young Children (CT-PWYC) was launched in 2019, which provides payments linked to prenatal health check-ups, delivery in health centres, and vaccinations up to the age of two years. The scholarship and school feeding programmes that pre-date the NSPPF have also been expanded, including the extension of primary school scholarships to Grades 1–3 and the launch of the Home-Grown School Feeding programme. The non-contributory disability allowance (Cash Transfer for People with Disability), which also pre-dates the NSPPF, has increased its coverage, and there are plans for a cash transfer for older persons, for which a feasibility assessment is ongoing (ILO, forthcoming).

Furthermore, social protection, including both non-contributory and contributory schemes, constituted a major part of the Government’s response to COVID-19, as detailed in box 1.

1.2.2. Social security

According to the NSPPF, social security comprises five dimensions: (i) pensions; (ii) health insurance; (iii) employment injury; (iv) unemployment; and (v) disability (Cambodia, Government of Cambodia 2017). The legal framework for social security is established by the Law on Social Security Schemes (2019), alongside the Insurance Law (2000), the Labour Law (1997), and the Sub-Decree on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021). The three main existing social security schemes are summarized in table 1 below.¹¹

The NSSFC and the NVF are the two main social security schemes for public sector workers.¹² The NSSF is for persons defined by the provisions of the Labour Law, including personnel serving in air and maritime transportation, as well as domestic workers, but not self-employed persons.¹³

Table 1 shows that the NSSF does not currently include a statutory pension, and there is, as yet, no provision for unemployment insurance under any of the schemes. Both a pension component and an unemployment insurance component have nominally been added to the NSSF, but neither have yet been launched.¹⁴

¹¹ A fourth programme, the People with Disability Fund, which provides labour rehabilitation services, vocational training and employment services, is listed as part of the social security programming under the NSPPF. However, as it is not contributory and does not provide any income compensation, we do not include it as a focus of this study.

¹² The Law on Social Security Schemes defines these as follows:

- ▶ Civil servants in civil services serving in ministries and national and subnational institutions, under the provisions of the Law on Common Statutes for Civil Servants of the Kingdom of Cambodia.
- ▶ Civil servants under the Statutes of Civil Servants of Legislative Group (with the exception of the pension scheme).
- ▶ Civil servants serving in judicial institutions.
- ▶ National police officers and prison wardens receiving only medical care services under the Healthcare Scheme.
- ▶ Officials working for the National Election Committee.
- ▶ Civil servants working for the National Audit Authority.
- ▶ Former civil servants and veterans.
- ▶ Contract officials performing duties for ministries and national and subnational institutions recognized by Ministry of Civil Services.
- ▶ Persons in other public sectors regulated by a sub-decree.

¹³ The legal provisions of the Sub-Decree on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021) do not cover self-employed persons.

¹⁴ A pension was due to be added to the NSSF scheme in 2019, but has since been delayed to 2022 as a result of the COVID-19 pandemic.

The Law on Social Security Schemes also covers persons who are self-employed, although no benefits are yet available for this group and the regulations defining specific rules and procedures for them are still to be developed.

► **Box 1. Social protection measures in response to the COVID-19 crisis**

Social protection measures have constituted a central pillar of the response to the COVID-19 crisis. These measures have included the following elements:

- Since June 2020, the Cash Transfer for Poor and Vulnerable Households During COVID-19 has been implemented, providing monthly payments to households identified as poor and vulnerable using the IDPoor programme database. The scheme pays a minimum of 80,000 Cambodian riel per household per month, with additional amounts provided based on the household size, location (higher for urban areas), and the presence of a child, person with a disability, older person, or person living with HIV. As at June 2021 the scheme had reached 658,857 households, including 2,583,255 individuals. The scheme is administered by the Ministry of Social Affairs, Veterans and Youth (MSAVY).
- Early in the crisis, the Government launched a wage subsidy scheme, providing a form of unemployment benefit to workers in the textile, garment, footwear and tourism sectors where business operations had been suspended. The benefit amount was US\$70, with US\$40 paid by the Government, and US\$30 paid by employers. As at April 2021, the wage subsidy had been provided to 608,612 workers. The scheme is administered by the Ministry of Labour and Vocational Training (MoLVT).

- ▶ In May 2021 the Government implemented the Post-Lockdown Social Assistance in Cash to support individuals and households in the context of lockdowns put in place in response to the spread of COVID-19. This involved a one-off lump-sum payment (of at least 160,000 riel) to people living in areas under lockdown (Phnom Penh, Kandal Province's Takmao town, and Preah Sihanouk Province). Those targeted included workers (in sectors including the garment sector, transport and construction, as well as street vendors) and families where a member had contracted or died from COVID-19. The scheme was administered by the MoLVT.
- ▶ The Home-Grown School Feeding Programme (implemented by Ministry of Education Youth and Sport) was adjusted from providing meals to eligible students to providing them with take-home rations (rice and other ingredients).
- ▶ The Cash for Work Programme was expanded to support the development of rural infrastructure and to support local farmers to create jobs and generate income so that local populations can support their daily lives.

In addition, the Government committed to continuing the implementation of existing social protection programmes (both social assistance and social security) during the crisis. NSSF contributions were also suspended for businesses that had suspended their operations.

Source: ILO, forthcoming.

1.3. Objectives of the assignment

The primary objective of this assignment is to produce a study of the Cambodia labour force to inform national dialogue on the state of social protection coverage for workers in Cambodia, with a particular focus on coverage by the NSSF. This report thus complements other ongoing studies that focus on the extension of social assistance coverage.¹⁵ The focus of this study is therefore a detailed analysis of the characteristics of workers and the respective enterprises in which they are employed (predominantly micro and small enterprises), with an emphasis on those that are not currently covered by the NSSF or civil servant schemes. The analysis disaggregates the population according to relevant characteristics, such as formal/informal sector, employment status, age, gender, income and economic sector of employment. The study aims to highlight the key challenges and gaps in NSSF coverage, as well as the implications for policies and strategies that seek to aid the expansion of social protection coverage using a combination of contributory schemes for those with the capacity to contribute and non-contributory schemes for those without such capacity.

¹⁵ For example, GIZ is conducting a study to support the Ministry of Planning's IDPoor programme to develop a road map that provides guidance and recommendations on whether and how IDPoor can be extended to include certain vulnerable groups, such as people living with disabilities and the elderly.

1.4. Report structure

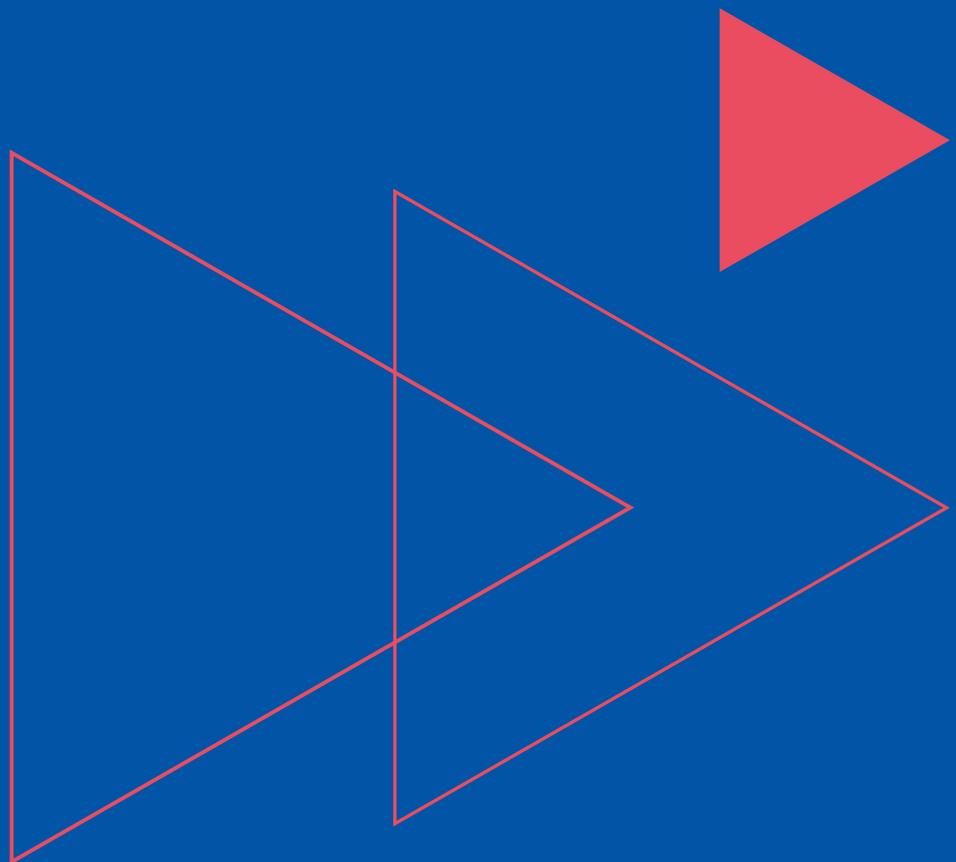
The remainder of this document is structured as follows: Section 2 describes the methodology used for the study. Section 3 presents an analysis of the labour market and enterprise landscape in Cambodia, which forms the context for workers not covered by social security. Section 4 compares the characteristics of workers in specific economic sectors. Section 5 articulates the conclusions that are derived from the research and their implications for policy. An appendix provides a list of the key informants who were consulted for the study.

► **Table 1. Summary of national social security schemes and their benefits (as at August 2022)**

National Social Security Fund for Civil Servants (NSSFC)	National Veterans Fund (NVF)	National Social Security Fund (NSSF)
<ul style="list-style-type: none"> ▶ Pension ▶ Healthcare ▶ Invalidity ▶ Employment injury ▶ Maternity ▶ Sickness ▶ Death ▶ Dependents/survivors ▶ Funerary gran 	<ul style="list-style-type: none"> ▶ Pension ▶ Healthcare ▶ Invalidity ▶ Employment injury ▶ First marriage ▶ Maternity ▶ Sickness ▶ Death ▶ Dependents/survivors ▶ Funerary grant 	<ul style="list-style-type: none"> ▶ Health insurance ▶ Employment injury ▶ Maternity (including "baby bonus") ▶ Sickness

2

Methodology



2.1. Literature review

The assignment commenced with a literature review to appraise the current Cambodian context and relevant policies and legislation, alongside key issues and challenges in terms of access to and coverage of the employed population by social security and the prevailing conditions in the enterprise landscape. The review informed the quantitative data analysis and helped identify relevant stakeholders for key informant interviews.

2.2. Quantitative analysis

The primary dataset that the analysis focuses on is the 2019 Cambodia Labour Force Survey (LFS). The 2019 Cambodia Socio-economic Survey (SES) data were also analysed for triangulation purposes, as well as to dig deeper into defined areas, such as ability to pay social security contributions.

The purpose of the analysis is to provide a comprehensive picture of the Cambodian labour force, with an added focus on the characteristics of workers who are not covered by social security across different forms of employment relations; economic sectors; enterprise types; and social, economic, and demographic characteristics of interest, such as age, gender, education level and wealth quintile.

Three key disaggregations are required for the purposes of the analysis:

- ▶ The distinction between “formal” and “informal” for both workers and enterprises.
- ▶ The distinction between those covered and those not covered by social security.
- ▶ The distinction between civil servants and non-civil servants in the labour force.

2.2.1. Distinguishing between formal and informal workers and enterprises

The categories of “formal” and “informal” work have been the subject of much discussion in academic and policy literature. Under the category of the informal economy, the ILO includes all economic activities by workers and economic units that are – in law or in practice – not covered, or insufficiently covered, by formal arrangements. In this conception, informal employment refers to working arrangements that are in practice or by law not subject to national labour legislation, income taxation or entitlement to social protection or other employment guarantees (such as advance notice of dismissal, severance pay, paid annual or sick leave, and so on). This definition of informal employment typically differentiates between three groups of workers: (i) employees; (ii) employers and own-account workers; and (iii) contributing family members. The size of the informal economy is usually estimated by including specific questions in labour force surveys or dedicated surveys on the informal economy, or a combination of the two.

In order to distinguish between workers in the formal and informal sectors in this study, we follow the international standards adopted by the 15th International Conference of Labour Statisticians, which defines the “informal sector” as consisting of unregistered and/or small unincorporated household enterprises engaged in the production of goods or services for sale or barter. These enterprises typically operate at a low level of organization, with little or no division between labour and capital as factors of production, and they operate on a small scale, depending on casual and family workers rather than on employees with written contracts and formal guarantees. Following this definition, the 17th International Conference of Labour Statisticians defined “informal employment”, which can be summarized as the “total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, including: employees holding informal jobs; employers and own-account workers employed in their own informal sector enterprises; members of informal producers’ cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own end use by their household” (Nguyen and da Cunha 2019, 4).

This concept of informal employment reflects the fact that informality can exist outside of the “informal” sector: for instance, casual, temporary and seasonal workers who lack social protection coverage or other employment benefits, or who fall short of full legal status, may have informal employment status even when they work in the “formal” sector. Workers in informal employment are thereby conceived as a diverse group, with different employment statuses (own-account workers, employers, contributing family workers, or waged workers) and working in different employment contexts (formal, informal, and household sectors), and the extent of informal employment is measured as the sum of all these workers, whether employed in the informal sector or under informal conditions outside of the informal sector.¹⁶

Special mention should be made here of the new forms of work that are increasingly important within Cambodia and other countries and that do not fit neatly into the traditional distinctions between formal and informal employment relations. These are jobs in the so-called “gig economy” and among digital platform workers.

It is not possible to distinguish these new forms of work within the LFS or SES data upon which our analysis is based, and thus we cannot accurately or reliably estimate the size of Cambodia’s gig economy. For example, many of the drivers working through platforms such as GRAB have employment conditions that resemble those of employees, even though they are currently officially classified as self-employed (see box 2 below for the definition of non-standard forms of employment status). In these cases, clarification as to how the labour law and regulations are to be applied is crucial to ensure these workers are adequately covered.

¹⁶ We are aware there is an ongoing national debate about the definitions of informal and formal employment. However, as the aim of this study is not to enter into that discussion directly but rather to provide a detailed analysis of the current labour market and the access (or lack of access) of workers to social security, here we use the accepted international definition, as this enables the kind of statistical analysis required for our objectives.

► **Box 2. Definition of informal employment**

The statistical definition of informal employment differentiates between three categories of workers: (i) employees; (ii) employers and own-account workers; and (iii) contributing family workers*.

In the case of employees, informal employment is defined in terms of the employment relationship. According to international standards, “employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)” (ILO 2003, para. 5). The underpinning reasons for this may be:

- Non-declaration of jobs.
- Casual jobs or jobs of a short duration.
- Jobs with hours of work or wages that are below a specified threshold (for example, for social security contributions).
- The lack of application of the law or regulations in statistical terms.

The formal or informal nature of a job held by an employee is determined on the basis of operational criteria, such as social security contributions made by the employer (on behalf of the employee) and entitlement to paid sick leave and paid annual leave.

Employers and own-account workers are considered to be in informal employment when their economic units operate in the informal sector. The informal sector is a subset of household enterprises (not constituted as separate legal entities and independent of their owners) that produce goods or services for sale or barter in the market, and that do not have a complete set of accounts and/or are not registered under national legislation. These enterprises typically operate at a low level of organization, with little or no division between labour and capital as factors of production, operating on a small scale, and depending on casual and family workers rather than on employees with written contracts and formal guarantees.

Within the Cambodia LFS, the **informal sector** comprises all workers in enterprises that are not registered with the relevant authorities and that do not keep a complete set of accounts. It excludes households that produce exclusively for their own final use, subsistence agriculture, the construction of own dwellings, and similar. Meanwhile, **informal employment** includes employers and own-account workers who are employed in their own informal sector enterprises; contributing family workers; and employees and paid apprentices or interns who do not have paid annual leave or sick leave benefits, and whose employers do not contribute to their social security. This population is derived in the report as a residual of the total number of persons employed and persons in formal employment (Cambodia, NIS 2019).

Notes: * Contributing family workers are, by definition, informally employed, regardless of whether they work in formal or informal sector enterprises.

Sources: ILO 2003; ILO 1993.

The fact that the self-employed or non-standard workers are not currently entitled to cover by social security because the scheme does not cater to them,¹⁷ makes them especially vulnerable.¹⁸

In practical terms, we deployed the following protocols for distinguishing between formal and informal workers and enterprises:

Formal sector:

- ▶ Those who are employed by the Government or by international organizations (in the LFS 2019 questionnaire this is determined by question i11 = 1 or 6).
- ▶ Private firms (i11 = 2, 3, 4, 5) that are producing to sell in the market (h3 = 1, 2, 5) and are either registered (i27 = 1 or i28 = 1) or have written accounts (i27 = 1 or i29 = 1).
- ▶ Private firms (i11 = 2, 3, 4, 5) that are producing to sell in the market (h3 = 1, 2, 5) and have employees who do not know if their firm is either registered (i27 = 2, 3 or i28 = 2, 3) or has written accounts (i27 = 2, 3 or i29 = 2, 3), but do know that they are entitled to social security (i22 = 1).
- ▶ Private firms (i11 = 2, 3, 4, 5) that are producing to sell in the market (h3 = 1, 2, 5) and have employees who do not know if they are entitled to social security (i22 = 2, 3), but firm size is greater than or equal to 5 (i26 = >2) and the firm has a fixed location in which it operates (i25 = 4).

Household sector:

- ▶ Those who are employed by households as domestic workers (i3 = 3 or i11 = 4).
- ▶ Those whose products from farming or fishing are used for themselves or their family only (h3 = 3, 4).

Informal sector:

- ▶ All those who do not fall into either the formal or household sectors according to the above definitions are classified as falling into the informal sector.

Nature of employment:

The nature of employment is classified as formal or informal based on the following criteria:

Formal:

- ▶ All those who are employees and who are entitled to social security (i22 = 1).
- ▶ All those who are employees and who are not entitled to social security (i22 = 2, 3),¹⁹ but who are entitled to either paid annual leave (i23 = 1) or paid sick leave (i24 = 1).
- ▶ Employers and own-account workers who are in the formal sector.

Informal:

- ▶ Employees not working in formal employment conditions according to the above criteria.
- ▶ Employers and own-account workers who are in the informal sector.
- ▶ Employers and own-account workers who are in the household sector.
- ▶ All contributing family workers.

2.2.2. Distinguishing between those covered and those not covered by social security

The second key disaggregation required is between those covered and those not covered by social security. As the objective of this study is to identify ways to expand social security coverage to workers who are currently not covered, our operational definition focuses on those people who are not covered by the NSSF, NSSF or NVF benefits schemes. Our analysis thus defines three basic groups:

1. Those not covered by the NSSF, NSSF or NVF.
2. Those covered by the NSSF.
3. Those covered by the NSSF or NVF (that is, civil servants).

In practical terms, identifying those covered and those not covered by social security in the Cambodia 2019 LFS data relies on question i22 in the dataset:

Does (your/NAME's) employer pay contributions to a Pension Fund/Health/ Unemployment Insurance for (you/NAME)?

1 = Yes

2 = No

3 = Don't know.

All those who answer i22 = 1 are classified as insured, and everyone else is classified as not insured.

¹⁷ Though the Law on Social Security does explicitly cover the self-employed; see section 1.2.2 above.

¹⁸ It should also be mentioned that not all gig work is necessarily poor-quality employment or on exploitative terms. The gig economy can include freelancers, business owners, online merchants and stock investors. Freelancers can range from gardeners and coffee baristas to specialized professionals like doctors, graphic designers, lawyers and financial advisers (Naiyaraksaree 2017), alongside Uber drivers and food and other delivery workers.

¹⁹ See section 2.4 for discussion of the issue of how "Don't know" answers (i22=3) are treated.

2.2.3. Distinguishing between civil servants and non-civil servants

Distinguishing between civil servants and non-civil servants in the LFS is more straightforward than distinguishing between formal and informal forms of work. The Law on Social Security Schemes provides a comprehensive definition as to who is legally classified as a civil servant in relation to social security (see footnote 13 above), and the LFS questionnaire includes a question that directly identifies this group:

i11 (Are/is) (you/NAME) employed by...

1 = Government or a state-owned enterprise

2 = Farm

3 = Private business (non-farm)

4 = Household(s) as a domestic worker

5 = NGO, non-profit institution, church

6 = International organization or a foreign embassy

We define as civil servants all respondents for whom i11 = 1.

2.3. Key informant interviews

Led by the ILO/UNDP, key informant interviews were conducted with key stakeholders in order to clarify information and to triangulate relevant findings from the quantitative analysis, as well as to fill data gaps. Among government stakeholders, principal informants included the NSSF, the Ministry of Industry, Science, Technology and Innovation (MISTI), and the Ministry of Commerce (MoC). Among civil society, principal informants included the Independent Democracy of Informal Economy Association (IDEA) and the Groupe de Recherche et d'Echanges Technologiques (GRET).

2.4. Limitations and assumptions

The data presented in this report provide an estimation of the number of insured workers based on samples available from the LFS 2019.²⁰ As these estimates derive from a sample survey, they do not perfectly align with NSSF administrative data. The differences may be explained by one or more of the following reasons:

a. Underreporting of NSSF membership by LFS respondents. This is common in survey data relating to the receipt of benefits, for various reasons, including respondents not understanding the question (for example, not knowing the name of the scheme), or not knowing the situation of other household members, or being reticent for fear of losing entitlements or incurring tax liabilities.

b. The sample design of the LFS. NSSF administrative data may record a larger proportional share of scheme members in Phnom Penh or other urban areas compared to the LFS estimate, while the estimations based on the LFS do not account for this balance.²¹

c. NSSF data record members with both active and inactive contribution status.

²⁰ The total sample size for the LFS 2019 is 40,496, comprising 19,417 men and 21,079 women, split between 28,663 rural respondents and 11,833 urban respondents, including 4,644 in Phnom Penh. The total number of employed persons found in the sample is 20,301.

²¹ According to the 2019 census, 39.4 per cent of the population lives in urban areas (including 14.7 per cent in Phnom Penh) (Cambodia, NIS 2020); whereas within the LFS sample, 29.2 per cent are located in urban areas (including 11.5 per cent in Phnom Penh).

According to the LFS estimate, 456,723 non-civil servant workers were covered by the NSSF in 2019. However, according to NSSF administrative data, there were 1,584,716 NSSF members in that year.²² The LFS thus significantly underestimates the number of workers currently covered by social security, which is likely the result of a combination of some or all of the reasons articulated above.

One particular aspect of this potential underreporting of participation in social security relates to the treatment of respondents who answer “don’t know” to the question “Does (your/NAME’s) employer pay contributions to a Pension Fund/Health/Unemployment Insurance for (you/NAME)?” (i22). Twenty-two per cent of respondents answered “don’t know”, and were therefore not classified as being covered by social security, compared to the 19 per cent of respondents who answered “yes” and were thus being classified as being covered. If some of those answering “don’t know” were in fact covered, the coverage rate would rise accordingly. In the analysis below we thus draw attention to this detail in relevant moments to qualify the results reported.

