
Cambodia

Promotion of coordinated social protection and employment policies

Synthesis of the technical cooperation reports

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**“Improving Social Protection and Promoting Employment”,
an ILO/UE project**

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Abbreviations and acronyms

ADB	Asian Development Bank
ALMPs	active labour market policies
ASEAN	Association of South-East Asian nations
CARD	Council for Agricultural and Rural Development
CBHI	community-based health insurance
CDC	Council for the Development of Cambodia
CDHS	Cambodia Demographic and Health Survey
CMDG	Cambodian Millennium Development Goals
CPP	Cambodian People's Party
CRDB	Cambodian Rehabilitation and Development Board
D&D	decentralization and deconcentration
FDI	foreign direct investment
GDP	gross domestic product
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (German Agency for International Cooperation)
GRET	<i>Groupe de Recherche et d'Echanges Technologiques</i> (Group for Research and Technological Exchanges)
GSP	Generalized System of Preferences
HEF	health equity fund
HIP	Health Insurance Project for Garment Workers
ILO	International Labour Organization/Office
IMF	International Monetary Fund
IPEC	International Programme on the Elimination of Child Labour
ISSA	International Social Security Association
KfW	<i>Kreditanstalt für Wiederaufbau</i> (Reconstruction Credit Institute)
KHR	Cambodian Riel
MDGs	Millennium Development Goals
MFN	Most Favoured Nation
MOEF	Ministry of Economy and Finance
MOEYS	Ministry of Education, Youth and Sports
MOLVT	Ministry of Labour and Vocational Training
MORD	Ministry of Rural Development
MOSVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation
NCDD	National Committee for Democratic Development
NCDM	National Committee for Disaster Management

NEA	National Employment Agency
NES	National Employment Strategy
NFV	National Fund for Veterans
NGO	non-governmental organization
NIS	National Institute of Statistics
NPF	National Police Force
NSDP	National Strategic Development Plan
NSPS	National Social Protection Strategy for the Poor and Vulnerable
NSSF	National Social Security Fund
NSSFC	National Social Security Fund for Civil Servants
OD	operational (health) district
ODA	official development assistance
OOP	out-of-pocket
OWSO	One Window Service Office
PEOPLE	Promotion and Enhancement of People Livelihood and Equity
PWP	Public Works Programme
RCAF	Royal Cambodian Armed Forces
RGC	Royal Government of Cambodia
RILGP	Rural Investment and Local Governance Project
SHI	social health insurance
SMP	School Meal Programme
SPCU	Social Protection Coordination Unit
SPF	social protection floor
SPF-I	Social Protection Floor Initiative
STSA	Samakum Theanearabrong Srok Angkor Chum
SWS	Single Window Service
TVET	Department for Technical and Vocational Education and Training
UN	United Nations
UNCEB	UN Chief Executives Board
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization
WFP	World Food Programme
WTO	World Trade Organization

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The report was prepared by Ms Loveleen De, ILO international consultant, and consolidates the six technical cooperation reports which were produced under the ILO/EU project in Cambodia as well as the discussions that took place during an ILO Seminar in January 2012 and the National Tripartite Dialogue in March 2012, both held in Phnom Penh. Acknowledgements are due to all those who contributed to the above-mentioned reports, the ILO Seminar and the National Tripartite Dialogue. Thanks are due in particular to: H.E. Ngy Chanphal, Secretary of State (MOI) and Second Vice-Chairman of CARD; HE Vathana Sann, Deputy Secretary General (CARD); Dr. Sok Kanha, Deputy Director, Department of Planning and Health Information (MOH); Mr Sann Vathana (CARD) and Dr Seng Sakda (MOLVT); Dr Vong Sovann and Mrs Riviera Ho-Rathore; Mr Vincent Vire (EU delegation); Mr Hu Vuthy and Mr Tep Oeung (MOLVT). Thanks are further due to Mr Helmut Schwarzer (ILO/Geneva) and Ms Valerie Schmitt (ILO/Bangkok) for their valuable support, inputs and comments. Special thanks are due to Ms Malika Ok (ILO/Phnom Penh) for all her efforts in organizing meetings and events and in tracking documents. Any errors or omissions still to be found in this report are the sole responsibility of the author.