Despite the issue of potential underreporting of social security coverage in the LFS data, the analysis that follows still utilizes these data due to the rich information they contain and the insights they thus enable in regard to the characteristics of different sub-groups within the labour force. This is useful to help identify opportunities and strategies for increasing both formalization and coverage by social protection.

The Cambodia SES 2019 data offer an opportunity to triangulate the LFS and NSSF administrative data, though it should be noted that the SES information is constrained by the way the relevant question is asked within that survey. The survey question only enables one to identify whether a worker belongs to a household that owns a social security card, without identifying the particular household member to whom it belongs or whether more than one household member has a social security card. Nevertheless, those data estimate that, overall, some 1,480,318 workers reside in households with at least one social security card, representing some 16.4 per cent of the total workforce (as the latter is measured by the SES), including civil servants. Excluding civil servants, these figures are 1,282,742 workers and 15.1 per cent of the total non-civil servant workforce, and among non-civil servant employees only they are 771,145 workers and 21.9 per cent of non-civil servant employees.

Acknowledging this, it is important to recognize that within the NSSF administrative data there may be some nuance, in so far as there is a difference between active and inactive contributors (for example, at the end of January 2022 some 50 per cent of the accumulated total 2.4 million members were active), and even between those with different levels of contribution (and thus different levels of eligibility for given benefits).²³

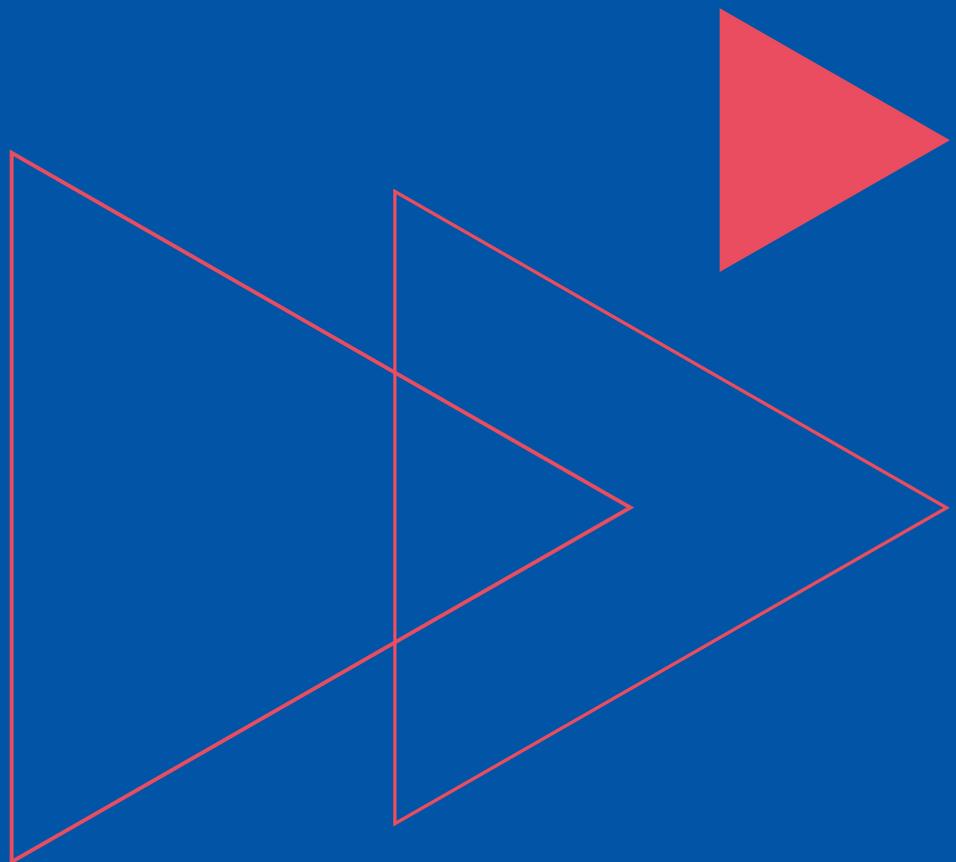
Finally, recognizing the significant discrepancy between the LFS estimate of coverage and that implied by the NSSF administrative data, for the purposes of the analysis below we assume that the LFS 2019 estimate refers to active contributors who are eligible for the full range of benefits available under the NSSF.

²² As at the end of January 2022, there were just under 2.4 million accumulated members in the NSSF administrative data, roughly 1.2 million of whom were active contributors at the time of our data request.

²³ For example, an NSSF member is entitled to receive a daily allowance for sick leave only if the employer has paid healthcare contributions for two consecutive months or at least six months within the last 12 months prior to the worker encountering the health problem. For maternity allowance, the employer must have paid healthcare contributions for at least nine months within the last 12 months prior to the delivery month. Workers are entitled to healthcare benefits from the moment they are registered and receive their NSSF membership card, even before the employer has paid the first month’s contribution.

3

Labour market and enterprise landscape



3.1. Labour market characteristics

According to the data from the Cambodia 2019 LFS, the total employed population in Cambodia is estimated at almost 7.9 million workers, including 568,801 civil servants, out of a total population of 15.3 million people (Cambodia, NIS 2020).

The Law on Social Security Schemes defines civil servants as follows:

- ▶ Those in civil services serving in ministries and national and sub-national institutions under the provisions of the Law on Common Statutes for Civil Servants of the Kingdom of Cambodia.
- ▶ Civil servants under the Statutes of Civil Servants of Legislative Group (with the exception of the pension scheme).
- ▶ Civil servants serving in judicial institutions.
- ▶ National police officers and prison wardens receiving only medical care services under the healthcare scheme.
- ▶ Officials working for the National Election Committee.
- ▶ Civil servants working for the National Audit Authority.
- ▶ Former civil servants and veterans.
- ▶ Contract officials performing duties for ministries and national and sub-national institutions recognized by the Ministry of Civil Services.
- ▶ Persons in other public sectors regulated by sub-decree.

Those in these groups are (nominally – see section 1.2.2) covered by the NSSFC and NVF, and so, for the purposes of the analysis that follows, we distinguish them from the non-civil servant workforce.

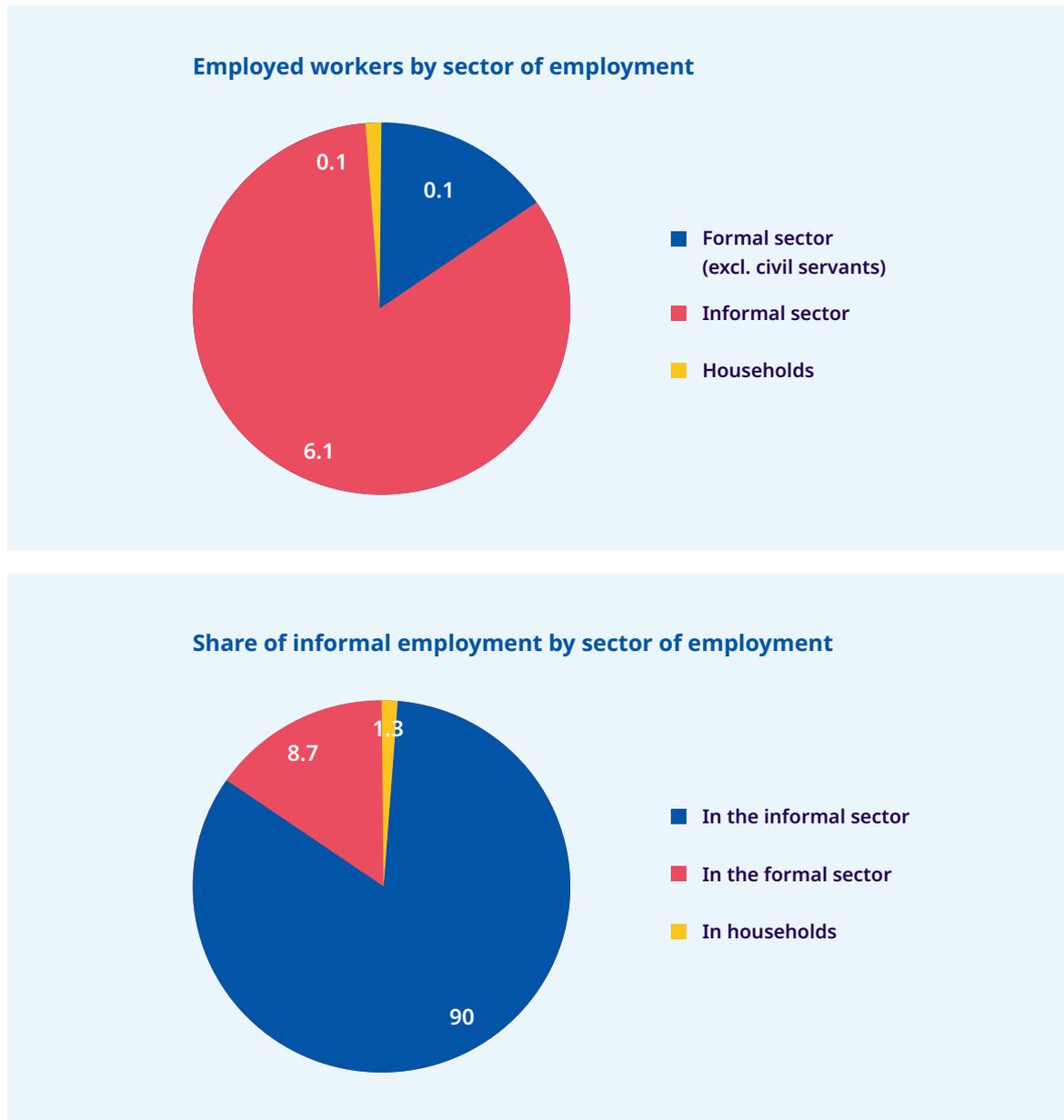
Excluding civil servants, then, the remaining employed population totals just over 7.3 million people. Of these, 1.1 million (15.4 per cent) are estimated to be working in the formal sector, 6.1 million (83.5 per cent) in the informal sector, and just less than 100,000 (1.1 per cent) in households (figure 3).²⁴ Just under 100,000 (97,687) workers are unemployed (and so not included in these figures).

While some 6.1 million workers are engaged within the informal sector, that does not comprise all workers working in informal conditions. Figure 3 also analyses the distribution of informal employment by sector, and shows that, of the 6.7 million non-civil servant workers with informal employment status (representing 91.0 per cent of the total non-civil servant workforce),²⁵ 90.0 per cent work in the informal sector, 8.7 per cent work in the formal sector, and 1.3 per cent work in households. The 580,182 informally employed workers in the formal sector represent over half (51.6 per cent) of the total formal sector workforce.

²⁴ Including civil servants, 88 per cent of the labour force work in the informal sector (including households).

²⁵ Including civil servants, there are 7.9 million employed persons, 7.0 million of whom (88.3 per cent) are informally employed.

► Figure 3. Composition of the workforce (excluding civil servants) by sector (millions, %)



Source: Cambodia LFS 2019.

²⁶ The 2019 census calculates the participation rate for 15–59-year-olds only, and finds a total participation rate of 81.7 per cent, with 85.8 per cent for men and 77.9 per cent for women (Cambodia, NIS 2020). Within the SES, these figures are 86.7 per cent overall, with 90.0 per cent for men and 83.6 per cent for women.

²⁷ The census finds 1.4 per cent unemployed overall, with 1.3 per cent of men unemployed and 1.5 per cent of women unemployed (Cambodia, NIS 2020). The Cambodia SES finds a higher rate of unemployment, at 3.5 per cent overall, largely driven by women (5.0 per cent), as opposed to men (2.0 per cent).

Some 3.2 million non-civil servant workers (44 per cent) are wage earners (employees) and 4.1 million (56 per cent) are non-wage earners, including 0.3 million employers (4 per cent), 2.9 million own-account workers (40 per cent), and 0.9 million contributing family workers (13 per cent).

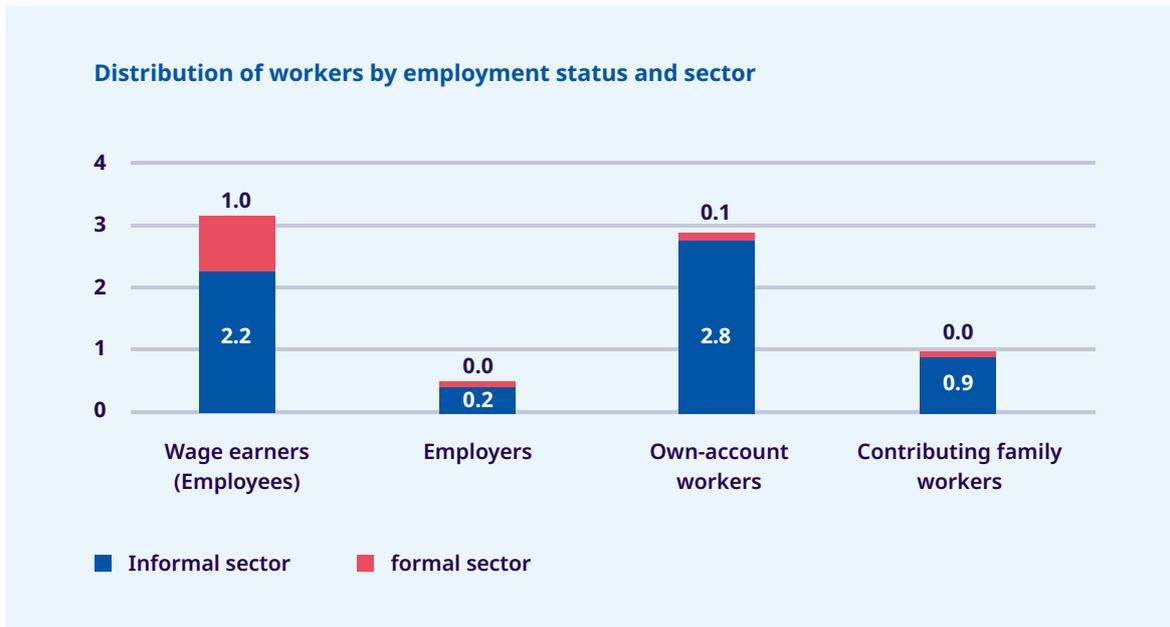
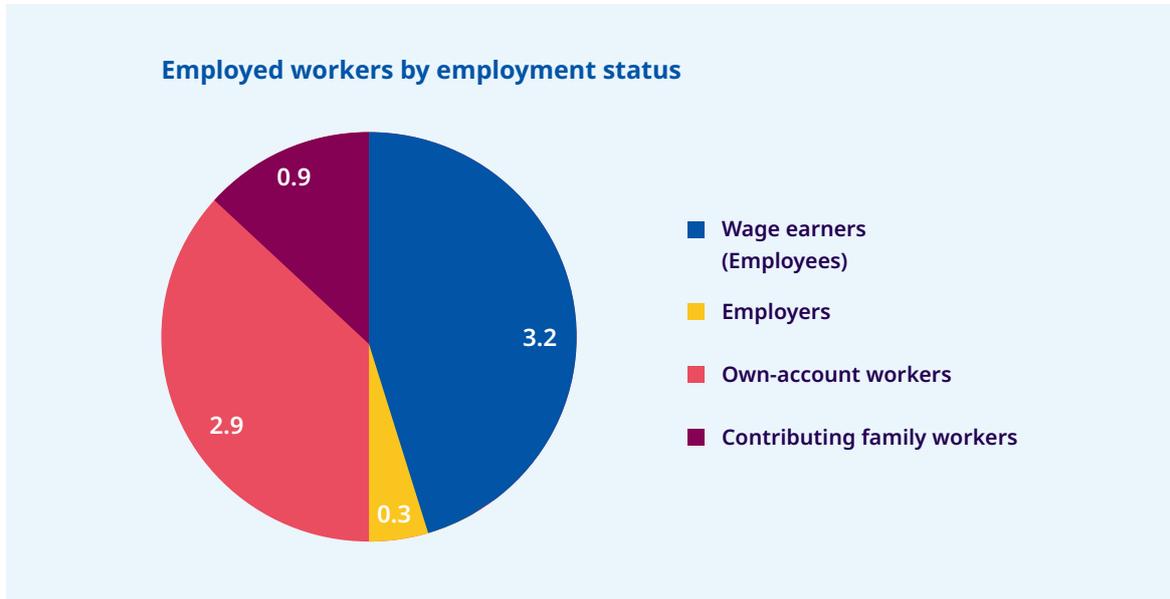
Figure 4 presents the distribution of the non-civil servant workforce by employment status. It shows that 3.2 million workers (43.8 per cent) are wage earners (employees) and 4.1 million (56.2 per cent) are non-wage earners. Among the latter, 0.3 million (3.7 per cent) are employers, 2.9 million (39.8 per cent) are own-account workers, and 0.9 million (12.8 per cent) are contributing family workers. This means that just over half of all workers (52.6 per cent) are classified as working in vulnerable forms of employment (see box 3 for definition).

The second chart in figure 4 shows that over two-thirds (70.0 per cent) of wage earners (employees) work within the informal sector. This proportion is even higher for employers (85.3 per cent) and own-account workers (96.0 per cent). However, these findings should not detract attention from the fact that almost as many wage earners are uninsured as own-account workers, indicating that informality is not restricted to self-employment and own-account work but is also associated with wage-earning employment. Contributing family workers are informal by definition.

There is a marked difference in the distribution of workers by employment status depending on gender. Figure 5 shows that women are less likely to be wage earners or independent workers (employers or own-account workers) compared to men, and much more likely to be dependent family workers.

This gendered difference in the labour force is reflected in the labour participation rates of men and women. Across the whole working-age population, the labour force participation rate is 69.3 per cent. However, 77.2 per cent of working-age men participate in the labour force, compared to just 62.4 per cent of working-age women.²⁶ Among both men and women, the unemployment rate is vanishingly small – 1.22 per cent in aggregate.²⁷ Around 11.0 per cent of workers hold down multiple jobs, with this proportion higher among informal sector workers (12.1 per cent) than formal sector workers (4.7 per cent).

► Figure 4. Distribution of the workforce (excluding civil servants) by employment status (millions)



Source: Cambodia LFS 2019.

► Figure 5. Distribution of the workforce (excluding civil servants) by employment status and gender (millions)



Source: Cambodia LFS 2019.

► **Box 3. Types of employment status under the International Classification of Status in Employment of 1993**

Wage earners (or waged workers) refers to those whose employment status is “employee”, including people who work in any economic unit, including family businesses, and who receive regular pay.

Employers refers to persons who run a business and engage at least one paid employee on a continuous basis.

Own-account workers refers to persons who run businesses but do not engage any paid employee on a regular basis.

Contributing family workers refers to persons who work in their family business without receiving any regular pay.

Employers and own-account workers are considered as **independent workers**.

Contributing family workers are classified as part of **dependent workers**, together with wage earners (employees).

An intermediate category is **dependent contractors**. This refers to workers employed for profit but dependent on another entity that exercises control over their productive activities and directly benefits from the work performed by them.

Employees represent the category of status in employment generally associated with more job security and better working conditions, whereas own-account workers and contributing family workers are two statuses that are regarded as constituting **vulnerable employment**.

An additional category of **non-standard employment** (NSE) is also increasingly prevalent. NSE, also referred to as diverse forms of work, is an umbrella term for different employment arrangements that deviate from standard employment, understood as work that is full-time, indefinite, and part of a subordinate relationship between employee and employer. NSE includes the following: temporary employment; part-time and on-call work; temporary agency work and other multi-party employment relationships; as well as disguised employment and dependent self-employment. As working from home does not take place at the employer’s premises, but rather at the worker’s home or at another location of their choosing, it too is considered to be a diverse employment arrangement. NSE features prominently on digital labour platforms.

For some, working in NSE is an explicit choice and has positive outcomes. However, for most workers, NSE is associated with insecurity. NSE can also pose challenges for enterprises, the performance of labour markets and economies overall, as well as society at large.

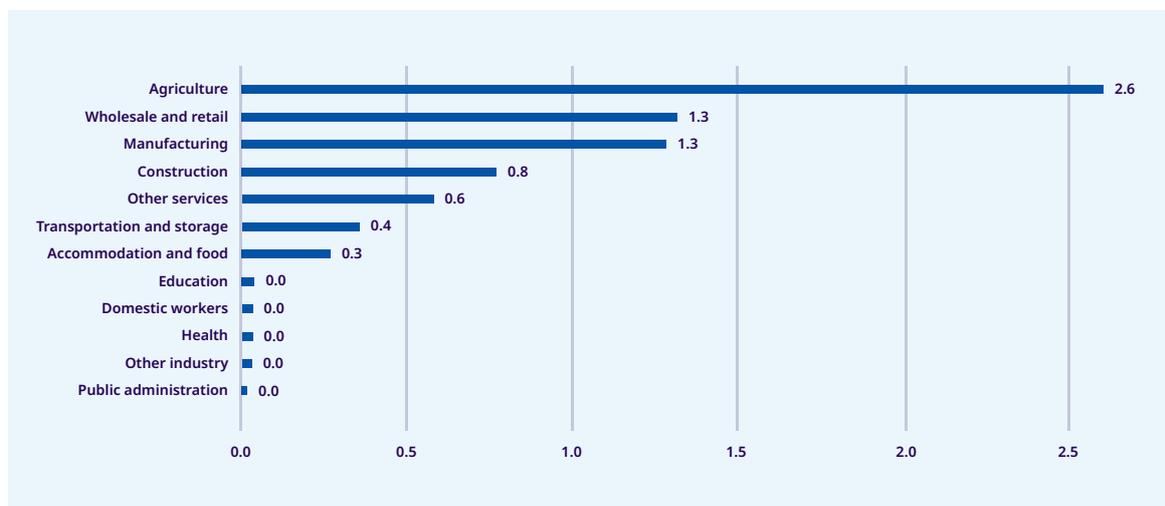
Source: ILO 2018a; ILO 2018b; ILO 2016.

Looking at how the non-civil servant workforce is distributed across economic sectors (figure 6), we see that the largest number – 2.6 million (35.5 per cent) – are employed in the agriculture sector; 1.3 million (18.0 per cent) work in wholesale and retail trade; and another 1.3 million (17.5 per cent) work in manufacturing. The remaining 29 per cent are split between construction (0.8 million; 10.5 per cent), other services (0.6 million; 7.9 per cent), transportation and storage (0.4 million; 4.9 per cent), accommodation and food (0.3 million; 3.7 per cent), and education, domestic work, health, other industries, and public administration (accounting for 2.1 per cent collectively).

Although the number of domestic workers reported in figure 6 above appears relatively small, it is important to note that this is likely to be an underestimate. An ILO and DEFT (2018) study estimated some 240,000 domestic workers in Cambodia in 2014, with these considered to be some of the most vulnerable workers in the country in terms of living and working conditions (Lim 2019).

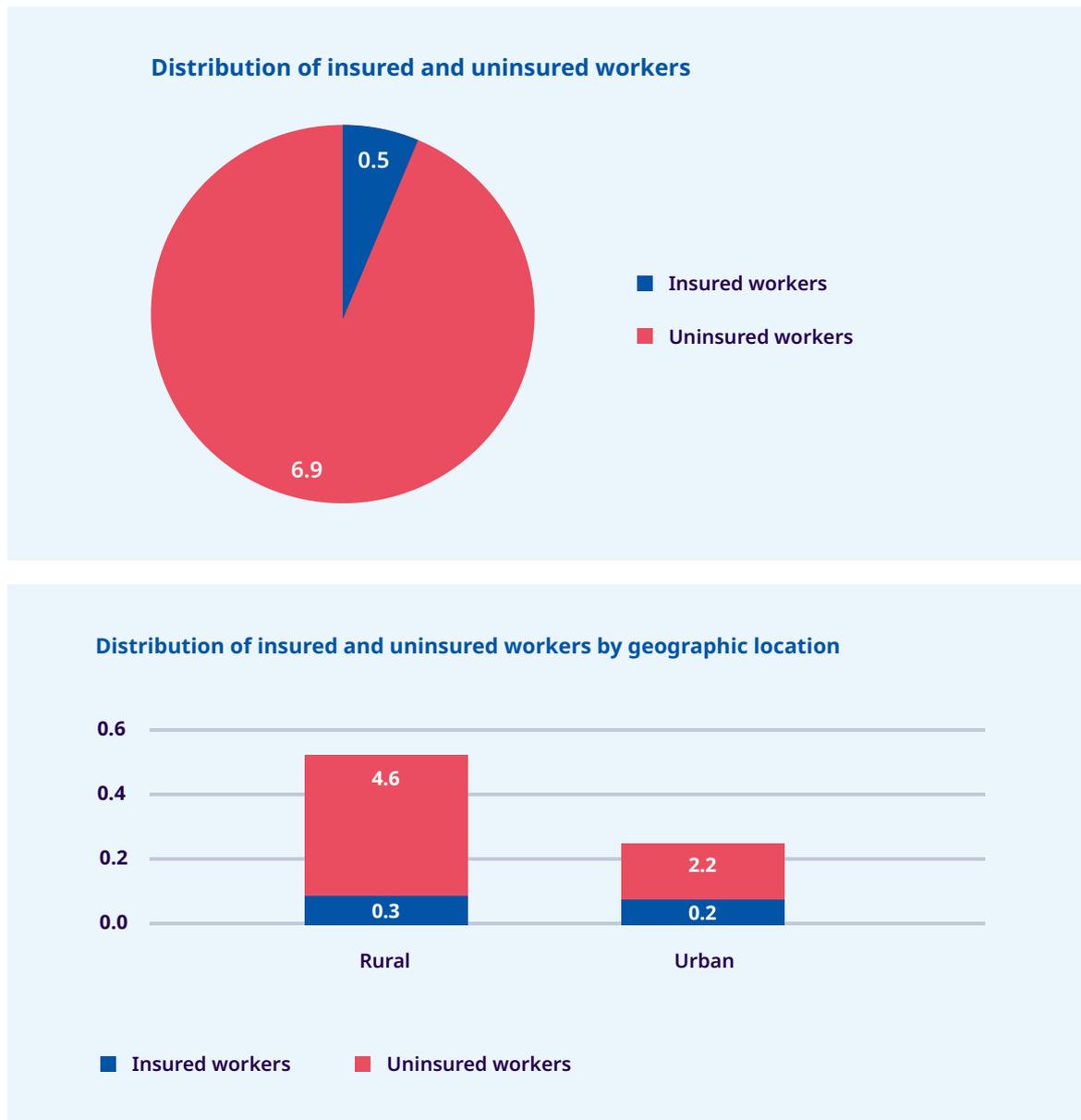
Recognizing that the LFS underestimates the number of insured non-civil servant workers compared to NSSF administrative data (see section 2.4 above), we nevertheless analysed the LFS 2019 data because they enable an insight into the characteristics of different groups of workers, including those reported as being insured compared to those reported as not being insured. According to these data, of the estimated 7.3 million workers considered, around 6.9 million (93.8 per cent) are reported as not insured and under 0.5 million (6.2 per cent) are reported as insured (see figure 7 below).

► **Figure 6. Number of workers by economic sector (millions)**



Source: Cambodia LFS 2019.

► Figure 7. Share of workers insured under the NSSF (millions)



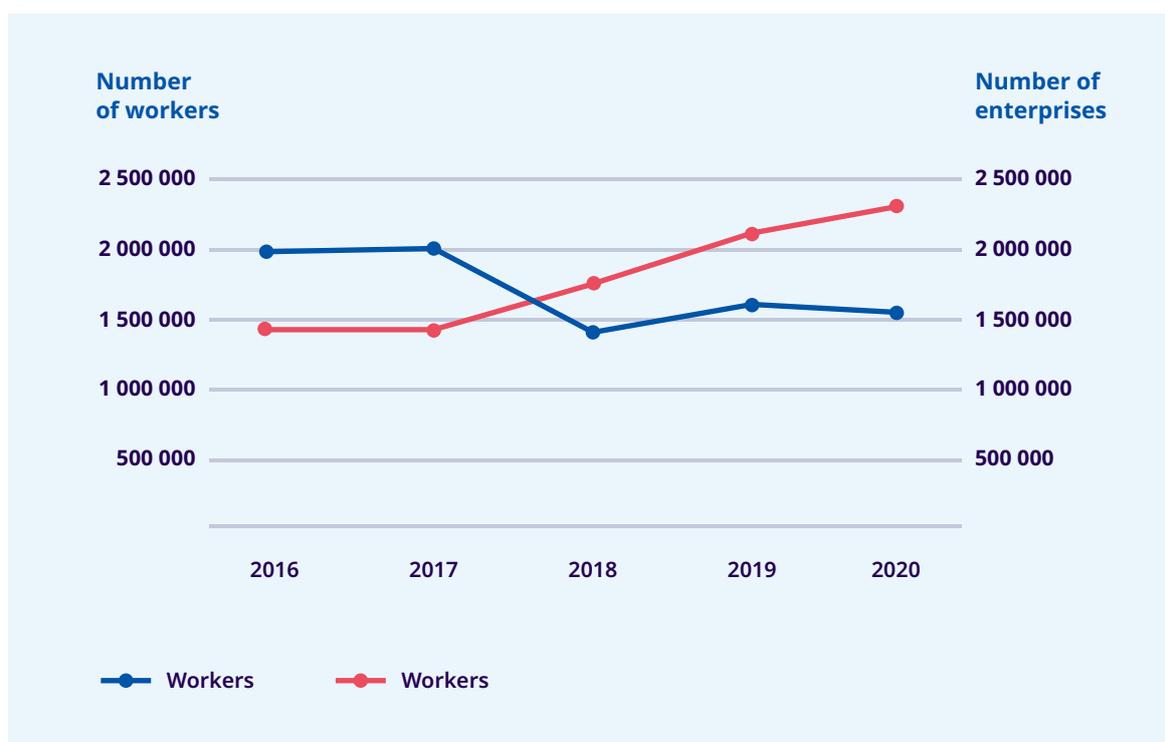
Source: Cambodia LFS 2019.

Again, as discussed in section 2.4 above, these estimates of coverage are considerably below the actual rates of coverage as given by NSSF administrative data, according to which there were 1.6 million NSSF members registered in 2019, in just over 10,000 enterprises (figure 8). The NSSF administrative data thus imply an actual coverage rate of 21.7 per cent of the employed population in 2019.²⁸

At the end of 2021 the number of registered members was just under 2.4 million, 1.2 million (50.4 per cent) of whom were active contributors. If we apply the ratio of active to total registered members from 2021 to the 2019 administrative data, it indicates an “active” coverage rate of 10.6 per cent in 2019.

The second chart in figure 7 above considers the distribution of insured versus uninsured by geographic location (rural and urban, including Phnom Penh). It shows that the majority (76.0 per cent) of workers are located in rural areas, but also that a slightly higher proportion of workers in urban areas are insured (7.0 per cent), compared to those in rural areas (5.9 per cent).²⁹

► **Figure 8. Number of workers and enterprises registered with the NSSF, 2016–20**

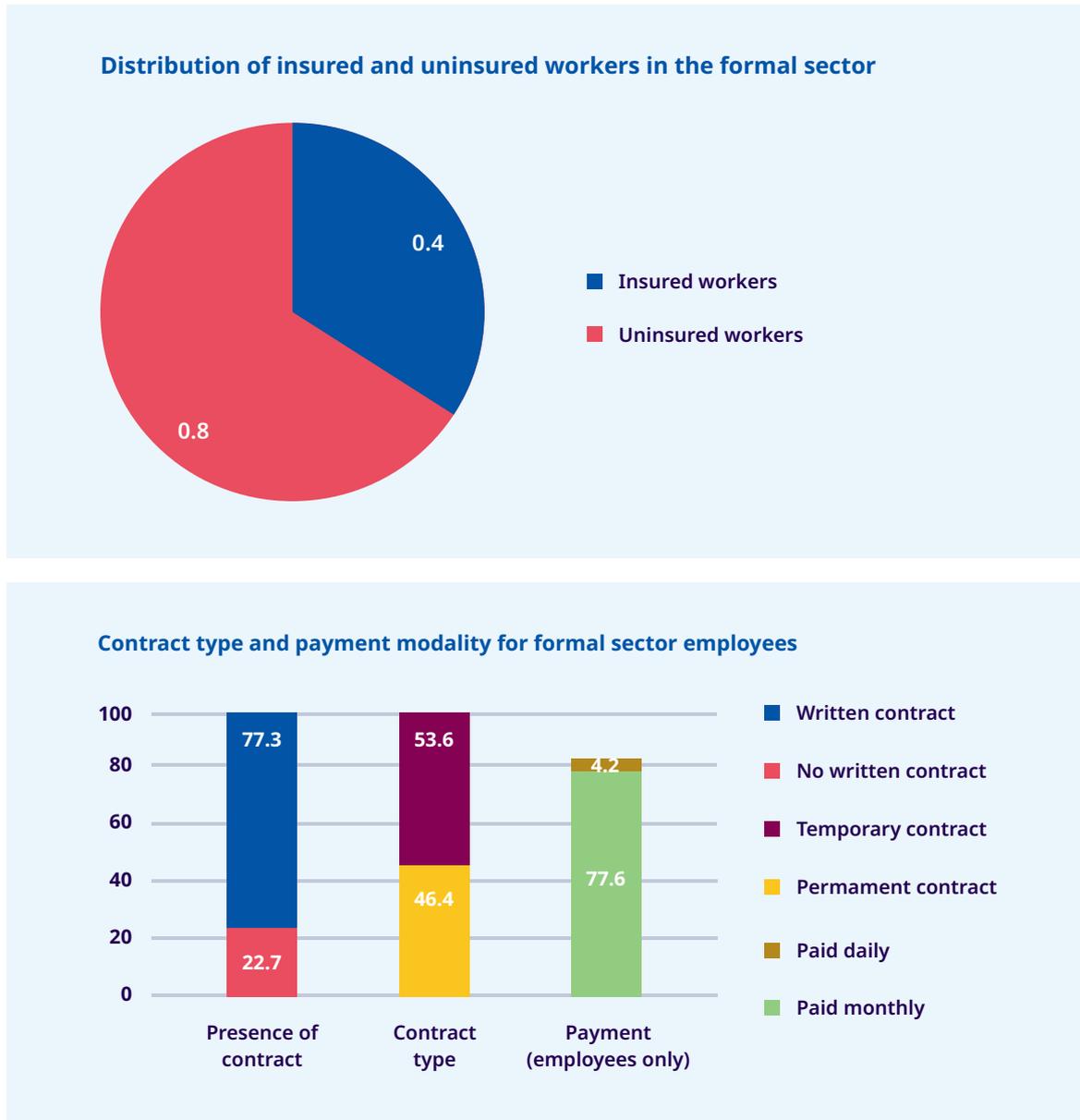


Source: NSSF administrative data.

²⁸ The 10,021 enterprises registered with the NSSF in 2019 represent a coverage rate of 2 per cent of the total estimated number of enterprises in the country by the 2014 Cambodia Intercensal Economic Survey (CIES) (Cambodia, NIS 2015).

²⁹ A similar trend in coverage by social security across urban and rural locations is found in the Cambodia SES 2019 data, which estimate the proportion of workers (excluding civil servants) in households with a social security card to be 12.1 per cent in rural areas, compared to 20.5 per cent in urban areas. The same is found among (non-civil servant) employees only, with 18.8 per cent coverage in rural areas and 25.6 per cent in urban areas.

► Figure 9. Coverage by social security, contract type and payment modality within the formal sector (millions, %)



Source: Cambodia LFS 2019.

According to the LFS data, within the formal sector not all workers are insured. Figure 9 above suggests that, of the 1.1 million formal sector workers, 0.4 million (32.4 per cent) are insured under the NSSF, while 0.8 million (67.6 per cent) are not covered by social security. Outside of the formal sector, 92,003 workers are insured, representing 1.5 per cent of the 6.1 million total informal sector workers.

Figure 9 also shows that, of the 77.3 per cent of formal sector employees with written contracts, over half do not have permanent contracts (53.6 per cent are on temporary contracts). The vast majority (77.6 per cent) are paid monthly; while less than one in 20 (4.2 per cent) are paid daily. Not depicted in the figure is the fact that some 4.7 per cent work multiple jobs, with this measure differing between men (6.0 per cent of whom work multiple jobs) and women (3.6 per cent of whom work multiple jobs).

Taken together, these data indicate that a significant number of people working in formal enterprises are not covered by the NSSF – even if the estimates are lower than the actual number according to NSSF administrative data. According to the Labour Law, all enterprises employing at least one person are compulsorily obliged to contribute to the NSSF. But the numbers identified above imply the existence of a large group of workers that should legally be covered by the NSSF, but whose employers do not appear to be complying with the law by contributing to social security.

The above summary statistics indicate the nature of the challenge in the labour market vis-à-vis expanding coverage of social security to all eligible workers. They suggest not only a lack of coverage and compliance that is constitutive of a large and diverse informal sector, but also a lack of compliance (and enforcement) within the formal sector. Below we delve deeper into the characteristics of those workers who are not covered by the NSSF, before looking further at the issue of social security coverage in the context of the enterprise landscape.

Data show a significant proportion (perhaps as much as 68 per cent) of workers in the formal sector are not covered by social security.

► Box 4. Social security for domestic workers

In 2003, domestic workers in South Africa were legally granted a number of social protection benefits for the first time. The Unemployment Insurance Amendment Act included domestic workers in the Unemployment Insurance Fund, which provides: (a) full or partial unemployment benefits in the case of dismissal, retrenchment, illness or death of the employer; and (b) maternity benefits for pregnant domestic workers before or after their children are born. Responding to the specific situation of domestic workers, the right to partial unemployment benefits was included in cases when an insured person has lost employment with one employer but still works for another. The implementation of the law was accompanied by the provision of financial and human resources to train and employ additional labour inspectors to strengthen compliance mechanisms. By 2008, the number of registered workers had grown to 633,000, who were employed by 556,000 employers and of whom 324,000 had received benefits. By April 2009, an additional 23,000 employers (total of 579,000) registered their workers.

Other countries, such as Argentina, Israel and Italy, have taken steps to address the financial barriers faced by domestic workers and their employers: for example, by establishing flexible mechanisms for the collection of contributions or introducing differentiated (and often lower) contributory provisions. In many cases, the role of governments in subsidizing social insurance contributions can be key in extending coverage to domestic workers and other groups of vulnerable workers who have limited contributory capacity. In Costa Rica, for example, a percentage of the social security contributions of domestic workers and their employers to the Costa Rican Social Security Institute is subsidized by the Government. These measures, in combination with effective incentives for registration, such as fiscal incentives, can reduce the cost associated with formalization, and thus encourage enrolment. In Argentina, Finland and France, employers of domestic workers can deduct part of the costs of the services from their taxable income.

Source: Adapted from ILO 2019.

► **Box 5. Incentivizing and enforcing compliance with social security regulations**

It is recognized that labour and social security inspection approaches need to be adapted to take account of the specific circumstances and needs of employers and workers, particularly in sectors with high levels of informal employment. In order to meet those needs, it may be necessary to adapt the applicable legal framework in order to enhance the human and financial resources available for inspection, as well as to adapt the way inspections are conducted.

IT solutions and good coordination among the different institutions, organizations and agencies involved (at different levels of government) can support the implementation of effective labour inspection mechanisms.

An adequate balance needs to be found between sanctions and incentives in order to promote a sustainable and equitable approach to ensuring compliance and the uniform application of the law.

Three examples from around the world help to illustrate how these challenges have been met in other countries:

Costa Rica's social insurance institution has implemented a range of measures to improve the collection of social insurance contributions by self-employed workers and employers. The institution employs a group of specialized inspectors to oversee the registration of self-employed workers. The inspectors work in several economic sectors and according to different schedules so as to enable both daytime and nighttime supervision. In addition, more administrative staff and inspectors have been hired to enhance the administrative capacity to follow up cases of evasion. The responsible institution has also allocated more resources so as to acquire the physical, material and technological resources needed to successfully implement this strategy, which has allowed the extension of contributory coverage to all parts of the country, including to self-employed workers in rural areas.

In Malaysia, the introduction of a mobile application to verify enterprise registration, plus a mobile application that locates unregistered enterprises with a GPS via Google, have significantly reduced the time required to detect and verify unregistered enterprises. Between 2015 and 2016, the total number of enterprises visited increased by 14 per cent, while the number of unregistered enterprises visited increased by 23 per cent.

In Saudi Arabia, the General Organization for Social Insurance implemented a new system to consolidate all inspection data (paper-based and electronic) and reduce the duration of inspection processes by organizing field inspections based on the inspector's geographical location and expertise. This full business intelligence system uses real-time field inspection data and is thus able to calculate information in seconds, allowing for a significant increase in the number of field visits.

Source: Adapted from ILO 2021.

3.2. Characteristics of workers not covered by social security

This section looks in more detail at those who should be the target of policies to extend social security coverage: non-civil servant workers who are not covered by the NSSF.³⁰

According to the LFS 2019, some 6.9 million workers, or 88.3 per cent of the 7.9 million total workforce, are reportedly not contributing to the NSSF (or do not know if their employer is contributing on their behalf – see section 2.4 above). Overall, a greater number of men than women are uninsured (3.6 million versus 3.3 million, respectively), and men are also more likely to be uninsured: 95 per cent of male workers are uninsured, compared to 92 per cent of female workers (figure 10).³¹

However, these aggregate figures disguise a more varied situation for women in certain sectors and across different employment statuses. Across the whole non-civil servant workforce, some 48.9 per cent (3.6 million) are women. Women are slightly less likely to be working in the informal sector (47.7 per cent of all informal sector workers are women) and more likely to be formal (55.1 per cent of formal sector workers are women). Women are also much less likely to be civil servants, constituting just 32.7 per cent of the civil service workforce. They are more likely to be working in households (54.7 per cent of all household workers are women), indicating that women are over-represented there (by “over-represented” we simply mean that there are more women working in households than their share in the overall non-civil servant workforce).

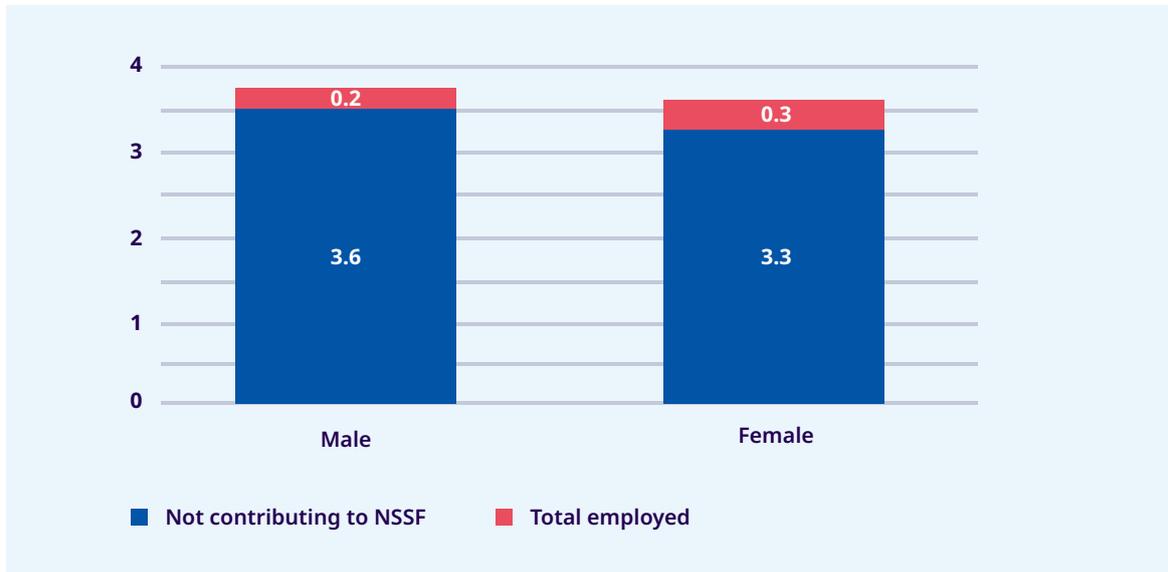
The differences between the labour market characteristics of women compared to men can be further illustrated by looking at the distribution of women by employment status (figure 11 below; see also figure 5): women are clearly over-represented among contributing family members (constituting 69.7 per cent of the workforce in that group) and under-represented among employers (38.3 per cent), employees (44.9 per cent), and own-account workers (47.7 per cent).

Women workers are over-represented among contributing family members (constituting 70 per cent of the workforce in that group), and under-represented among employers (38 per cent), employees (45 per cent) and own-account workers (48 per cent).

³⁰ Bearing in mind that coverage by social security within the LFS is likely to be underestimated. See section 2.4 for a discussion of this issue.

³¹ Once again, we find similar results when triangulating with the SES 2019 data, which show that some 13.6 per cent of male workers (excluding civil servants) reside in households with a social security card, compared to 16.5 per cent of women workers (excluding civil servants). For non-civil servant employees only, these figures are 17.3 per cent for men and 27.7 per cent for women. The higher rate of coverage for women is driven by the manufacturing sector (and almost certainly by the garments subsector within that), wherein some 45.0 per cent of women employees (excluding civil servants) reside in households with a social security card, compared to 27.8 per cent of male employees.

► Figure 10. Uninsured workers in relation to total employed workers, by gender (millions)



Source: Cambodia LFS 2019.

Analysing the location of women in the workforce by economic sector (figure 12), we see that women are significantly over-represented in particular sectors, especially wholesale and retail trade (66.7 per cent of wholesale and retail trade workers are women), accommodation and food (64.4 per cent), manufacturing (63.7 per cent), and domestic workers (63.4 per cent). Women are particularly under-represented in transport (6.1 per cent), construction (16.4 per cent), public administration (19.9 per cent), other industry (30.8 per cent), and health (39.8 per cent).

The distribution of women in the workforce varies depending upon whether one is looking at the formal or informal sector. In formal enterprises, women are even more over-represented among industry workers (64.7 per cent) and manufacturing workers (70.7 per cent) – with women especially over-represented within the garment subsector, accounting for 76.1 per cent of the formal sector workforce there. Within informal enterprises, women have a slightly higher chance of working in the health sector (44.1 per cent), but an even lower chance of working in transport (5.2 per cent) or public administration (18.2 per cent).