Introduction

The Royal Government of Cambodia

After Cambodia gained independence in 1953, it experienced four decades of political and economic instability including regime changes and civil unrest. In December 1978 Viet Nam invaded Cambodia and drove the Khmer Rouge into the countryside where they continued an insurgency until approximately the mid-90s. Elections were held in 1993, overseen by the United Nations, and helped to bring some stability by instilling a coalition government with the Cambodian People's Party (CPP) under Prime Minister Hun Sen. Factional fighting ensued four years later, ending the coalition, and a second round of national elections was held in 1998 leading to the formation of another government lead by Prime Minister Hun Sen who is also the Vice Chairman of the CPP. As Cambodia is a constitutional monarchy, the head of state is the king. Since October 2004, this role is filled by Prince Norodom Sihamoni who ascended the throne after his father King Sihanouk abdicated his position.

The Royal Government of Cambodia (RGC) has shown its commitment to improving social protection in the country and making it easily available to all. The National Social Protection Strategy for the Poor and Vulnerable (NSPS) was endorsed in a national forum in December 2011 (RGC, 2011a) and is discussed in section 6.3 below.

The 22nd ASEAN Labour Ministers Meeting held in Phnom Penh on 10 May 2012 adopted the theme "Improving Social Protection and Skill Development". Prime Minister Hun Sen addressed the meeting, highlighting that "social protection is the key factor to improving welfare of the people and sustainability of economic development" and that "attention should be given to the strengthening of social protection systems in ASEAN in the context of poverty alleviation and in responding to global and regional economic and labour market development". He also spoke about the need to improve the knowledge, skills and competitiveness of the labour force. The participating ministers acknowledged that closer cooperation between governments and dialogue with partners, international organisations, tripartite partners and other stakeholders is required for promoting social protection and skill development.

Decentralization and deconcentration

A reform named "decentralization and deconcentration" (D&D) was undertaken by the Government in the past decade. D&D aims to strengthen local governance by delegating decision-making powers and responsibilities to the subnational level. It was believed that local governments could handle and solve the problems and issues of their regions better. Public administration reform including the D&D reform is part of the Government's Rectangular Strategy (RGC, 2009).

In its first phase, a law on commune/sangkat governance was adopted in 2001 leading elections of commune councils in every province in 2002. The councils, together with the residents, identify the development and infrastructure needs of the commune, assess the funds required, design a plan and submit it to the government for approval. The central government allocates the money in a special fund called the Commune and Sangkat Funds, set up for this purpose. Development plans such as road construction, building and renovation of schools, bridges, wells, sanitation facilities and so on, are undertaken by communes. The second phase of the D&D reform started in 2005, when the objectives of the D&D reform were further elaborated in the 2005 Strategic Framework for Decentralization and Deconcentration Reforms (the Strategic Framework), and thereafter the Organic Law (2008) on the Management of Provinces, Districts, Municipalities and the

Capital was passed. The Law provides for more coherent administrative divisions of the country and election of councils for these administrative divisions.

With a population of 13.4 million in 2008 (NIS, 2009a), Cambodia's population is relatively small, and most areas of the country are relatively accessible. The main challenges for effective delivery of social protection benefits are tight fiscal resources and limited administrative capacities. The strengthening of administrative capacities at the local level as planned in the D&D reform process is expected to enhance the delivery of social protection benefits to the people (ILO, 2012a).

Economy and growth

According to Hang (2009), Cambodia's economic development since 1989 can be divided into three phases:

- Rehabilitation (1989–98): This phase witnessed privatization, decollectivization and other structural problems similar to those observed in transition countries.
- Reconstruction (1999–2003): This phase was characterized by institutional reforms and consolidation of market reforms, including liberalization.
- High growth (2004–08): This phase saw an average GDP growth rate of 10.2 per cent until the onset of the global financial crisis.