Given that certain employment statuses are assumed within the LFS to not be covered by the NSSF (question i22 was not asked of them – see section 2.2.2 above)³² and the fact that some of the sectors in which women are over-represented have both high numbers and high proportions of workers who are reportedly uninsured³³, addressing gender disparities in coverage by social security becomes more relevant depending on employment status and economic sector.³⁴

Figure 13 shows that almost as many wage earners are reportedly uninsured as own-account workers. This indicates that informality is not restricted to self-employment and own-account work, but is also associated with wage-earning employment.

Considering uninsured workers by age (figure 14), the LFS 2019 data show that a high overall proportion of non-civil servant workers are reportedly not insured (average rate of 93.8 per cent), with those 40 years of age and older being above the average rate of uninsured and those younger than 40 slightly below the average.

Coverage by the NSSF also appears to be related to income. The LFS 2019 data enable us to analyse estimated rates of social security coverage by income quintile for employees, employers, own-account workers and contributing family workers. Considering these groups, we see that poorer workers are less likely to be covered than those higher up the income distribution (figure 15): almost 100 per cent (99.5 per cent) of those in the bottom income quintile and some 95.6 per cent of those in the second quintile are not insured, compared to an average across the whole income distribution of 90.4 per cent uninsured. Those in the upper three income quintiles are slightly less likely to be uninsured (87.3 per cent in the third income quintile, 82.3 per cent in the fourth quintile, and 85.3 per cent in the fifth quintile).³⁵

Monthly average earnings for insured wage earners are 894,108 riel, compared to 863,107 riel for uninsured workers.³⁶ Disparities in earnings are particularly marked between men and women, with women earning some 5.8 per cent less than men among insured workers, and 6.6 per cent less among uninsured workers.

Poorer workers are less likely to be covered by social security than those higher up the income distribution.

³² Consequently, 100 per cent of contributing family members (0.9 million workers), own-account workers (2.9 million), and employers (0.3 million) are assumed to be uninsured (see figure 13 below).

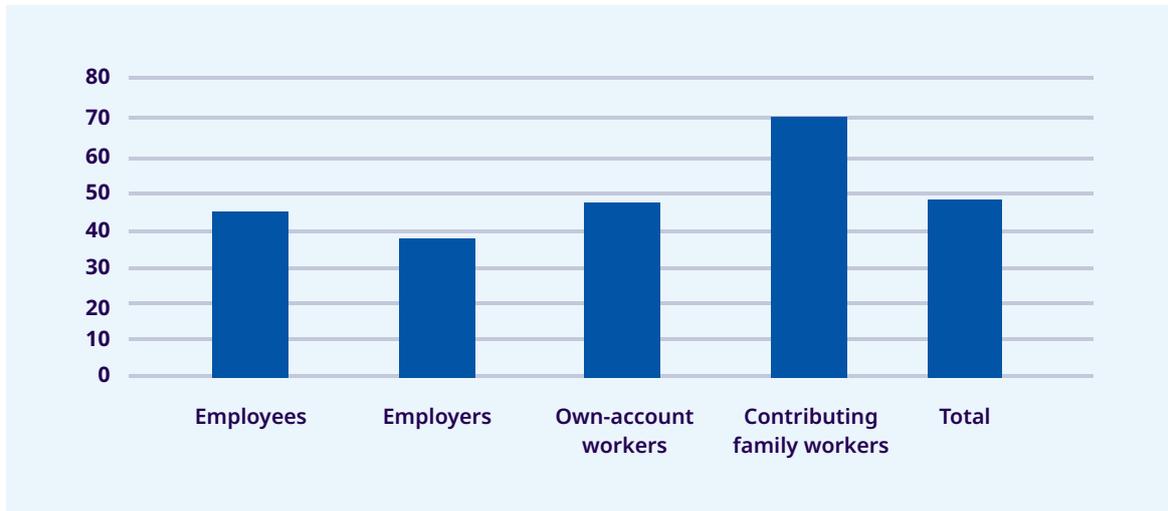
³³ For example, the wholesale and retail trade, manufacturing, accommodation and food, and domestic worker sectors represent around 2.6 million uninsured workers in total, amounting to 88.1 per cent of all workers in those sectors (see figure 19 below).

³⁴ Again, Cambodia SES 2019 data verify the trends identified in the LFS data. In the Cambodia SES, we find that 21.9 per cent of employees (excluding civil servants), 20.4 per cent of employers, 10.7 per cent of own-account workers, and just 8.8 per cent of contributing family workers reside in households with at least one social security card.

³⁵ The Cambodia SES finds a similar trend: the proportion of non-civil servant workers residing in households with a social security card increases from 9.0 per cent in quintile 1 to 17.9 per cent in quintile 5 (and 19.5 per cent in quintile 4). The same trend is observed for employees only, for whom coverage rises from 15.1 per cent in quintile 1 to 24.8 per cent in quintile 5 (again, with the highest rate of coverage observed in quintile 4, at 26.7 per cent).

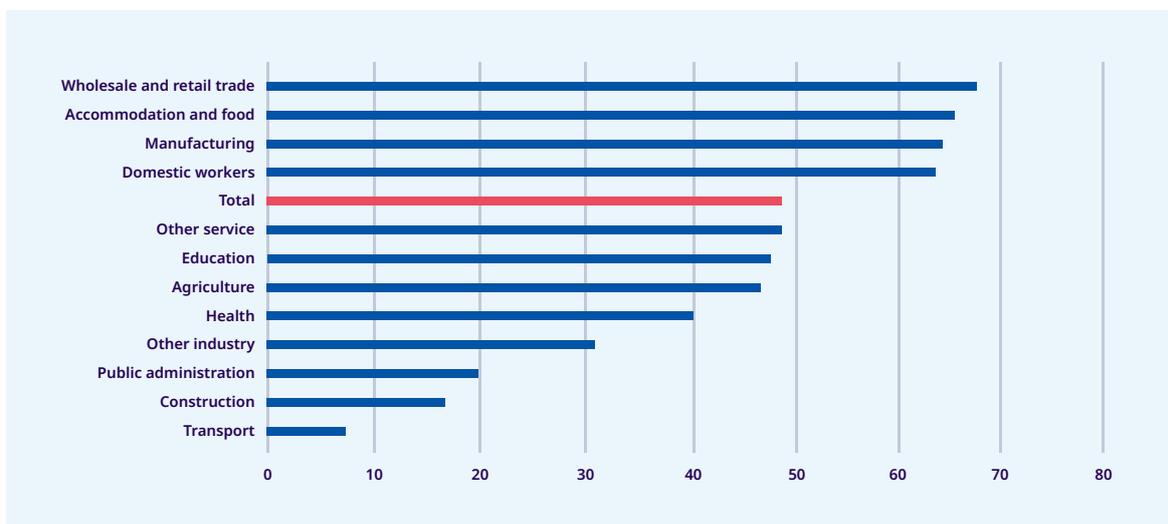
³⁶ The World Bank (2021b) indicates that the national poverty line, which was recently redefined using the Cambodia SES 2019/20 on a cost-of-basic need and common basket approach, is now set at 10,951 riel per person per day.

► **Figure 11. Proportion of women workers by employment status (%)**



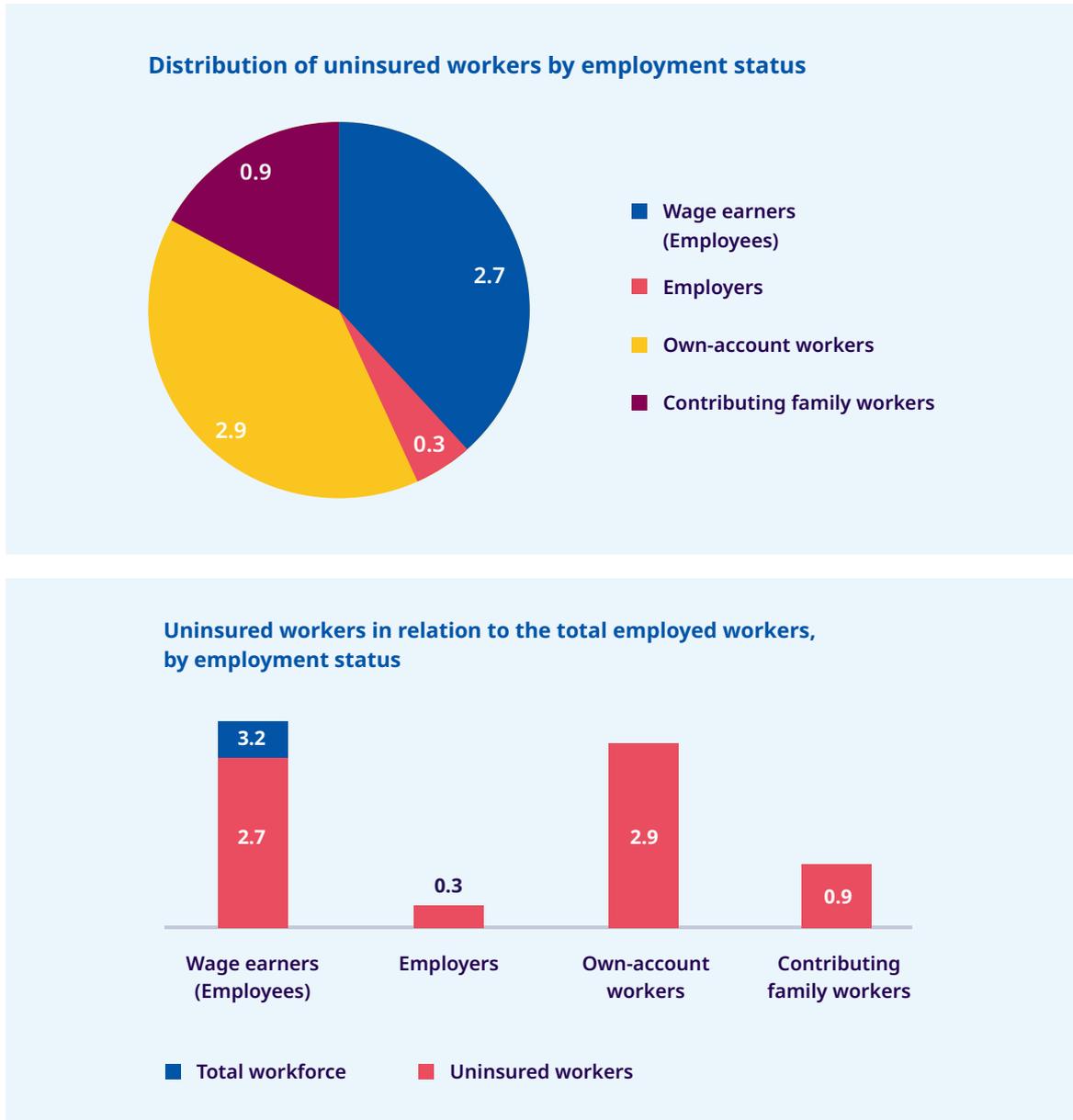
Source: Cambodia LFS 2019.

► **Figure 12. Proportion of women workers by economic sector (%)**



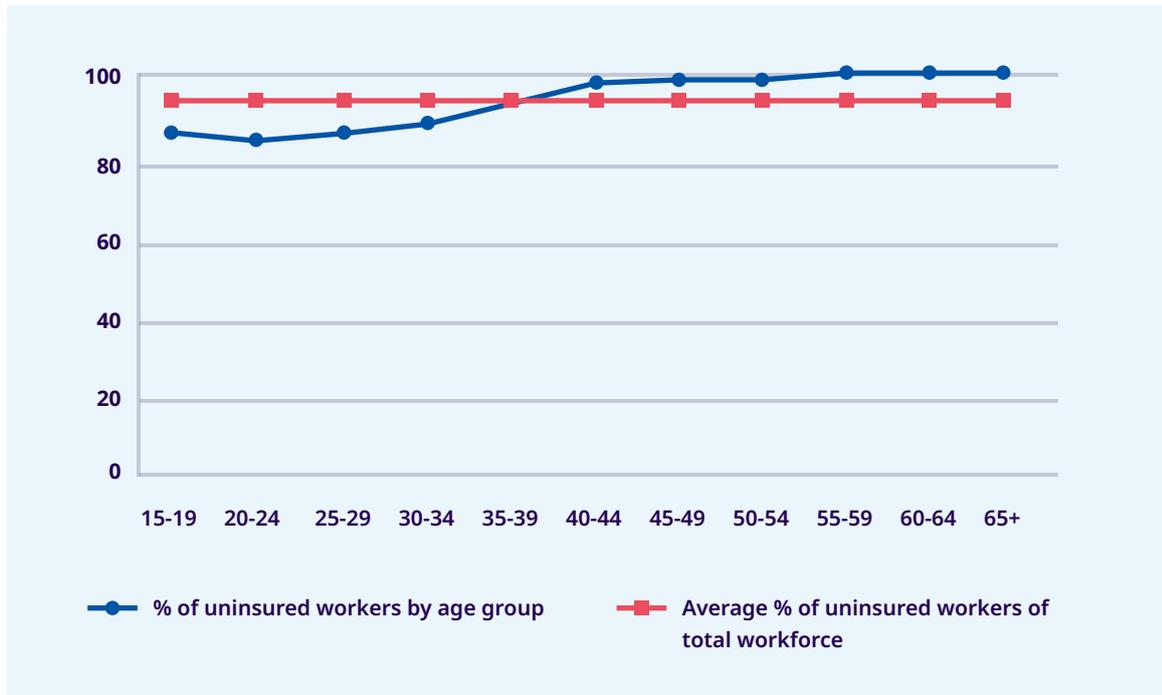
Source: Cambodia LFS 2019.

► Figure 13. Uninsured workers by employment status (millions)



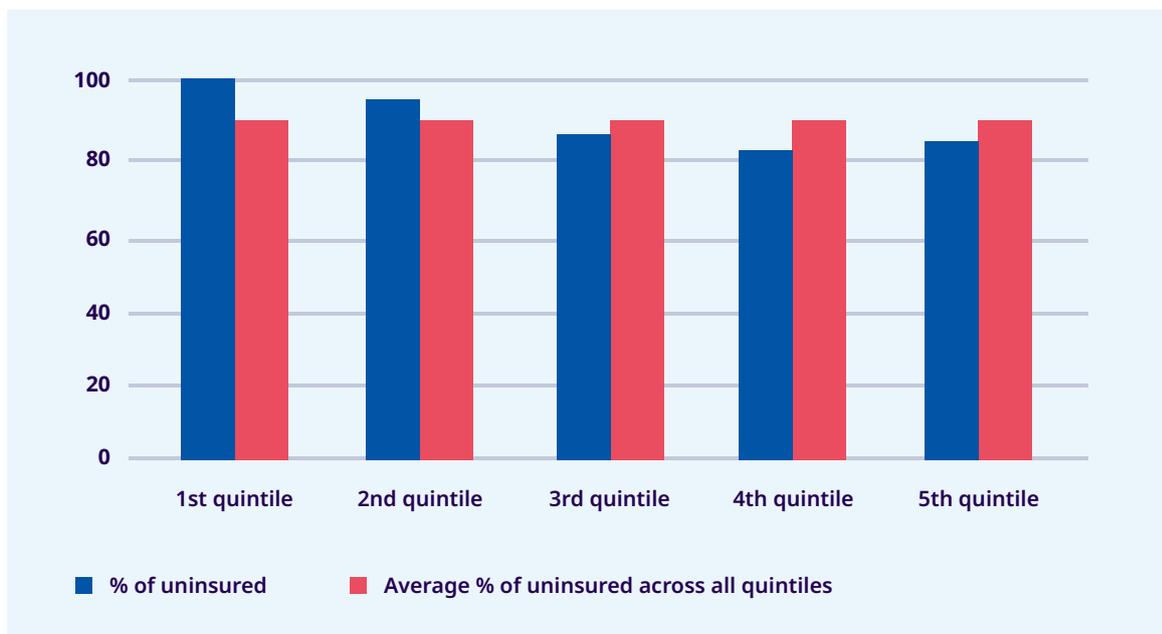
Source: Cambodia LFS 2019.

► Figure 14. Uninsured workers as a share of total employed workers, by age group (%)



Source: Cambodia LFS 2019.

► Figure 15. Uninsured workers as a share of total employed workers, by income quintile (%)



Source: Cambodia LFS 2019.

► Box 6. Providing social security to self-employed workers

Several countries, including Argentina, Brazil, Cabo Verde, Jordan, Kenya, Mexico, the Philippines, and Uruguay, have included the self-employed in their general social protection schemes. Such an approach has the advantage of allowing workers to remain in the same scheme regardless of their employment status, and provides adequate coverage in cases where workers change their employment status or combine (part-time) paid employment and self-employment.

A pertinent example is the Microempendedor Individual (MEI) programme in Brazil, which facilitated the creation of the legal category of self-employed micro-entrepreneurs in 2008 through the Complementary Law No. 128. This law defined micro-entrepreneurs as self-employed persons with a maximum gross annual income of 81,000 Brazilian real (about US\$20,800) who do not participate in another company as a partner or shareholder and who have no more than one employee. The law simplified social security registration and contribution payments by combining tax and social security contributions into a single (“monotax”) payment. While the law is part of the Simples Nacional Law 9317, which addresses micro- and small enterprises, it foresees lower contribution rates for micro-entrepreneurs than those applied under the regular scheme. The MEI programme has contributed to social security coverage increasing among self-employed workers by just under 10 percentage points between 2009 and 2015, as well as increasing the number of registered small- and medium-sized enterprises (SMEs) from about 3 million in 2009 to 5 million in 2018.

Some countries have moved from voluntary to mandatory coverage through adapted mechanisms that take into account capacity to contribute and other characteristics of self-employed workers. For example, Costa Rica and Cabo Verde reformed their laws to mandate the participation of self-employed workers in pension and/or health insurance schemes. To facilitate their coverage, contribution levels were reduced and benefits were adapted to better correspond to those of salaried workers. These measures have proven to be successful: in Cabo Verde, for example, coverage increased from 0 to 9 per cent within one year of implementation.

Collective registration agreements are another useful mechanism to facilitate the registration of self-employed workers. Organizations of self-employed workers (such as trade unions, cooperatives or producers’ associations) can operate as an intermediary between workers and social security institutions. Examples of such collective agreements are found in Ecuador, Costa Rica and the Dominican Republic. In the latter, for example, the trade union-supported association AMUSSOL was founded in 2005 to facilitate access to the social insurance scheme for self-employed and other vulnerable categories of workers. AMUSSOL acts as an intermediary between the social security institution and workers in the informal economy by collecting social security contributions from its members and transferring them to the social security institution. AMUSSOL has covered 60,000 workers to date. The fact that workers are ready to pay an additional 1 per cent fee for AMUSSOL’s operating expenses on top of their social security contributions shows how much they value social security coverage.

Source: Adapted from ILO 2019.

3.2.1. Ability to contribute to social security

As the above data indicate that access to the NSSF is related to income, it is useful to look at workers' ability to pay, in order to gain an insight into how important a determining factor this may be. Using SES 2019 data we are able to establish what level of surplus income employees³⁷ may have to contribute to an NSSF pension.

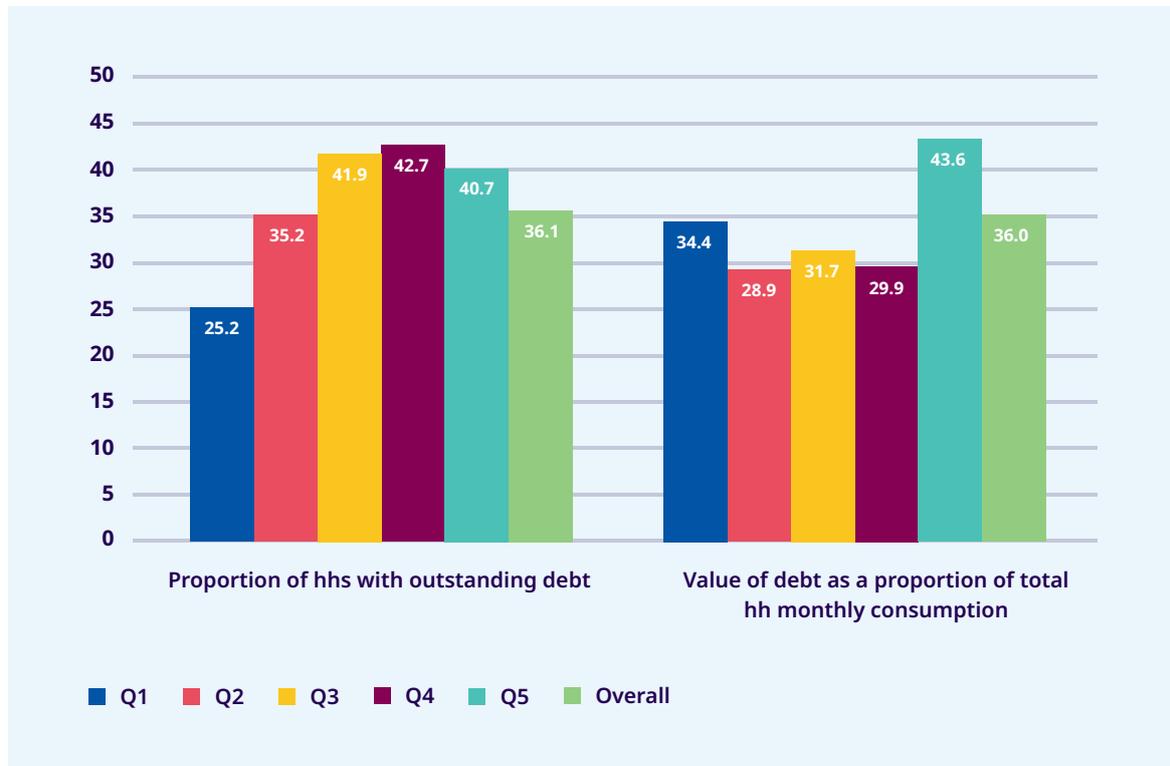
According to Sub-Decree No. 32 on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021), the contribution rate for the planned NSSF pension will be split equally between the employer and employee and will total 4 per cent of "covered pay" for the first five years, 8 per cent for the next five years, and an additional 2.75 per cent in each successive ten-year period. This suggests that employees would need an income surplus of up to 6.75 per cent of their income (for example, for those contributing for up to 30 years) in order to be able to afford to contribute to an NSSF pension.

In order to get an insight into the proportion of workers who could potentially afford this level of contribution, we analysed the Cambodia SES data, which contain both consumption expenditure and income data (at least for employees), as well as information on levels of household debt. Debt remains a significant issue for many Cambodian households, with poorer households more likely to borrow from informal moneylenders, to have a high ratio of outstanding debt to average annual per capita consumption, and to borrow for unproductive purposes, such as consumption, medical expenses, cultural and religious ceremonies, or to service existing debts (ADB 2014).

The Cambodia SES thus allows us to look at ability to pay, notwithstanding the notable limitation that income data are only available for employees, but not for employers or own-account workers. This means that we can only assess ability to pay for employees (not for the self-employed) by relying on a number of assumptions:

Firstly, among households containing an employee (including civil servants), we observe that just over one-third (37.3 per cent) have surplus income after paying for total household consumption. This figure does not account for household debt, which, as shown in figure 16 is significant – especially for the poorest households in quintile 1, for whom monthly debt obligations are equivalent to some 34.4 per cent of total monthly consumption. Just over a third (36.1 per cent) of all households have outstanding debt liabilities, with the total value of outstanding debt averaging almost three times (276.4 per cent) total annual household income from employees. The ratio of total debt to annual income gets higher as you rise through the consumption quintiles, from 103.3 per cent for those in quintile 1 to 651.4 per cent for those in quintile 5.

► **Figure 16. Levels of household debt by consumption quintile (%)**



Source: Cambodia SES 2019.

Furthermore, Cambodia SES data indicate that, beyond employees, households on average tend to have around three (3.1) income earners in total, just under half (1.4) of whom are employees. Assuming that the total burden of household consumption (excluding debt) is split evenly between income earners (given that we do not have income data for the self-employed), we can construct an indicator of employees' ability to contribute towards a pension using the following logic:

- Ability to contribute is equal to 1 if an employee's surplus income is greater than 6.75 per cent of their income.
- Surplus income is calculated by taking the employee's income and subtracting their share of total household consumption, which is given by the household size divided by the total number of income earners in the household.

Using this logic, we find that some 52.4 per cent of employees could afford to contribute the maximum 6.75 per cent share of their income as specified by Sub-Decree No. 32 on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021). However, this proportion drops to 38.4 per cent if we assume that employees are required to cover the whole of household consumption by themselves.

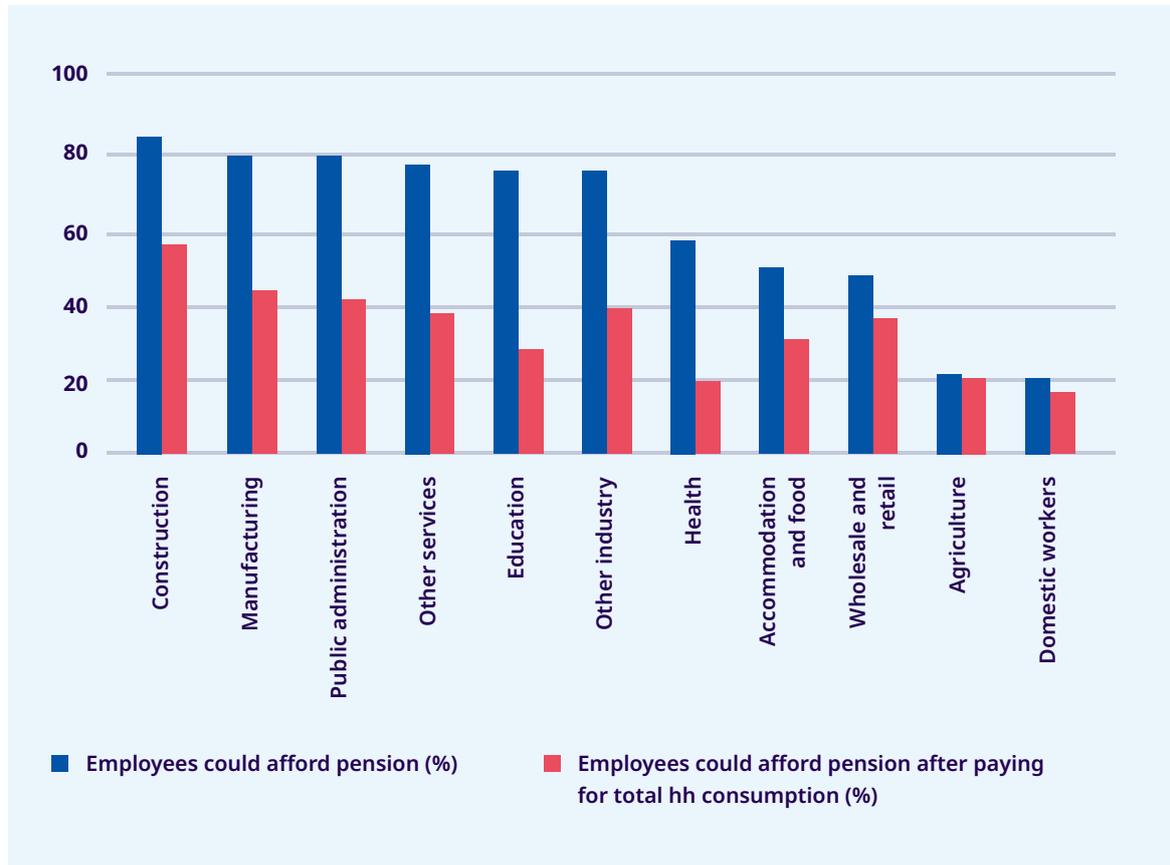
³⁷ Income data are only available for employees within the SES.

The proportion of employees that could contribute to a social security pension by these measures differs across workers in different economic sectors. Figure 17 shows that the highest proportions of workers with the ability to contribute to a pension are found in the construction, manufacturing and public administration sectors, and the lowest are found among domestic workers, agricultural workers, and wholesale and retail trade workers. According to the data, no domestic workers have the capacity to contribute, implying that contributions for this group would have to be wholly covered by employers and/or the Government. Given that some four-fifths (80.1 per cent) of agricultural workers are own-account workers (55.1 per cent) and contributing family workers (25.0 per cent), workers in this sector are another group whose contributions will most likely need to be covered, or at least supplemented, by the Government.

Key informant interviews with NGOs working with own-account workers in the informal sector in sectors such as transport (such as with tuk tuk drivers, taxi drivers and food delivery workers), accommodation and food (such as street vendors), as well as domestic workers reveal that willingness and ability to pay social security contributions are also high, albeit at potentially lower rates and with tailored contribution periods, which may thus require government subsidies. Here, the question as to whether digital platform providers could or should contribute on behalf of the workers on their platforms is something for the Government to consider. IDEA says that consultations with workers across various sectors (transport, accommodation and food, and domestic workers) show that some 85 per cent of their members are able and willing to pay US\$2 per month for social security coverage, with their top priorities in terms of benefits being healthcare³⁸ and savings for retirement (that is, pensions).

³⁸ In 2018, street vendors and delivery drivers were given access to the Health Equity Card, but this benefit was withdrawn in 2019.

► Figure 17. Share of employees able to contribute to a pension, by economic sector (%)



Source: Cambodia SES 2019.

Similarly, following consultations with tuk tuk drivers, GRET found a willingness to contribute at a level of 15,000 riel (circa US\$4) per month. As part of their consultations, these NGOs also discussed contribution options with employers: for example, with home-owners employing domestic workers and digital platforms working with transport workers. They found that while employers of domestic workers say they are willing and able to pay employer contributions, they face barriers in terms of knowledge about and access to the social security system in order to register their workers, and more significantly, noted the lack of enforcement by the NSSF and MoLVT. This situation is not mirrored by the main digital platforms, however, with only one of the main providers (QuickApp) apparently willing to pay contributions on behalf of their members. Some platforms have shown a willingness to facilitate information sharing about social security with their users.³⁹

³⁹ Key informant interview.

⁴⁰ IDEA has engaged its members to try to resolve debt burdens, including negotiating on their behalf with banks to try to lengthen repayment periods and reduce interest rates. However, while it reports some small success in negotiating longer repayment periods in some cases, banks have to date been uniformly unwilling to offer reduced interest rates.

The above measures of ability to pay do not account for obligations to pay off household debt or the differing amounts of income brought into the household by non-employee income earners. If employers or own-account workers tend on average to earn higher incomes than employees, the share of employees who could afford pension contributions could rise, based on the assumption that employees would be responsible for paying a smaller share of total household consumption. If, on the other hand, employers and own-account workers tended on average to earn less than employees, the proportion of employees who could afford pension contributions would likely decrease, based on the assumption that they would be responsible for paying a higher share of total household consumption. Furthermore, these results do not account for the instability of employees' income, which also may pose challenges to being able to make regular contributions at the required periodicity. The above analysis also indicates that debt relief or restructuring may be required in order to remove or lower the financial barriers that hinder workers' capacity to contribute to social security.⁴⁰

Around a half (52 per cent) of all employees could potentially contribute towards a social security pension, but this measure differs markedly across different economic sectors.

► **Box 7. Social security obligations in cases where the employment relationship is unclear**

A particular challenge in situations in which an employment relationship is unclear or ambiguous is correctly classifying the employment relationship in order to avoid misclassification of employment or “disguised self-employment” for dependent contractors. Dependent contractors may depend on a single client, a single supplier of material inputs, or an intermediary for access to clients. In such situations, the client, supplier or intermediary exerts a similar level of control over their working conditions as an employer, and therefore the terms and conditions of employment of dependent contractors resemble those of paid employment.

In such cases, it is important to clarify whether they work in an employment relationship, in order to ensure the necessary protection of the worker. Preventing the misclassification of employment is essential to ensure that employers do not unduly transfer economic risks to workers and avoid the responsibilities associated with formal employment contracts, including labour protection and social protection. It may also be that in some cases workers may declare themselves as self-employed in order to avoid rigid tax and contribution obligations, without considering the adverse consequences of a lack of social protection.

The clarification of the employment relationship is particularly relevant in the digital economy, in which self-employment is becoming more prevalent. In Uruguay, for example, the coverage of ride-hailing drivers using digital platforms was facilitated through a phone application that allows for the direct deduction of social security contributions from the price of the ride through the monotax mechanism, thereby ensuring the drivers' social security coverage and creating a more level playing field between the traditional and digital economies.

Source: Adapted from ILO 2019.

3.2.2. Other barriers to accessing social security

Beyond ability to pay, other factors can also affect whether workers affiliate with the NSSF. Factors that may influence their decision in this regard could include the perception that the value of affiliation does not justify the cost, which may in turn be due to a combination of either a lack of knowledge about the nature and value of the benefits provided, a lack of trust in the system to deliver the given benefits at the agreed cost, and/or questions as to whether the benefits meet the needs and priorities of members. Lack of access could also be due to administrative barriers, such as lack of relevant identification documents (Manzoor and Bukhari, unpublished).

Awareness of the benefits of social security is one of the primary barriers to access among informal sector workers.

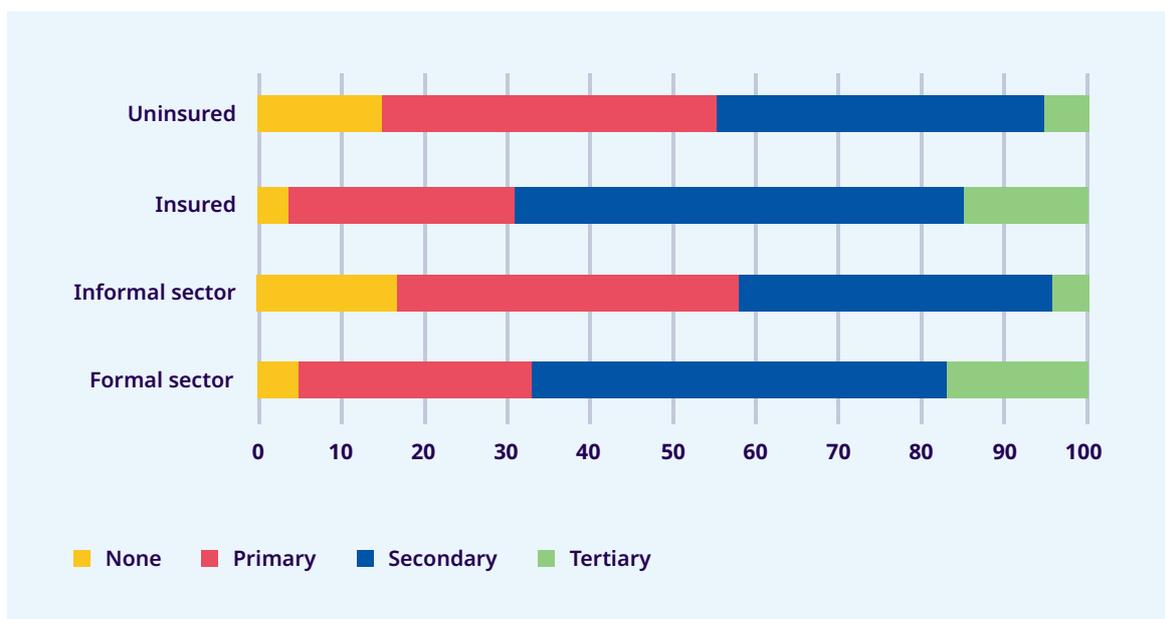
Indeed, a study by Oxfam (2022) looking at the capacity of informal sector workers to contribute to the NSSF found that knowledge and awareness about social security benefits and obligations was a major barrier. Close to two-thirds of respondents were not aware of the NSSF at all, and there were very low levels of knowledge about aspects such as how to register, the available schemes, the contribution amount, the contribution process, the benefits of membership, and the procedures for claiming benefits. Other barriers to accessing social security identified by the study included a lack of trust in the system, with just under half (46.9 per cent) of respondents citing this as an issue, as well as doubts about the value for money and the degree of transparency and accountability within the system – though these latter two issues were cited by a smaller proportion of respondents (18.3 per cent and 14.3 per cent, respectively). Instability of income was another challenge identified by respondents regarding their ability to contribute, with some two-thirds citing this as a potential barrier.

Despite these barriers, the same study identified a clear need for protection against the types of risk covered by social security, including healthcare, income compensation for sickness, maternity, occupational injury, and old age, as well as a general interest in joining the NSSF and a willingness to contribute (Oxfam 2022).

These results suggest that further research could be useful to better understand these factors across sectors of the economy not covered by the Oxfam study.⁴¹ As recommended by the study, enhanced communications around the costs and benefits of affiliation (especially via social media) would clearly help mitigate some of the barriers identified.

The above paragraphs refer to barriers faced by workers, but lack of access to social security is also conditioned by barriers resulting from capacity and other constraints on the side of the NSSF and other related government organizations and institutions (including the legal and policy framework), as well as the capacity constraints of enterprises themselves.

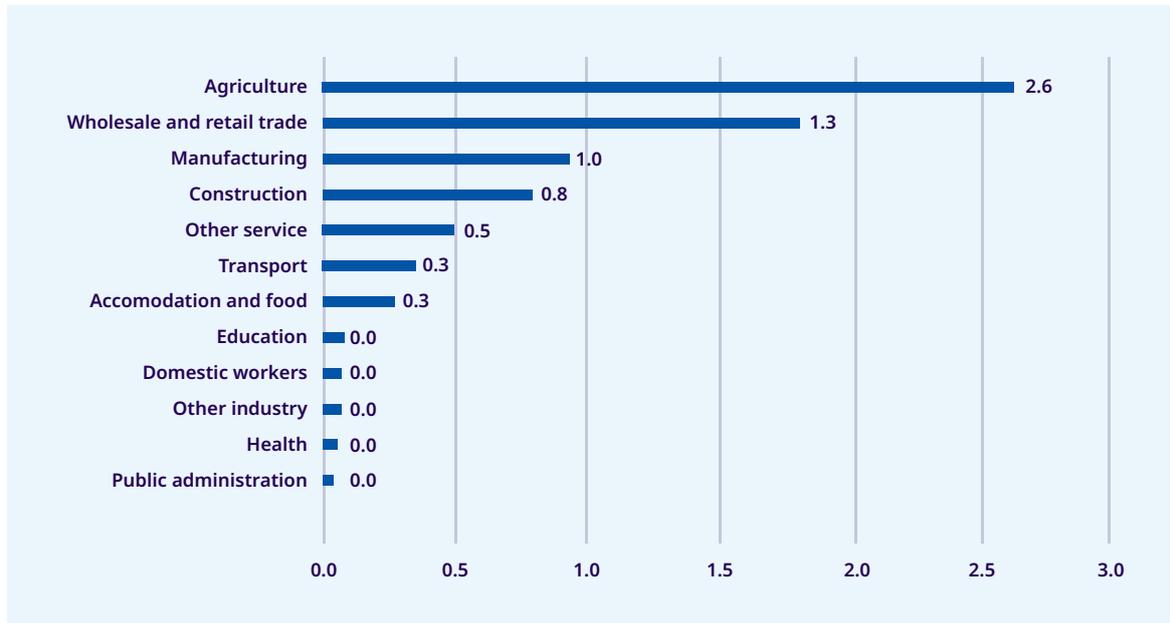
► **Figure 18. Workers' level of educational attainment by social insurance status and sector of employment (%)**



Source: Cambodia LFS 2019.

⁴¹ The study sampled seven categories of respondents: (i) domestic workers; (ii) street vendors; (iii) waste collectors; (iv) transportation workers; (v) workers in entertainment; (vi) construction workers, and (viii) workers in food and beverage services.

► **Figure 19. Uninsured workers by economic sector and unit of production (millions)**



Source: Cambodia LFS 2019.

These constraints include:

- The constrained administrative and technical capacity of the NSSF (for example, low numbers of inspectors relative to the number of registered enterprises).
- Limited coordination between the NSSF and other government agencies, such as the MoLVT.
- Low capacity and knowledge of enterprises regarding registration and compliance, as well as low or conflicting incentives to register and comply.
- Complex and burdensome administrative procedures (the NSSF registration process is entirely manual, requiring enterprise owners and workers to register individually in person at NSSF offices).⁴²
- Weak enforcement of penalties for non-compliance.

In addition, COVID-19 has further exacerbated some of these barriers by negatively impacting capacity and causing delays, all while increasing demand (Manzoor and Bukhari, unpublished; Nhean, unpublished).

Income is strongly correlated with educational attainment, so, as expected, the likelihood of being uninsured is also higher the lower the level of educational attainment a worker has achieved. In 2019, 43.7 per cent of uninsured workers had a secondary education or higher, compared to 69.6 per cent of workers covered by the NSSF. A similar pattern is observed among those working in the informal sector, where 41.4 per cent of workers have a secondary education or higher, compared to 66.7 per cent in the formal sector (figure 18).⁴³

⁴² Discussions are ongoing around initiatives such as CamDX and the online registration platform, as well as a pilot collaboration with GRET to develop an online application for registering domestic workers and tuk tuk drivers.

⁴³ Cambodia SES 2019 data support these trends, with the proportion of workers residing in households with a social security card rising with the education level of the household head.

Looking at reported coverage of the NSSF across sectors (figure 19), we see that the sector with both the largest number of uninsured workers (2.6 million) and the highest proportion of uninsured workers (99.9 per cent) is agriculture, followed by wholesale and retail trade (1.3 million; 99.0 per cent), manufacturing (1.0 million; 74.6 per cent), construction (0.8 million; 98.3 per cent), other services (0.5 million; 86.8 per cent), transport (0.3 million; 97.6 per cent), and accommodation and food (0.3 million; 98.6 per cent). Of the other sectors with fewer than 0.3 million uninsured workers in each, “other industry” has the highest proportion who are uninsured (96.4 per cent), followed by domestic workers (94.7 per cent), public administration (94.3 per cent), education (91.4 per cent), and health (82.9 per cent).⁴⁴

The agriculture sector has the highest number and proportion of workers not covered by social security. Social assistance or government-subsidized social security contributions will be required to provide social protection for this group.

These rates are marginally lower if one excludes employers, own-account workers and contributing family workers, 100 per cent of whom are assumed by the LFS to be uninsured. When counting wage earners (employees) only, the average proportion of reportedly uninsured across all economic sectors is 85.7 per cent, compared to 93.8 per cent across the whole workforce.

Finally, it should be acknowledged that, whatever their current employment status or sector of work, those in the labour force often have a varied employment history. Workers move between jobs, in and out of different employment relations, and across economic sectors, as well as in and out of formal production units.

For example, Wasi et al. (2021) conducted a cohort analysis of millions of individual employment histories in Thailand using machine learning techniques applied to administrative data from the Thailand Social Security Fund to illustrate the varied nature of many workers’ career paths. They found that more than half of registered workers leave the formal sector either temporarily, seasonally or permanently long before their retirement age, thus jeopardizing their social security benefits (illustrated in figure 20 below). Their analysis demonstrates that the formal and informal sectors are closely connected in Thailand, and they thus conclude by raising the important question of whether Thailand’s social security system, which is currently designed to provide separate programmes for formal and informal workers, is fit for purpose.

⁴⁴ The Cambodia SES 2019 data here present a broadly identical picture, despite some minor differences at a more detailed level. For example, among employees only, the picture is the same, but when including all workers, the Cambodia SES data find that the lowest proportions of workers residing in households with a social security card are found in the “other industry” sector (7.5 per cent), wholesale and retail trade (9.0 per cent), and agriculture (9.8 per cent).

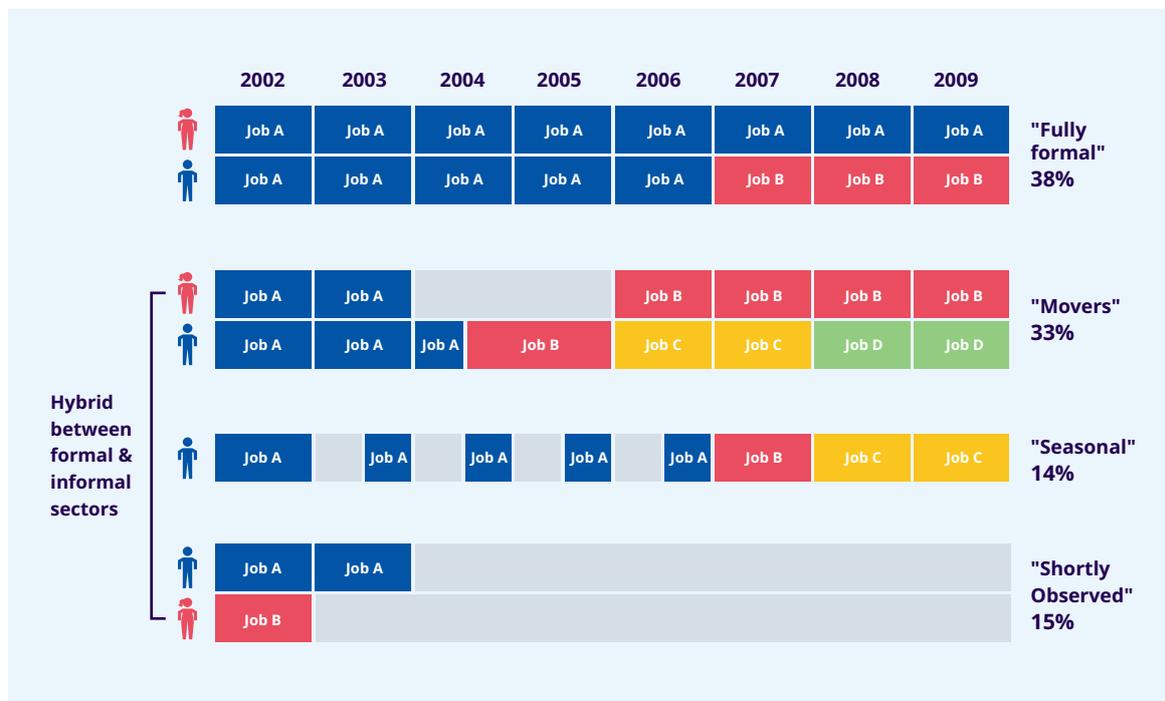
Wasi et al. (2021) also find that “semi-formal workers” (that is, those who move in and out of formal employment relations during their employment histories) have a much flatter wage-to-age profile compared to those who always stay in the formal sector (referred to here as “fully formal” workers). Moreover, they observe that the difference in wage-to-age profiles for the fully formal group compared to the three semi-formal groups illustrated in figure 20 is very similar to the difference in wage-to-age profiles between college educated versus non-college educated groups using cross-sectional labour force survey data for corresponding cohorts. The authors conclude that this likely indicates how fully formal workers are offered higher wages at a new job as firms compete for higher-skilled workers, whereas by contrast, the semi-formal worker groups referred to in figure 20 as “movers” and “seasonal” have shorter job tenures and flat wage profiles that likely reflect an excess supply of workers of their skill level.