Cambodia's economy witnessed a sustained expansion in the last decade (see table I.1). Real GDP grew at 8 per cent per annum between 2002 and 2010, mainly due to foreign direct investment (FDI), a young and growing labour force and emerging industrialization in the garment and footwear industries. Agricultural output increased because of the larger labour force, while the services sector benefited from a steady increase in tourism. Labour productivity has been increasing and this is expected to result in higher wages, better livelihoods and a larger national tax base. Further, fiscal revenues formed 12.3 per cent of GDP in 2010 compared to less than 10 per cent in 2000. With sustained economic expansion new fiscal space is opening up, creating opportunities for new government projects including those for expansion of social protection systems in the country.

Table Intro.1 GDP and GDP composition, 2002–10 (KHR billions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP at constant 2000 prices	16 232	17 613	19 434	22 009	24 380	26 870	28 668	28 107	29 799
Annual % change	6.6	8.5	10.3	13.2	10.8	10.2	6.7	-2.0	6.0
GDP at current prices	16 781	18 535	21 438	25 754	29 849	35 042	45 583	44 841	47 801
Annual % change	7.3	10.5	15.7	20.1	15.9	17.4	30.1	-1.6	6.6
% GDP composition at current prices									
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	31.1	32.0	29.4	30.7	30.1	29.7	34.9	36.2	35.8
Manufacturing	24.3	25.0	25.6	25.0	26.2	24.9	21.1	18.9	19.9
Services	39.3	38.2	39.3	39.1	38.7	38.5	38.5	39.1	38.4
Others ¹	5.3	4.8	5.7	5.2	5.0	6.9	5.5	5.8	5.9

Note: ¹ "Others" includes taxes on products less subsidies less financial intermediation services indirectly measured.

Sources: IMF, 2011; ILO, 2012a.

According to the IMF, Cambodia's GDP in 2010 was KHR 47.8 trillion or US\$11.7 billion. Cambodia's population was estimated at 13.4 million in 2008 based on the results of the last census (NIS, 2009a). According to the ILO projection model, this would mean that for an estimated population of 13.9 million in 2010, this would translate to a GDP per capita of US\$860 per year or US\$2.40 per day.¹ The primary sector, i.e. agriculture, fisheries and forestry, constituted 36 per cent of total output in 2010 and absorbed about 70 per cent of the labour force. Manufacturing constituted about 20 per cent of total output in 2010, while the tertiary sector, i.e. trade and services, accounted for 38 per cent. The services sector, which comprises finance, real estate, tourism and other sectors, remains the predominant economic sector.

As seen in table I.2, the output of agricultural crops grew by 10.7 per cent per year due to extensive growth of farming areas and higher exports of paddy rice. Despite the fact that agricultural output in Cambodia has been increasing in recent years, its productivity remains low compared to the average in ASEAN countries. The productivity of paddy rice stands at half the level in Viet Nam. Tourism has seen a steady growth in Cambodia in recent years, greatly benefiting the service sectors. It is estimated that about 2.5 million people came to the country in 2010, a more than threefold rise since 2002. Total revenues of the tourism industry in 2010 stood at US\$1.8 billion, an amount equivalent to 15 per cent of GDP.

Table Intro.2 Annual GDP growth rates and share in total GDP, ranking by sector, 2002–08 (percentages)

	Average annual growth rate 2002–08 at constant prices (%)	Share in total GDP at 2008 prices (%)
Agriculture, fisheries & forestry	6.8	32.8
Crops	10.7	17.9
Livestock & poultry	5.1	4.4
Fisheries	2.7	7.4
Forestry & logging	1.9	3.0
Industry	11.9	22.4
Mining	17.9	0.4
Electricity, gas & water	13.9	0.5
Textiles, wearing apparel & footwear	13.7	10.3
Construction	13.0	6.1
Other manufacturing	10.2	1.9
Food, beverages & tobacco	3.4	2.2
Wood, paper & publishing	2.7	0.6
Rubber manufacturing	-1.2	0.4
Trade & services	10.2	38.8
Finance	18.5	1.3
Other services	15.2	8.5
Real estate & business	12.8	6.4
Hotels & restaurants	9.6	4.5
Trade	7.3	8.9
Transport & communications	7.2	7.4
Public administration	-0.4	1.8

Sources: IMF, 2011; ILO, 2012a.