These results pertain to Thailand, whose labour market characteristics contain some differences compared to those of Cambodia. However, the Thai labour market also shares many features with the labour market in Cambodia, including high rates of informality, a preponderance of vulnerable employment statuses (own-account workers and contributing family workers), a similar distribution across economic sectors, and a high proportion of workers not covered by social security. For these reasons it is likely that similar patterns of employment history may also be found among the labour force in Cambodia.

The analysis above (see figure 18) indicates that higher levels of education are providing some protection against working in the informal sector and therefore against lack of coverage by the NSSF. However, in Thailand it has been found that this was becoming marginally less likely over time, albeit that the precise reasons for this trend were not clear from the data alone (ILO, UNICEF, IOM and UN Women 2022). This may indicate the preferences of some higher educated workers who can command higher incomes in the informal sector (for example, in the gig economy), which is something that Wasi et al. do not rule out. However, Thailand national survey data do show that, on average, informal workers tend to earn less and are much more likely to be poor than formal workers (United Nations Thailand 2022). Either way, Wasi et al. call for more effective redistribution mechanisms in order to prevent earnings inequality from translating into disparities in old age and the transmission of low incomes to the next generation.

The analysis conducted by Wasi et al. thus provides further indication that there is a need to explore deeper integration of tax revenue and contributions in the financing of social security benefits. This is because – due to Cambodia having similar labour market conditions as those in Thailand – many workers are likely to move in and out of formal employment relations throughout their career history, and thus to jeopardize their ability to accumulate enough contributions to provide an adequate pension and/or other benefits to which they would otherwise be entitled and that are required to support them throughout their life course.

► Figure 20. Visualization of the work patterns of formal sector Thai workers (ages 15–44), 2002–09



Note: This visualization is adapted from a study that selected workers registered under Thailand's Social Security Article 33 on a particular date (that is, they were in formal employment at that time) and then followed their social security registration histories for 96 months to determine changes in their employment and/or their participation in the formal sector. The four clusters depicted in the figure can be described as follows:

Fully formal refers to workers who stayed in the formal sector for the entire 96 months.

Movers refers to those workers who typically had two to four formal sector jobs over the period, with each transitions from one formal sector job to another tending to involve a temporary exit from the formal sector for a period of 2 to 15 months.

Seasonal refers to workers who had 2 to 8 months out of the formal sector each year, before returning to the same employer.

Shortly observed refers to workers who stayed in the formal sector for the first 7 to 28 months of the observation period before leaving and never returning.

Source: Wasi et al. 2021.

► Box 8. Extending social security to agricultural workers and rural populations

In order to facilitate increased coverage of agricultural workers in the social security system, the Peasants' Social Insurance Scheme in Ecuador introduced lower contribution rates for agricultural workers than those in the general social insurance scheme. In accordance with the principle of solidarity in financing, the scheme is also cross-subsidized by the contributions of workers and employers registered in the general insurance scheme, alongside contributions by public and private insurance entities and a state subsidy.

Incentives to promote the participation of agricultural workers can also be created by designing schemes and benefits that better respond to the needs and specificities of rural populations. This can be achieved by integrating new services and benefits into existing schemes: for instance, by including insurance against risks or events that represent significant financial burdens in rural areas, such as funeral grants, education grants, or loans for higher education. An important complement for rural populations is the link with agricultural insurance. Given the importance of agriculture for rural livelihoods, and the exposure of the sector to large covariate shocks, agricultural insurance can fulfil important social protection functions and should ideally be better linked with social protection systems to ensure better coverage of the poor and vulnerable (in particular).

Source: Adapted from ILO and FAO 2021.

► Box 9. Integrated funding for social security

Considering the challenges that some workers face to accumulate enough contributions¹ to allow them to qualify for an adequate level of benefits, one of the solutions some countries have adopted is the development of integrated funding strategies that combine revenues from contributions with general government revenue. Some countries use government resources to fund contributions (subsidization), while others use those resources to directly fund the benefits.

In Portugal, the National Institute of Social Security combines two sources of funding: (i) revenues from contributions; and (ii) funds from the general government budget. The law provides clear rules regarding the use of the two sources of funding. Funds from contributions can only be used for entitlements that result directly from contributions; while funds from the general government budget are used to cover benefits (or top-up benefits) that do not directly result from contributions: for example, the payment of minimum pensions for workers who, while reaching the minimum years of contribution to qualify for a contributory pension, do not have a level of contributions that entitles them to reach the level established

for the minimum pension. In these cases, the difference between what would be their entitlement (when considering exclusively their contributions) and the amount established as the minimum pension is covered from general government revenue. The (social) pension of those who do not accumulate enough years to qualify for a contributory pension is also funded from this source. The balance from the contributions that are not used in a particular year is transferred to a reserve fund. The law clearly states that this balance cannot be used to cover deficits resulting from non-contributory measures, which must be covered by general revenue. Another example is given by the social security unemployment insurance component. While the immediate benefits are paid from the contributory pool, the long-term unemployment assistance is funded from general revenue.

¹ Both in relation to their level of earnings and the duration of their contributions.

Source: Compiled by the authors.

3.3. Enterprise landscape

According to the Cambodia Intercensal Economic Survey (CIES) conducted in 2014,⁴⁵ micro-, small- and medium-sized enterprises (MSMEs) dominate the enterprise landscape, accounting for 99.8 per cent of all enterprises in the country, which together total 513,759 businesses. Among these, 501,612 (97.6 per cent) were micro-enterprises and 11,259 (2.2 per cent) were small- or medium-sized enterprises.

Looking across economic sectors, the CIES 2014 found that almost two-thirds (59.6 per cent) of MSMEs were in the retail and wholesale trade sector, over a quarter (26.5 per cent) were in the services sector, and just over one-eighth (13.9 per cent) were in manufacturing (ADB 2015). By region, 18.8 per cent of MSMEs in 2014 were located in Phnom Penh, with the remaining 81.2 per cent in rural areas such as Kampong Cham, Kandal, Siem Reap and Takeo (ADB 2020).

According to the Ministry of Industry and Handicraft (now MISTI), in 2018 MSMEs provided over 70 per cent of jobs and contributed 58 per cent of annual gross domestic product (GDP).

Micro-, small- and medium-sized enterprises (MSMEs) dominate the enterprise landscape in Cambodia, accounting for 99.8 per cent of all enterprises in the country.

At the time of CIES 2014, there was no legal definition of MSMEs in Cambodia, though the Government had initiated a process of defining them using standardized criteria. The Small and Medium Enterprise Development Framework of 2005 proposed a workable small- and medium sized enterprise (SME) definition in terms of employment and assets (excluding land) (ADB 2015), which was adopted for use in the CIES 2014 (UNDESA 2020).⁴⁶ A new MSME definition was set to be formalized in 2020, setting employment and asset thresholds by sector (table 2).

► **Table 2. MSME definition from 2020**

Sector	Item	Micro	Small	Medium
Manufacturing	Full-time equivalent (FTE) workforce count	1–2	3–49	50–499
	Assets (excl. land)	US\$50 000 and below	US\$50 000 to 500 000	US\$500 000 to 1 000 000
Agriculture, forestry, and fishing	FTE workforce count	1–2	3–49	50–199
	Assets (excl. land)	US\$50 000 and below	US\$50 000 to 500 000	US\$500 000 to 1 000 000
Wholesale and retail trade	FTE workforce count	1–2	3–49	50–199
	Assets (excl. land)	US\$50 000 and below	US\$50 000 to 500 000	US\$500 000 to 1 000 000
Other services	FTE workforce count	1–4	5–49	50–99
	Assets (excl. land)	US\$50 000 and below	US\$50 000 to 500 000	US\$500 000 to 1 000 000
Other activities	FTE workforce count	1–9	10–49	50–199
	Assets (excl. land)	US\$50 000 and below	US\$50 000 to 500 000	US\$500 000 to 1 000 000

Source: ADB 2020.

⁴⁵ The latest CIES is being conducted in 2022.

⁴⁶ Micro enterprises are those with fewer than 10 employees and less than US\$50,000 in assets (excluding land); small enterprises are those with between 11 and 50 employees and between US\$50,000 and US\$250,000 in assets (excluding land); medium-sized enterprises are those with between 51 and 100 employees and between US\$250,000 and US\$500,000 in assets (excluding land); and large enterprises are those with over 100 employees and more than US\$500,000 in assets (excluding land).

The Ministry of Commerce (MoC) is responsible for the registration of businesses that meet the minimum thresholds for being legally required to register, including e-commerce businesses. Businesses that fall below these thresholds are able to register on a voluntary basis, but the MoC does not carry out any outreach or communications activities to encourage such businesses to register with them. The General Department of Taxation at the Ministry of Economy and Finance (MEF) is responsible for public information about business registration and the enforcement of compliance with relevant legislation; while ministries responsible for particular sectors, for example, MISTI (manufacturing) or the Ministry of Public Works and Transportation (transportation), conduct their own outreach to businesses in their sector in order to promote and register enterprises into the services they provide, such as operating licences.⁴⁷

Nationally, the vast majority of Cambodian enterprises are informal: only 3.5 per cent of all enterprises were officially registered with the MoC in 2015 (ADB 2015). Today, that number may be even lower: figure 21 shows the number of businesses registered with the MoC between 2017 and 2021. Taking the latest data from this series (2021), and assuming a conservative zero growth in the total number of enterprises since the last CIES, would imply that just under 1.5 per cent of all enterprises are formally registered. Acknowledging this, the picture may appear different – and potentially more promising – when looking at individual sectors. For example, administrative data provided by MISTI show that around 37 per cent (15,939) of a total of 43,258 factories were registered with that ministry in 2021. This indicates that it may be possible to formally register many more enterprises relatively quickly by creating data links between the MoC and other ministries.

However, despite their contribution to the national economy and beyond formal registration, MSMEs face a number of challenges. These include accessing finance, the development of human capital, market access, and adopting the latest technology (ADB 2020). In addition, the fact that so many MSMEs remain informal hampers their access to business development services.

The Government has acknowledged the crucial contribution of MSMEs to economic growth and poverty reduction (ADB 2015), and consequently the recently drafted Small and Medium Enterprise Development Policy and Five-Year Implementation Plan 2020–2024⁴⁸ are included as crucial elements of both the Cambodia Industrial Development Policy (2015–2025)⁴⁹ and the National Strategic Development Plan 2018–2023 (ADB 2020).

⁴⁷ Information on registration is now published on the one-stop portal (<https://www.registrationservices.gov.kh/en/home/>). If businesses register at the One-Window-Service office, the staff there will guide them throughout the process, including registration with the General Department of Taxation, the MoC and so on.

⁴⁸ The Plan has five strategic imperatives: (i) enhance the policy and regulatory environment; (ii) promote entrepreneurship and human capital development; (iii) promote productivity, technology, and innovation; (iv) enhance foreign access and internationalization; and (v) increase access to finance. The Plan specifies key performance indicators for monitoring and evaluating policy implementation, such as setting formal MSME registration targets and assessing MSME owners' satisfaction with government services (ADB 2020).

⁴⁹ Alongside the MISTI SME Development Policy, the Ministry of Agriculture, Forestry, and Fisheries has promulgated its Agriculture Strategic Development Plan in support of national development objectives, including the many MSMEs in the agriculture sector.

► Figure 21. Businesses registered with the Ministry of Commerce, 2017–21



Source: MoC administrative data. Note: The decrease in the number of businesses registered between 2019 and 2020 is a result of COVID 19.

The SME Development Policy aims for 80 per cent to 95 per cent of MSMEs to be registered by 2025 (UNDESA 2020). The SME Development Policy also outlines a strategy for solving technical training issues within the SME sector, as well as upgrading safety and quality standards (ADB 2015).

Small enterprises collectively employ 1.7 million workers (48.9 per cent of all employees and employers); while medium and large enterprises account for just under 1 million workers (28.1 per cent of all employees and employers). Around 0.8 million employees and employers (22.9 per cent) are employed by micro-enterprises (<5 employees).

⁵⁰ Key informants indicated that discussions may be ongoing on linking the NSSF to the CamDX single portal.

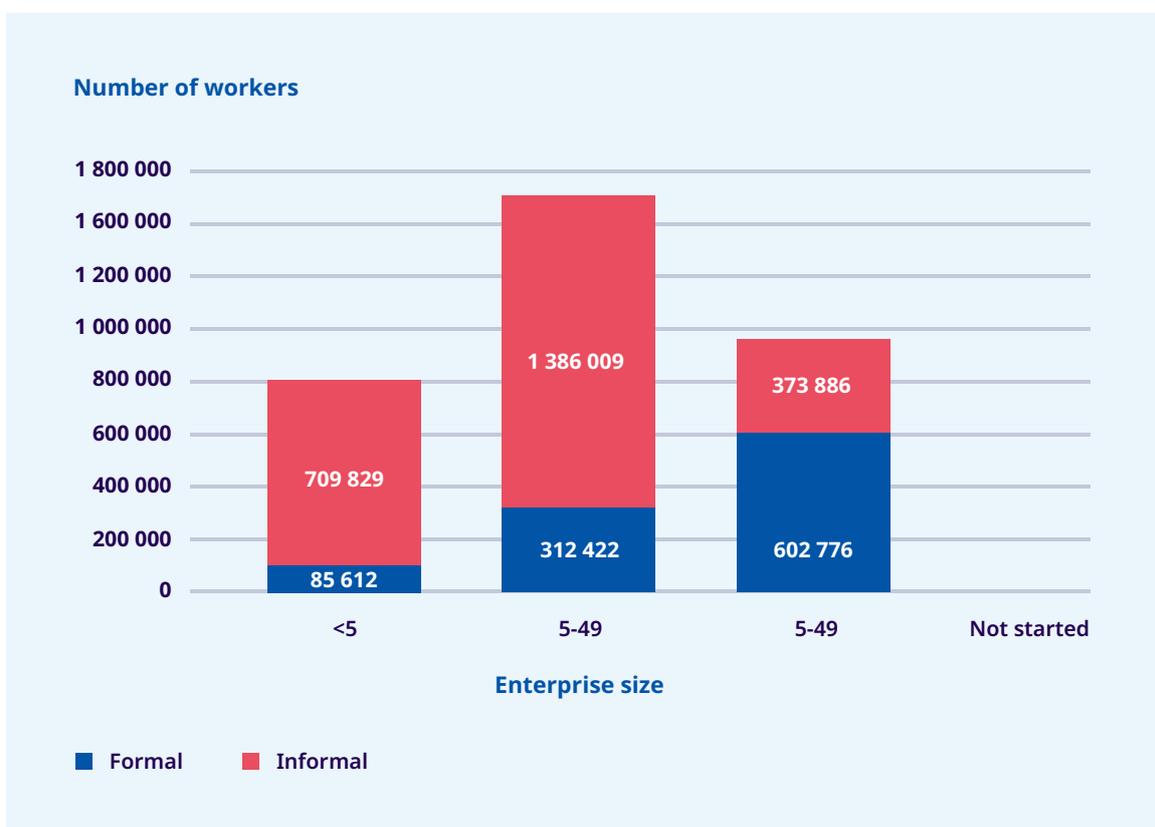
⁵¹ Key informants revealed that efforts by government staff to obtain information on the number of registered enterprises in the tourism and construction sectors had not been successful even after six months.

⁵² An additional question regarding CamDX is what will happen with registration data for enterprises that were registered with relevant ministries before CamDX was introduced. For example, MISTI holds data on enterprises in the manufacturing sector that were registered before CamDX, and is planning to enter these into the system. However, it is an open question as to whether these enterprises will thereby automatically be registered with the MoC, MEF and MoLVT.

The Government has introduced an online business registration platform for MSMEs under the Cambodia Data eXchange (CamDX), which allows secure multilateral data exchange between various information systems over the internet. The CamDX portal distributes data registered by business owners to respective information systems within the MoC, the General Department of Taxation (MEF), and the MoLVT.⁵⁰ The online business registration platform combines these information systems into a national “single portal”, allowing business owners to register and receive operation licences more efficiently (ADB 2020). Although CamDX provides a secure data link between all parts of government, theoretically enabling the sharing of information on registered enterprises between ministries responsible for different economic sectors, in practice this does not always happen.⁵¹ Nor is the provision of operating licences linked to compliance with social security legislation.⁵²

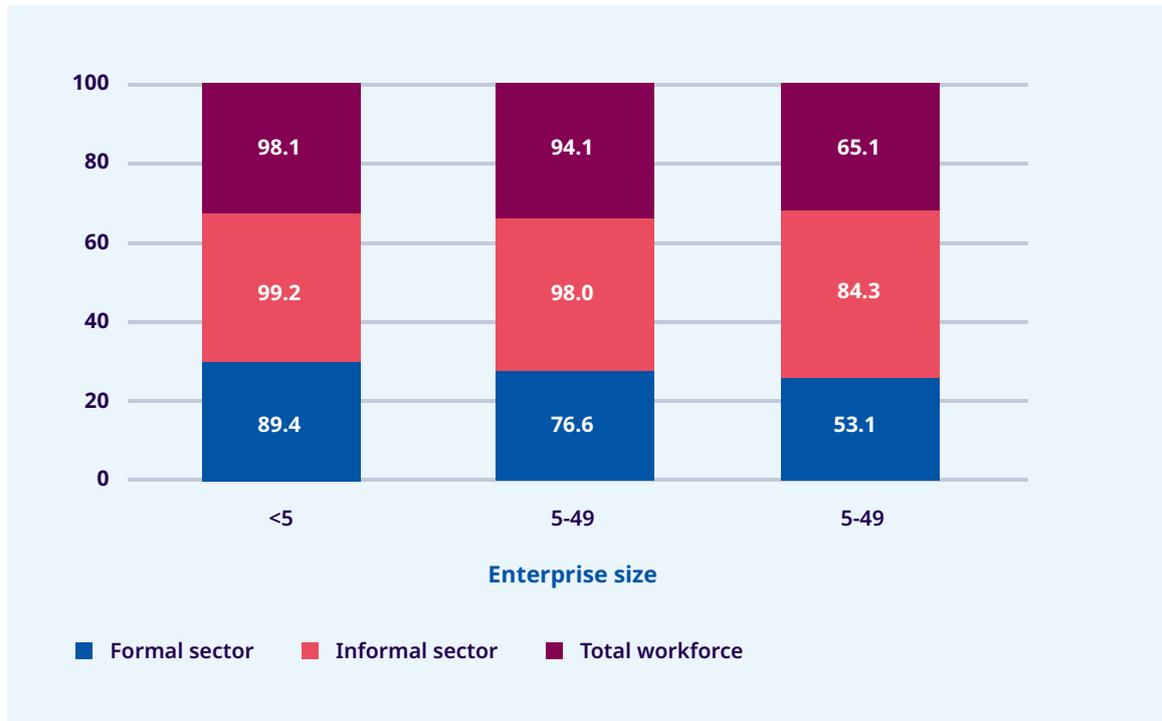
Access to financing is another key constraint faced by MSMEs, despite the central bank estimating that MSMEs account for around 70 per cent (and rising) of total borrowing. The Government launched an SME Bank in April 2020 to expand MSME access to finance and to develop credit guarantee schemes for MSMEs. The National Financial Inclusion Strategy 2019–2025 (adopted in 2019) and the central bank’s Financial Sector Development Strategy 2016–2025 provide the blueprint for financial inclusion, including the use of digital financial services. Despite these developments, constrained access to formal lending means that microfinance institutions continue to play an important role in the provision of credit, especially in the agriculture sector (ADB 2020). Historically, the pawn industry has also played an important role in meeting MSME needs for working capital, as has informal lending, especially in rural areas (ADB 2015).

► Figure 22. Total workers by enterprise size and sector



Source: Cambodia LFS 2019.

► **Figure 23. Uninsured workers as a share of the total workers, by establishment size (%)**



Source: Cambodia LFS 2019.

A number of other important policy initiatives to support MSMEs have been launched or are currently being developed (ADB 2020; UNDESA 2020), further demonstrating the current recognition of the importance of MSMEs to Cambodia's economic development. These include the following:

- A sub-decree on profit tax exemption for MSMEs that voluntarily registered with the General Department of Taxation in 2017.
- The Skills Development Fund and Entrepreneurship Development Fund under the MEF.
- A Techno Start-up Centre, which will receive support from the MEF.

Given the importance of MSMEs, and micro and small enterprises in particular, to the enterprise landscape in Cambodia, the following paragraphs examine the distribution of workers across enterprises by size using LFS 2019 data before looking at the proportion of workers not covered by the NSSF among enterprises. Figure 22 and figure 23 present these pieces of information, respectively.

Note that in what follows we adopt a "best fit" version of the new national MSME definition (given in table 2 above) for the analysis of the LFS data, whereby we describe as micro-enterprises all those businesses with fewer than 5 employees, small enterprises as those with between 5 and 49 employees, and medium to large enterprises as all those with 50+ employees. This is because the LFS data on enterprise size are grouped into pre-given bands for the number of employees (1, 2-4, 5-9, 10-19, 20-49, and 50+), and do not provide information on the value of assets held by an enterprise.

Figure 22 shows that, despite the predominance of micro-enterprises in relation to the number of registered enterprises nationally, in terms of employment, small-, medium-, and large-sized enterprises appear to account for a much larger share of employment. Small enterprises (5 to 49 employees) collectively employ 1.7 million workers (48.9 per cent of all employees and employers); while medium and large enterprises (50+ employees) account for just under 1 million workers (28.1 per cent of all employees and employers). This compares to around 0.8 million employees and employers (22.9 per cent) employed by micro-enterprises (<5 employees).

Figure 22 also clearly shows that the smaller the enterprise size, the more likely a worker is to be employed by an informal (that is, non-registered) enterprise. Almost nine-tenths (89.2 per cent) of workers in micro-enterprises work in informal enterprises, compared to four-fifths (81.6 per cent) in small enterprises, and less than two-fifths (38.3 per cent) in medium and large enterprises.

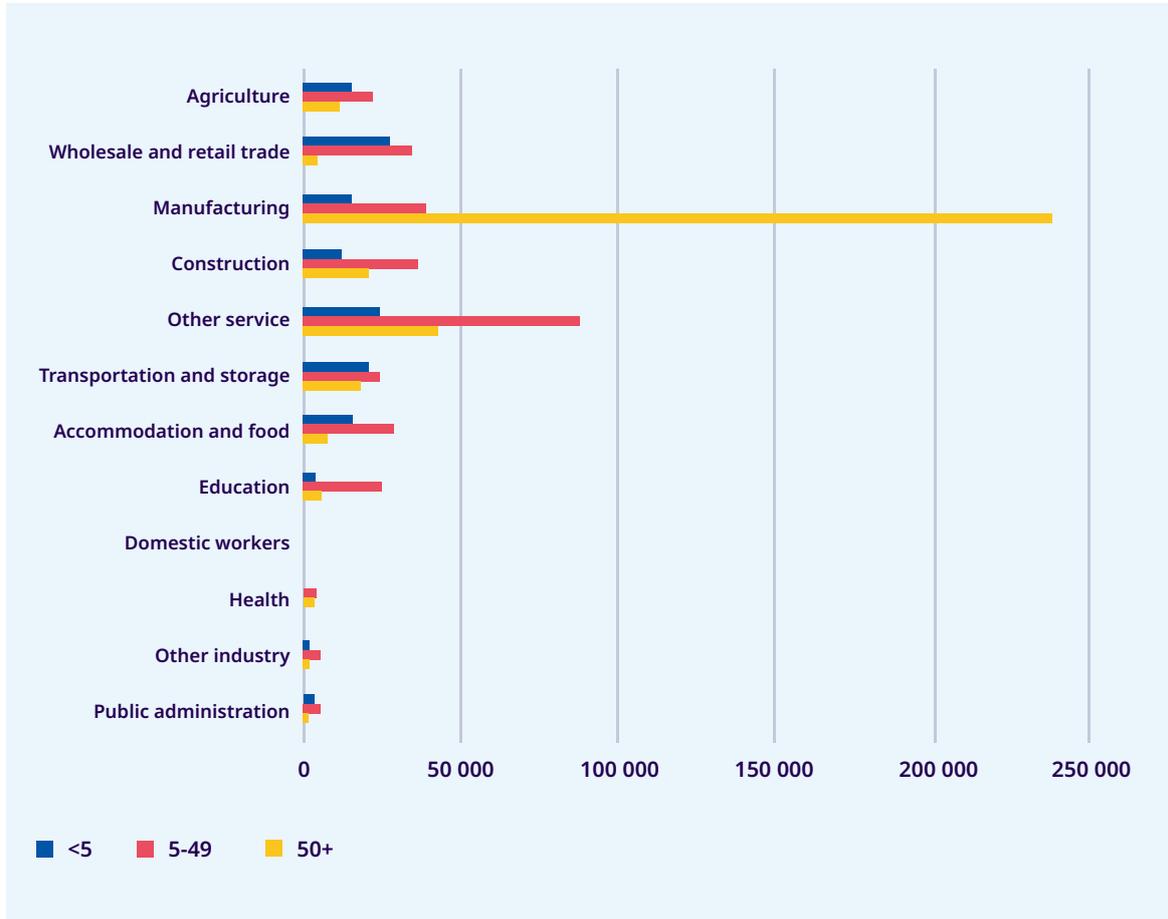
Workers in medium and large enterprises are more likely to be insured than those working in smaller enterprises: 65 per cent of workers in enterprises with 50 workers or more are not insured, compared to 94 per cent for those working in small enterprises and 98 per cent for micro-enterprises.

Figure 23 shows that workers in medium and large enterprises (50+ employees) are more likely to report being insured than those working in smaller enterprises: 65.1 per cent of workers in enterprises with 50 workers or more are reportedly not insured, compared to 94.1 per cent for those working in small enterprises (5–49 workers) and 98.1 per cent for those with fewer than five workers (micro-enterprises). This situation is especially pronounced for informal sector enterprises, where even in medium and large enterprises some 84.3 per cent of workers are reported to not be insured. Among formal enterprises, the situation is somewhat better, with 53.1 per cent of workers in medium and large enterprises not insured, 76.6 per cent of workers in small enterprises not insured, and 89.4 per cent of those in micro-enterprises not insured. Despite this difference between formal and informal enterprises, a considerable proportion of workers in enterprises of all sizes remain uninsured, whether in the formal sector or not.

Of the 53.1 per cent (or about 320,000) uninsured workers (employees and employers) in formal sector enterprises with 50 workers or more, 244,350 are in the manufacturing sector, 39,745 are in other services, and 11,592 are in the construction sector. Among small enterprises in the formal sector, the highest numbers of workers reported as not insured are in other services (80,544), manufacturing (33,204), construction (32,620), and wholesale and retail trade (30,320). This suggests the need for priority attention to these sectors in order to strengthen compliance with social security legislation.

Outside of the formal sector, some 315,118 workers in enterprises with 50 workers or more are reported as not insured under the NSSF; while some 2.1 million workers in enterprises with fewer than 50 workers are reported as not insured. This indicates that specific strategies need to be developed for small and micro-enterprises, as well as pointing to the need to strengthen compliance and registration for larger enterprises to ensure more (or all) of these enterprises are formalized.

► Figure 24. Number of uninsured workers in the formal sector, by economic sector and establishment size



Source: Cambodia LFS 2019.

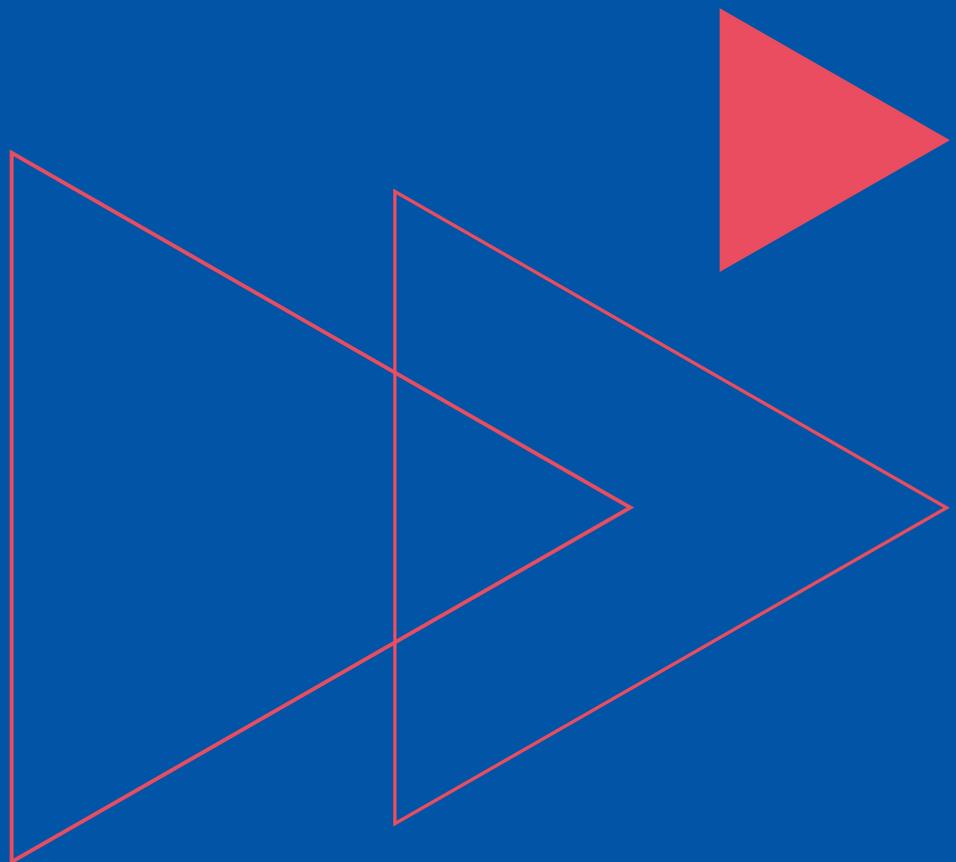
► **Box 10. Non-financial incentives for enterprise formalization**

The Programa de Apoyo a la Pequeña y Mediana Empresa was implemented by the Costa Rican Government in 2002 to co-finance projects of MSMEs in the areas of technology development and innovation. The programme provides up to 80 per cent of the project value, as well as providing mechanisms to increase beneficiary enterprises' participation in public procurement, internal trade promotion programmes, sectoral training and technical assistance programmes. To be eligible, enterprises must comply with social security contributions, tax regulations and labour standards. They must also be up to date on their contributions to the national social security system (known as the Caja Costarricense de Seguro Social) and the Family Welfare Fund (Fondo de Desarrollo Social y Asignaciones Familiares). Funding comes from the national budget and the Ministry of Finance. Although the law was implemented in 2002, promotion and implementation effectively began in 2010 with the launch of the Costa Rica Entrepreneurship Programme (Costa Rica Emprende). To date, the beneficiaries of the programme have mainly been SMEs of a certain size; the participation of micro-enterprises has been limited.

Source: Adapted from ILO 2019.

4

Characteristics of workers in selected economic sectors



The analysis conducted in Section 3 above shows that workers in particular economic sectors and subsectors are especially challenged when it comes to coverage by social security. For some workers, social assistance or government subsidies for social security contributions will be required to provide protection against many economic and life-cycle risks. Below we provide a brief comparative analysis across economic sectors. The purpose of this analysis is to aid thinking about tailored strategies for expanding social security coverage for workers in these sectors.

Figure 25 compares selected characteristics of workers across key selected economic sectors. It shows that the sectors with the highest proportion of informal sector workers are agriculture (98 per cent), domestic workers (95 per cent), wholesale and retail trade (92 per cent), and construction (92 per cent). Accordingly, these sectors also have very high rates of workers reportedly not covered by social security (98+ per cent). The sectors with the lowest rates of informal sector workers are manufacturing – garments industry only (52 per cent), other services (62 per cent), and manufacturing – non-garments industry (65 per cent).

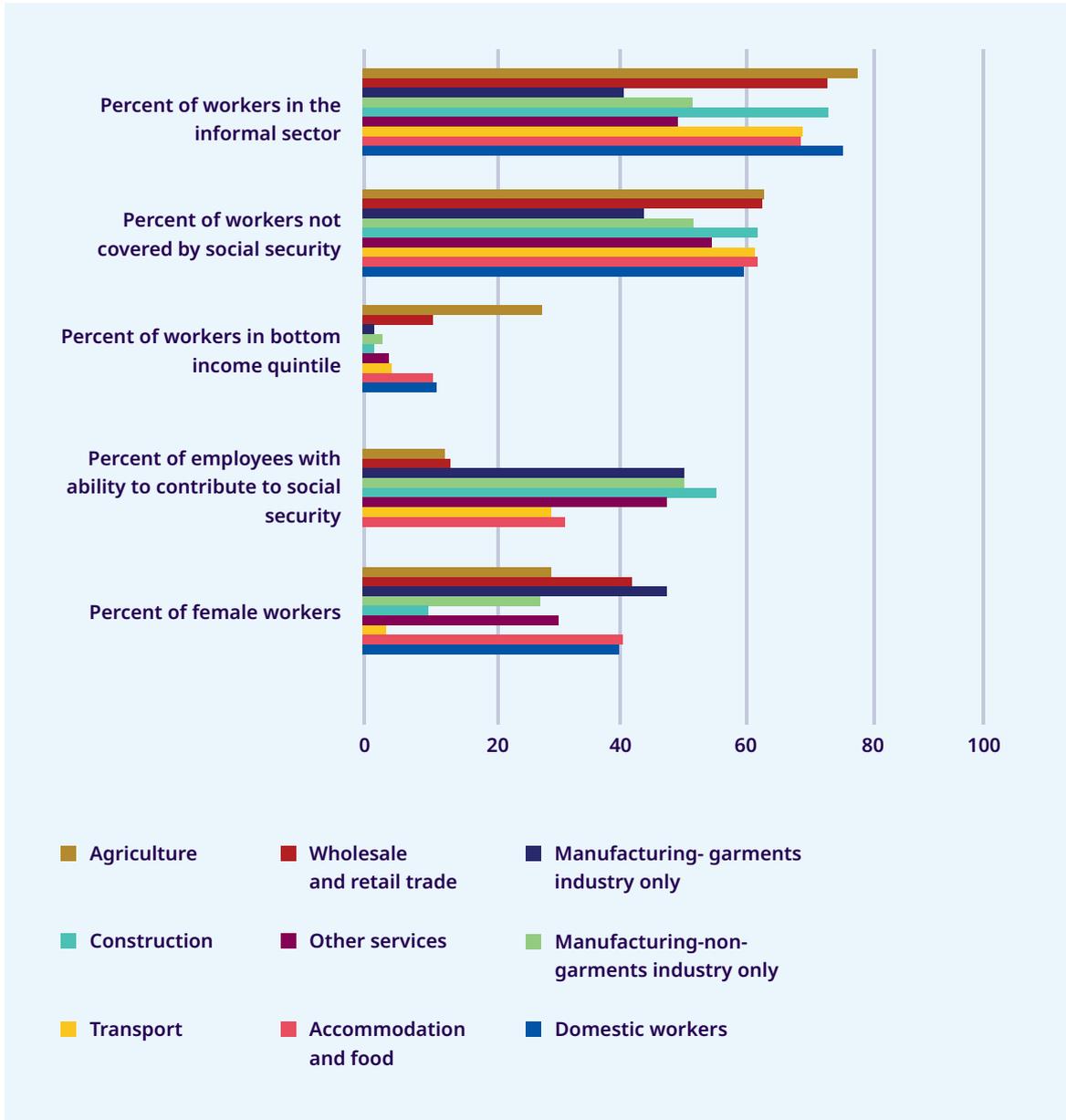
The agriculture sector also has the highest proportion of workers in the bottom national income quintile (45 per cent), more than double that of any other sector, and the lowest proportion of workers (21 per cent) who are able to contribute to social security, indicating that government subsidies or social assistance will be required to cover social protection benefits for this group. Domestic workers are another group with a relatively high proportion of workers (18 per cent) in the bottom national quintile and, according to the data, no capacity (0 per cent) to contribute to social security. Other sectors with workers with low capacity to contribute are wholesale and retail trade (22 per cent of workers able to contribute), transport (47 per cent), and accommodation and food (50 per cent). The wholesale and retail trade and accommodation and food sectors each have a relatively high proportion of workers in the bottom national quintile as well (18 per cent in both cases).

Certain sectors also have a high proportion of women workers, implying that efforts need to be focused on these to ensure gender parity and equality in terms of coverage by social protection benefits and labour rights. The sectors with the highest proportion of women workers are the manufacturing – garments industry (76 per cent), wholesale and retail trade (67 per cent), accommodation and food (64 per cent), and domestic workers (63 per cent).

Figure 26 presents a breakdown of workers by employment status across selected economic sectors. It shows that in the agriculture and wholesale and retail trade sectors the largest share of workers are own-account workers (55 per cent and 69 per cent, respectively) and family workers (25 per cent and 14 per cent, respectively). Transport is another sector with a relatively high proportion of own-account workers (48 per cent), and the accommodation and food sector and domestic worker sector both include a significant proportion of non-employees (44 per cent and 49 per cent, respectively). For these sectors, the Government may be required to subsidize contributions for non-employee workers and/or provide social assistance.

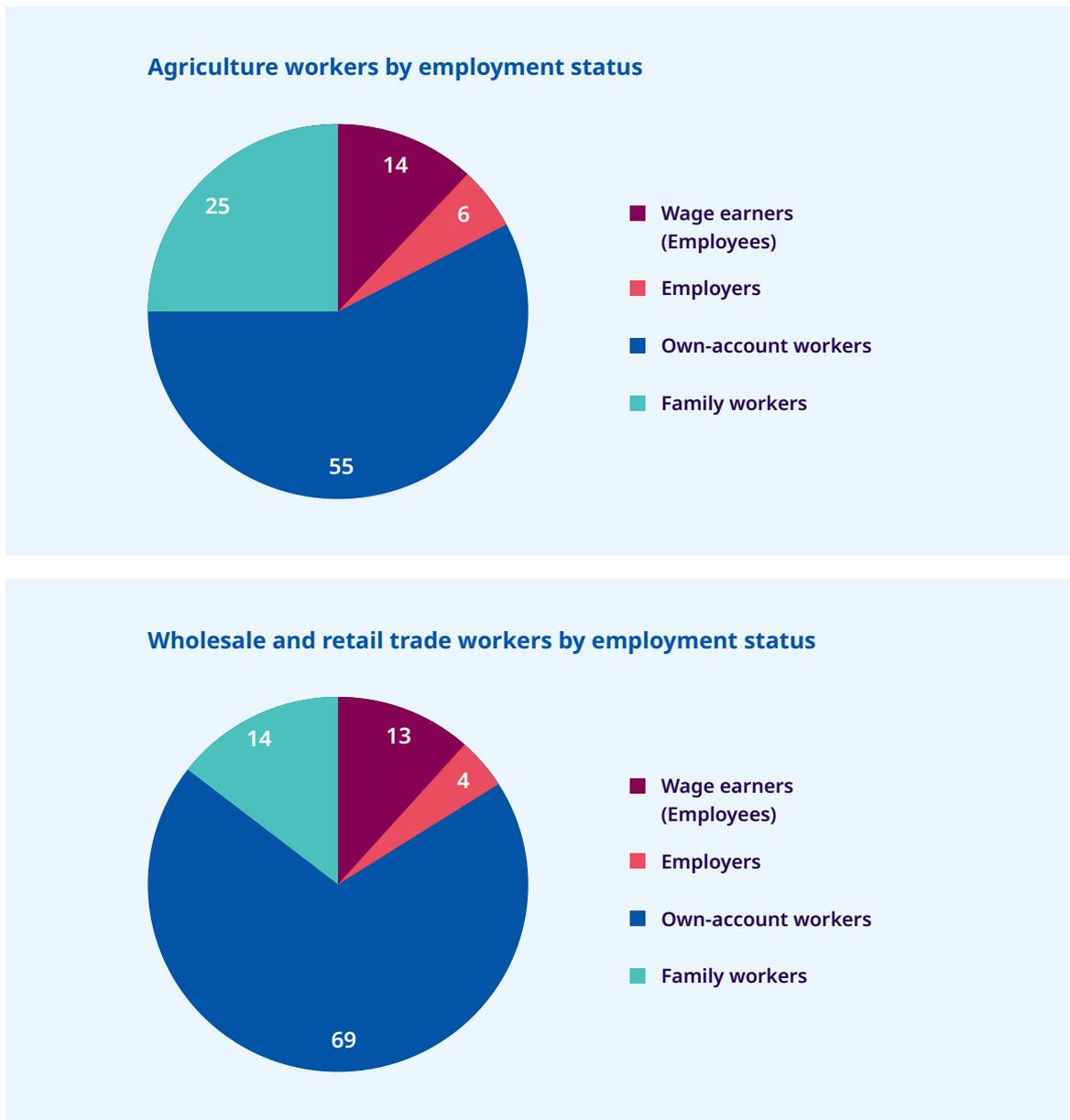
Sectors with high proportions of employees are construction (95 per cent), manufacturing (including both the garment and non-garment subsectors, 92 per cent in both cases), and other services (75 per cent). Here, effort could be focused on formalizing enterprises, especially in the construction and manufacturing sectors, and on tailoring legislation and enforcing regulations to ensure employment practices do not enable businesses to evade their contributions (for example, through the provision of short-term/ temporary contracts or subcontracting).

► Figure 25. Select characteristics of workers, by economic sector (%)



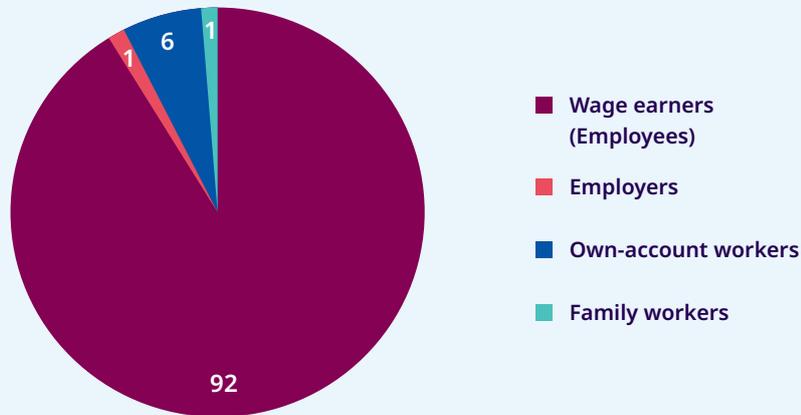
Source: Cambodia LSF 2019 and SES 2019.

► Figure 26. Distribution of workers by economic sector and employment status (%)

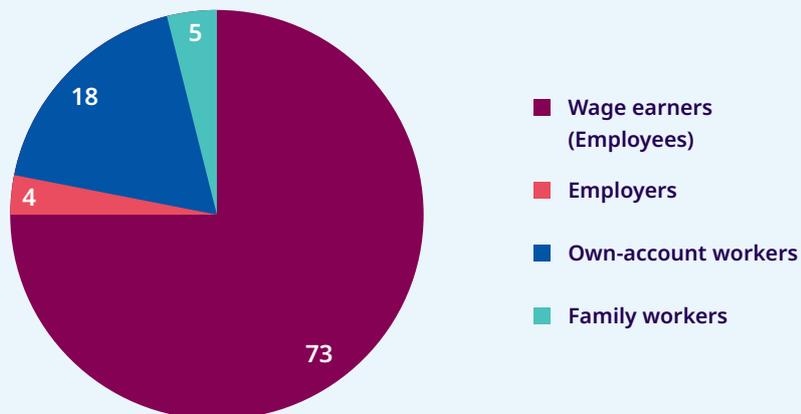


Source: Cambodia LSF 2019.

Manufacturing (Garments only) workers by employment status

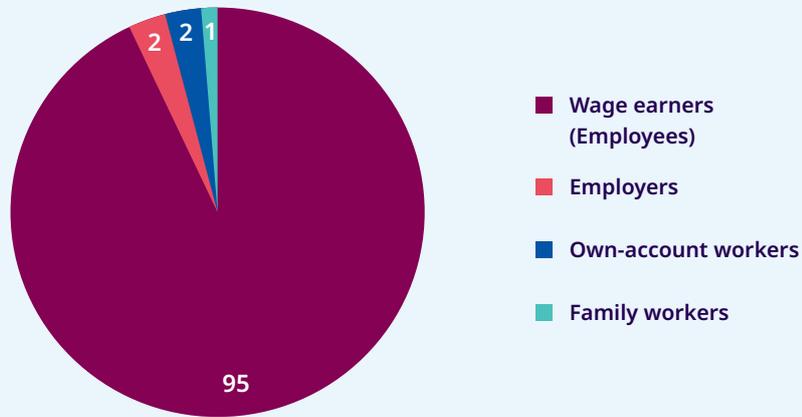


Manufacturing (Non-garments only) workers by employment status

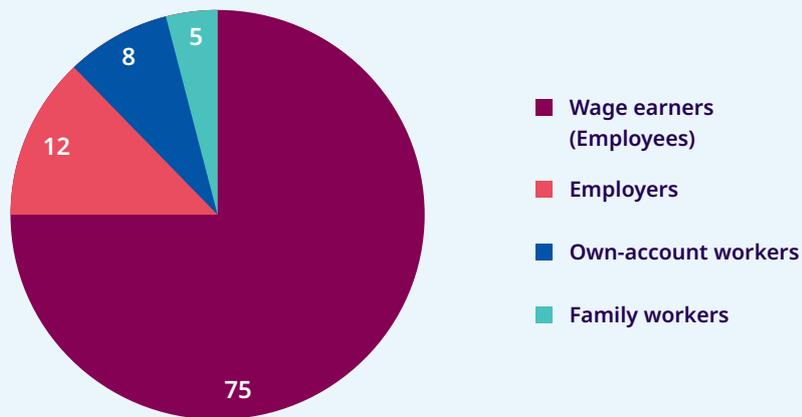


Source: Cambodia LSF 2019.

Construction workers by employment status

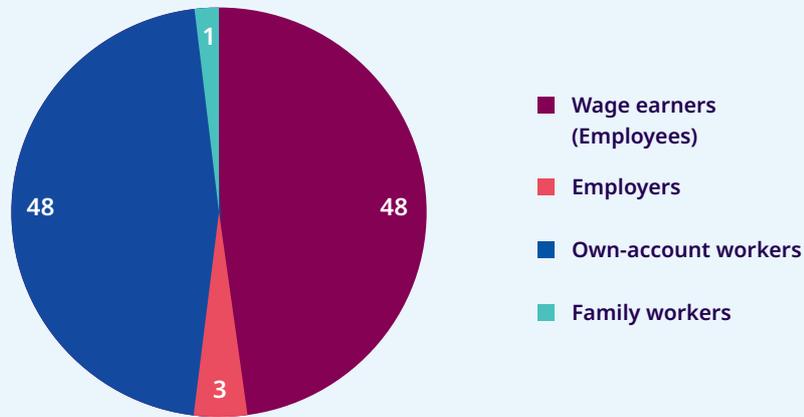


Other services workers by employment status

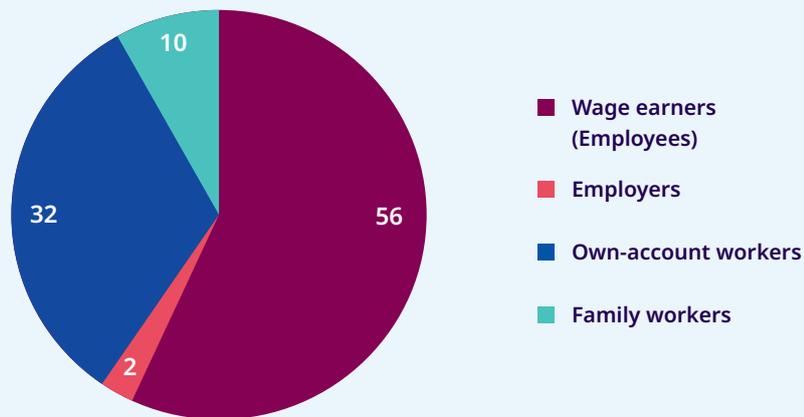


Source: Cambodia LSF 2019.

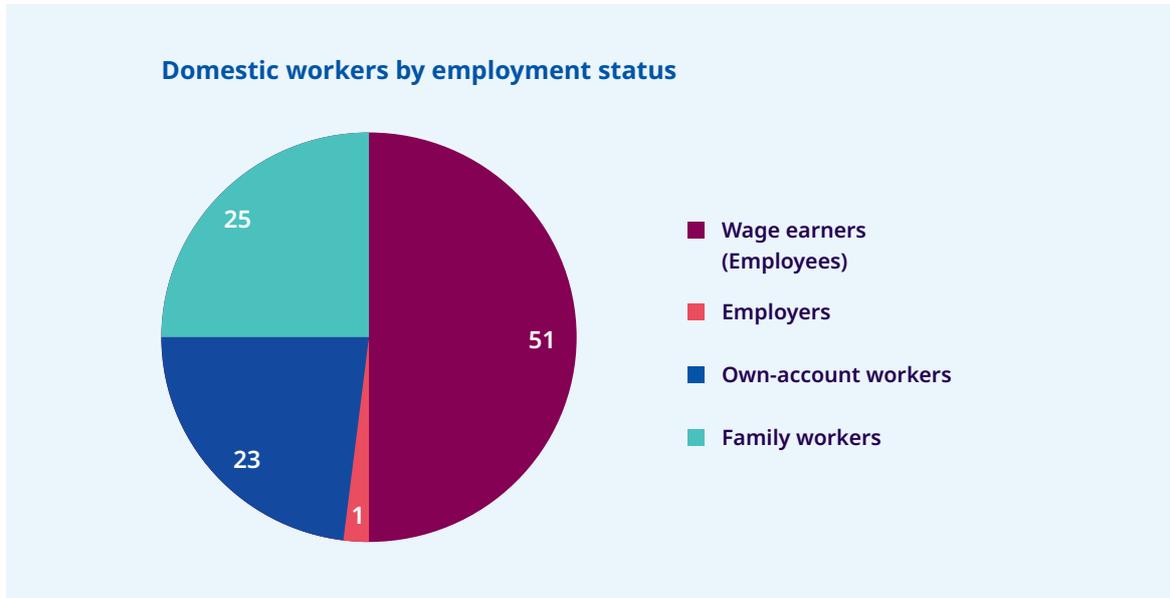
Transport workers by employment status



Accommodation and food workers by employment status



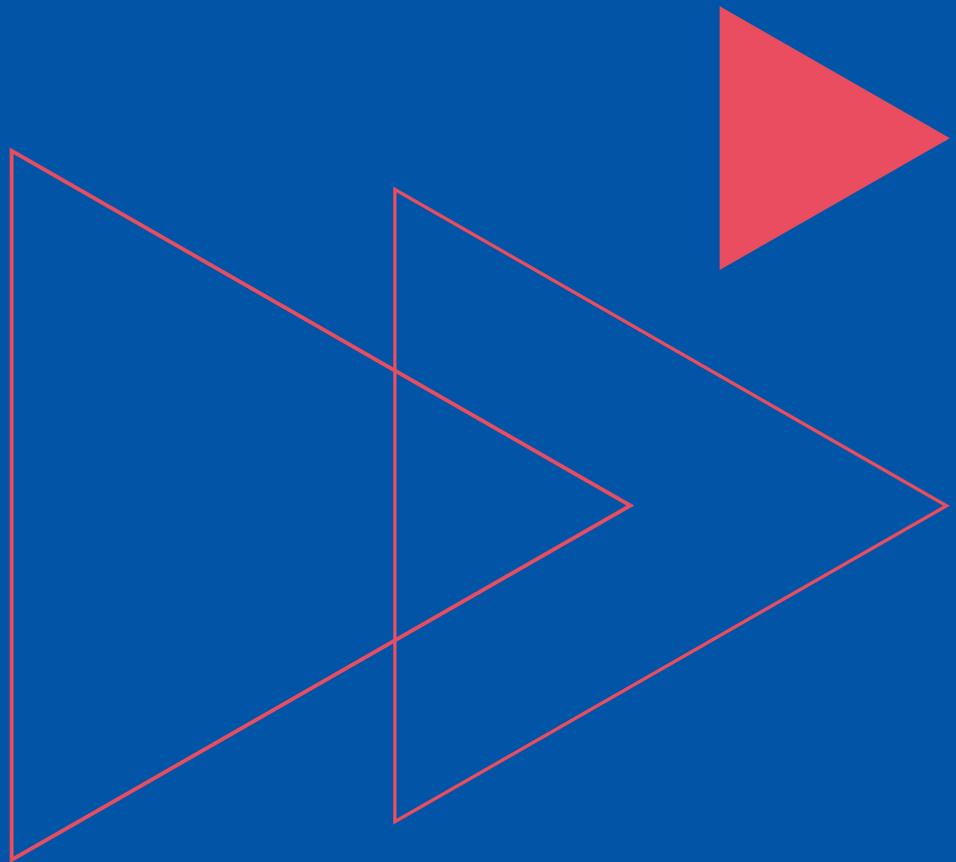
Source: Cambodia LSF 2019.



Source: Cambodia LSF 2019.

5

Conclusions and implications for policy



5.1. Conclusions

Informality is a major condition of the Cambodia labour market and enterprise landscape, with some 83.5 per cent of non-civil-servant workers employed in informal sector enterprises, and some 90 per cent of the non-civil servant workforce employed under informal conditions. Own-account workers and contributing family workers make up over half (52.6 per cent) of the non-civil servant workforce, with women workers more than two times as likely as male workers to be contributing family workers. It is estimated that only a very small proportion (3.5 per cent) of enterprises are formally registered.

The high level of informality means that the vast majority of workers are not covered by key labour rights or social protections, which exposes them to a variety of economic and life-cycle-contingent risks. The low level of formality among workers and enterprises also negatively impacts government revenue through diminished social security contributions and tax receipts.

In relation to social security, coverage by the NSSF is somewhere between 16.1 per cent and 21.7 per cent of the non-civil servant workforce, depending on whether one considers active or total registered members. This implies that roughly four in every five workers are not covered. Even in the formal sector, perhaps as little as one-third of the workforce is insured. Meanwhile, the practical pathway for the self-employed to participate in social insurance remains limited, despite current legislation making explicit provision for this group.

In relation to social assistance for those of active age, the IDPoor programme covers around 10 per cent of the workforce (close to 17 per cent of the total population). This gives these workers access to various social and pro-poor services, such as discounted or free medical services, cash transfers for people with young children (CT-PWYC), and/or scholarships, but it does not cover them for work-related risks such as loss of income due to sickness, work injury or unemployment, nor does it adequately cover them for parental leave or enable workers to contribute towards a pension in their old age. Moreover, the adequacy of the income support provided via the IDPoor programme's CT-PWYC (including the child delivery benefit) is low, at 3.6 per cent of GDP per capita – less than half the value of the international poverty line (ILO, forthcoming).

Not being insured by social security is related to:

- ▶ Age: older workers are less likely to be insured;
- ▶ Income: poorer workers are less likely to be insured;
- ▶ Education: those with lower levels of education are less likely to be insured; and
- ▶ The sector in which a worker is located: the vast majority of agriculture workers remain outside the social security system, with large numbers of uninsured also found in the wholesale and retail trade, manufacturing, construction, other services, transport, and accommodation and food sectors.

⁵³ The CT-PWYC child delivery benefit is valued at 11 per cent of GDP per capita, but remains below the international extreme poverty line. When considered relative to earnings, it represents 10 per cent of the average wage for women working in agriculture.

The barriers to coverage by social security are both financial and non-financial. While ability to contribute is a significant barrier for many, it is not the only – or even the main – obstacle to accessing social security. National survey data indicate that around half (52.4 per cent) of all employees are potentially able to contribute towards a pension, though this differs across different economic sectors. This being said, debt remains a significant challenge to many workers, and may prove an added hinderance to the ability to contribute, especially among the poorest income quintiles.

For these reasons, social assistance and/or government-subsidized social security contributions are required to provide social protection to certain groups of workers, particularly agriculture workers and domestic workers.

Beyond financial obstacles, the key non-financial barriers to accessing social security on the demand side include lack of knowledge and awareness about benefits and processes and lack of trust in the system among workers and enterprises alike. These issues are conditioned and compounded on the supply side by capacity and other constraints within the NSSF and other related government organizations and institutions (including the legal and policy framework), such as:

- ▶ Limited administrative and technical capacity.
- ▶ Weak coordination between the NSSF and other government agencies (due, in part, to the lack of an integrated management information system).
- ▶ Low capacity and knowledge among enterprises regarding registration and compliance, as well as low or conflicting incentives to register and comply.
- ▶ Complex and burdensome administrative procedures.
- ▶ Weak enforcement of compliance.

The COVID-19 pandemic has further exacerbated some of these barriers by negatively impacting government capacity while at the same time raising demand.

These conditions mean that workers in the formal sector and in medium and large enterprises are significantly more likely to be insured than those in the informal sector and in micro and small enterprises. This implies that formally registering enterprises is a key ingredient for increasing coverage by social security. Given that the enterprise landscape is dominated by micro and small enterprises, which, at the last count, constituted 99.8 per cent of all enterprises in the country, a dedicated cross-ministerial formalization strategy for these is required.

Looking at the enterprise landscape by sector, it is notable that the largest number of uninsured workers in medium and large enterprises are located in the manufacturing sector, while the largest number of uninsured workers in small enterprises are in the other services sector, and the largest number of uninsured workers in micro-enterprises are in the wholesale and retail trade sector.

Finally, it is worth noting that the data suggest that not all civil servants and state enterprise employees are insured or working under formal conditions.

5.2. Implications for policy

As part of its “Recovery, Reform and Resilience” agenda, the Government’s COVID-19 Economic Recovery Plan explicitly recognizes the challenges that the current high-level of informality poses to the economy. The Plan thus includes strong emphases on strengthening the business environment for MSMEs, the tax system, and the social protection system (Cambodia, MEF 2021).

Acknowledging this, it is important to recognize that there is no one-size-fits-all solution for extending social protection. It requires a combination of contributory social security and non-contributory social assistance to close the coverage gaps for the working-age population, taking into account the heterogeneity of this population group. Only such a dual approach can ensure that those with limited or no contributory capacity have access to a basic level of social protection through the social assistance pillar, while providing higher and more comprehensive protection to those who have contributory capacity via the NSSF.

While the extension of non-contributory social assistance coverage is not focus of this study, other studies (see, for example, Germany, GIZ 2021) are exploring how the social assistance programmes using the IDPoor mechanism can be extended to include certain vulnerable groups. Although the extension of social assistance programmes will be key to covering certain vulnerable population groups, the extension of contributory coverage, namely the NSSF, is a key element to broaden the scope of population coverage and to ensure higher levels of protection to people of working age as well as future pensioners. In many countries, the extension of contributory schemes is typically aimed at, but not limited to, categories of the active-age population who are close to the formal economy and have some capacity to contribute, and thus are relatively easier to be covered by social insurance mechanisms. The extension of social security will also facilitate formalization of the economy and increase government revenue through increasing social security contributions and tax receipts, and thereby improve sustainability of the social protection system as a whole.

Key elements of a strategy to increase coverage of social protection for the active-age population could include the following measures, which cover both mid-to-long-term and short-term horizons.

Mid-to-long-term measures

As part of its COVID-19 Economic Recovery plan (Cambodia, MEF 2021), the Government could **develop and implement a national, integrated and multi-sectoral strategy or road map** for formalizing enterprises and for expanding coverage of social protection to the working-age population. This strategy should go beyond social protection and involve multi-ministry efforts, including the Ministry of Commerce, the MoLVT (including NSSF), and the Ministry of Economy and Finance. It will be important to establish and strengthen links between social protection and other policy areas, such as business registration, labour legislation, taxation and employment policies in order to increase the incentives for both workers and enterprises to register.

Make efforts to formalize enterprises, particularly micro and small enterprises, which dominate the Cambodian enterprise landscape. These efforts should aim at making the benefits of formalization outweigh the costs. Given the large size of the informal sector in Cambodia, and its heterogeneity, this will require a gradual approach and tailored strategies to address coverage gaps in different sectors. This could mean targeting selected sectors or subsectors where the challenges are relatively smaller as a first priority, before slowly expanding to other sectors where the barriers to expanding coverage are relatively higher. Some countries have successfully linked social security and business registration through simplified registration and payment mechanisms for workers and enterprises. As part of these efforts, it is important to create an enabling environment for businesses and to remove or ease barriers to formalization (such as low productivity, limited access to finance, tax burden, poor information and administrative complexity). In regard to providers of digital platform services in particular, depending on how the Government decides to classify the employment relation between these providers and their workforce, such providers could be obligated to make social security contributions on behalf of their workforce, as well as to provide other employment-based protections (such as paid annual leave).

Put in place integrated financing for social protection coverage, involving both contributory social security for those with the capacity to contribute and non-contributory social assistance for those without such capacity (such as agricultural workers, own-account workers, and contributing family workers). This is particularly relevant given the prevalence of vulnerable and precarious employment in Cambodia, as many workers struggle to make sufficient contributions to allow them to receive adequate benefits.

► **Box 11. The UK Supreme Court versus Uber**

In February 2021, after a five-year legal battle, the UK Supreme Court ruled that Uber drivers were workers rather than self-employed, and as such were entitled to the minimum wage, holiday pay and employer pension contributions. UK law recognizes a distinction between the category of “worker” and that of “employee”, and the ruling was made based on a combination of elements, including the following:

- Uber sets the fare, which means it dictates how much drivers can earn.
- Uber sets the contract terms and drivers have no say in them.
- Requests for rides are constrained by Uber, which can penalize drivers if they reject too many rides.
- Uber monitors a driver's service through the star rating and has the capacity to terminate the relationship if, after repeated warnings, this does not improve.

Looking at these and other factors, the court determined that drivers were in a position of subordination to Uber, where the only way they could increase their earnings would be to work longer hours.

Following the ruling, Uber made changes to its business arrangements with drivers, including not only providing a minimum wage guarantee, holiday pay and pension contributions, but also free insurance covering sickness and injury, as well as parental payments (maternity and paternity), while maintaining drivers' right to choose when and where they work. The ruling did not cover other parts of Uber's business, such as the Uber Eats food delivery service.

A similar ruling requiring drivers to be classified as employees eligible for benefits and job protections was given against Uber and other app-based ride-hailing and delivery services by a California court in August 2021. Uber has vowed to appeal this ruling.

Short-term measures

Create an interagency taskforce to develop a common shared vision for an integrated approach to formalization among relevant government ministries, departments and agencies. The taskforce could sit, for example, under the General Secretariat of the National Social Protection Council and could lead the development of a national integrated strategy or road map for formalizing enterprises and expanding coverage of social protection to the active-age population (see the first recommendation under the mid-to-long-term measures above).

Improve coordination between the NSSF and relevant ministries to ensure data sharing and complementarity between different government services, including through the Cambodia Data eXchange (CamDX) platform. For example, information on members of the NSSF and beneficiaries of social assistance programmes could be connected to better coordinate the provision of services across and between these groups, and/or information on NSSF members and licensing agencies such as Ministry of Public Works and Transport and MISTI could be shared to enforce social security regulations for employers. Enterprises already registered with the relevant sector ministry (such as MISTI) could be automatically forwarded on to the MoC to be formally registered if they are currently informal.

Improve communications about the benefits and costs of social security and of formalization, including the existing legal obligations and administrative processes for registering for and claiming benefits. Communication should take place across a variety of media, and specific messages should be tailored to specific target groups (for example, workers and enterprises, various economic sectors, and MSMEs and large businesses). Communications could include messages for children in secondary and tertiary education as these groups prepare to enter the labour force. Roles and responsibilities regarding communications would need to be agreed between the NSSF, MoLVT, MSAVY, MoC, MISTI, and MEF.

Simplify administrative processes for registering, making contributions, and claiming and paying benefits. Government investments in digital services (such as CamDX, online business registration) could be leveraged to increase efficiency and strengthen linkages across different relevant government organizations. Specific elements here could include the following:

- ▶ Connecting the NSSF to CamDX and the single portal online registration system.
- ▶ Putting in place an automated connection to CamDX for the General Department of Identification, Ministry of Interior, to simplify registration processes and enable online registration.
- ▶ Using the bespoke web application developed in partnership with the NSSF to aid the registration and payment of contributions for self-employed and domestic workers.
- ▶ Improving the skills of MoC and NSSF staff in terms of online business registration (for the former) and online registration (for the latter).
- ▶ Harmonizing payments and contributions mechanisms between social insurance and social assistance programmes to enable efficient subsidization of contributions by the Government as well as payment of benefits.

Strengthen compliance and enforcement, including:

- ▶ Strengthening the NSSF inspection function.
- ▶ Drawing on improvements to data linkages across government agencies.
- ▶ Reviewing the system and enforcement of penalties imposed on enterprises and employers for non-compliance.
- ▶ Exploring linking compliance to licensing for certain sectors (such as transport, manufacture and construction).

The preliminary focus could be on medium to large enterprises in the manufacturing sector, given the study's finding regarding people working in formal enterprises in this sector not being covered by the NSSF, despite the legal requirement in this regard.

Develop new legal provisions, including updating the Sub-Decree on Social Security Scheme on Pension for Persons Defined by the Provisions of the Labour Law (2021) to include self-employed persons so as to enable the NSSF to cover this group.

Address high levels of private debt, which could undermine many Cambodian workers' ability to contribute to social security. Such measures could be facilitated by the Government by tying debt restructuring or forgiveness to business registration, taxation and social security registration. This could include own-account workers and micro and small enterprise owners/employers.

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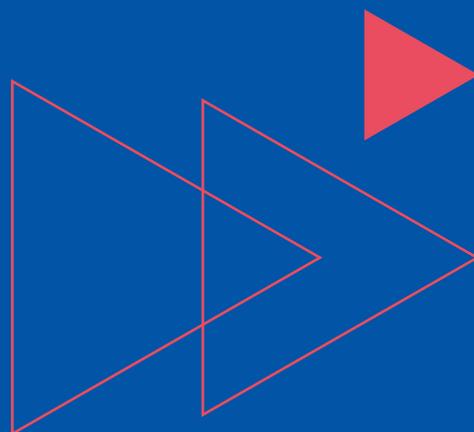
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▶ Appendix I. Key informants

▶ Table A.1. Key informant interviews

Key informant	Date of interview
IDEA	10 February 2022
GRET	11 February 2022
Ministry of Commerce	28 February 2022
National Social Security Fund	3 March 2022
Ministry of Industry, Science, Technology and Innovation	18 March 2022



Extending social protection for workers in Cambodia

A study to understand the characteristics of workers and enterprises in the informal economy

The Cambodian Constitution entitles every citizen to obtain social security and other benefits, and commits the State to establishing a social security system for workers and employees. While substantial efforts have been made in the last few years to achieve these aims, a number of challenges remain, the most important being the fact that 88 per cent of the labour force are informal, resulting in a huge proportion of the active-age population not being covered by social security. If Cambodia is to achieve its vision of comprehensive social protection coverage, and meet the objectives of its “Economic Recovery Plan in the Context of Living with COVID-19” in terms of promoting business recovery and alleviating the impacts and burdens on vulnerable workers and their families, substantial efforts need to be made to extend coverage to workers in the informal economy.

These efforts are particularly important because the high vulnerability to poverty of large parts of the Cambodian population mean that the need for social protection against economic and life-cycle-contingent risks and uncertainties also remains high. Furthermore, the lack of formalization negatively impacts government revenue through diminished social security contributions and tax receipts.

This report presents a study of the Cambodia labour force using data from the 2019 Cambodia Labour Force Survey and 2019 Cambodia Socio-Economic Survey. It provides a detailed analysis of the characteristics of workers and the respective enterprises in which they are employed, with an emphasis on those who are not currently covered by social security. The purpose is to inform the development of a strategy to increase the level of formalization among workers and enterprises, and to expand social protection coverage for those of active age, both in terms of contributory social security and non-contributory social assistance.

ILO Joint Projects Office

Phnom Penh Center
Building D, 1st Floor, Conor Sihanouk
and Sothearos Boulevard
Phnom Penh, Cambodia
12301
Tel: +855 23 220 817
Fax: +855 23 221 536
Email: phnompenh@ilo.org