¹ The total population for 2010 is 13,890,465 according to the ILO's population projection model.

From the late 1990s to 2007 this rapid growth of the economy was accompanied by a tangible reduction in poverty. However, it cannot yet be said for certain whether Cambodia will attain all the Millennium Development Goals (MDGs). Recent development economics literature has cast doubts on the “trickle-down” argument that economic growth finally benefits the poor. In Cambodia, poverty incidence is still high, especially in rural areas and among particular groups of people. A sizeable portion of the population has an income between US\$1.25 per day (lower threshold) and US\$2 per day (higher threshold) and this group as well as the one below the lower threshold is particularly vulnerable to economic and financial shocks. There has also been a strong rise in income inequality, which could further jeopardize the poverty reduction efforts.

Future prospects for the Cambodian economy seem positive; provided political stability can be maintained and foreign investors do not shy away from investing in the country. The main constraints for sustained growth are the low education levels and skill sets of the labour force. Greater efforts are required to bring the education levels up to par with global industry requirements and to invest in building the capacity needed for the growth of Cambodia’s economy.

International cooperation

Cambodia is a member of several international organizations such as the United Nations (UN), World Bank, International Monetary Fund (IMF), Asian Development Bank (ADB), Association of South-East Asian Nations (ASEAN) and the World Trade Organization (WTO), among others. Over the years, it has received financial and technical assistance for its social, economic and infrastructural development. At the request of the Cambodian Government, the UN provides direct assistance, technical support, policy advice and capacity development to the government, civil society and local communities. The UN Country Team is made up of 27 specialized agencies, funds and programmes which focus efforts on national development, peace, poverty reduction and human rights in accordance with the Government’s “Rectangular Strategy” (see RGC, 2009).

Structure and aim of this report

This report was prepared under the EU-funded ILO project “Improving Social Protection and Promoting Employment” covering the countries of Burkina Faso, Cambodia and Honduras.. The purpose of this project is to explore ways to link social protection to employment, integrate policy formulation and strengthen reciprocal linkages through concerted action involving all stakeholders in order to foster sustained growth in the country. The approach is based on social dialogue between line ministries, employer and worker organizations and development partners. The project also aims to support the achievement of the Millennium Development Goal on poverty reduction.

This report aims to provide an overview of the following technical cooperation reports which were produced under the above-mentioned project in Cambodia:

1. Cambodia: Social protection expenditure and performance review (2012)
2. Cambodia: Towards integrated employment and social protection policies (2012)
3. Cambodia: Toward a national employment strategy for sustained poverty reduction (2012)
4. Cambodia: Social security for the formal economy: Outlook and challenges ahead (2012)

-
5. Cambodia: Financial assessment of the National Social Protection Strategy for the poor and vulnerable (2012)
 6. Actuarial Review of The NSSF Employment Injury Branch and Assessment of Social Health Insurance for the National Social Security Fund and the National Social Security Fund for Civil Servants (2012)

The current report also includes contributions from the discussions that took place during an ILO Seminar in January 2012 and the National Tripartite Dialogue in March 2012 held in Phnom Penh under the EU-funded ILO project.

Part I presents a demographic framework of the country along with poverty and vulnerability profiles of the population to identify priority areas for government intervention. It then goes on to describe the employment situation, the labour force and its problems. Part II focuses on the existing and planned social protection provisions in the country, and provides a description of the challenges and problems experienced by the population in accessing social protection benefits. Part III presents the results of the findings under the ILO/EU project to link social protection and employment at the policy and implementation levels.

PART I. POPULATION AND EMPLOYMENT

1. Demography

1.1. Demography and its linkages with history

The demographic profile of a country is very important in the design and implementation of a social protection system and employment policies. Cambodia's population was estimated at 13.4 million in 2008 based on the results of the last census (NIS, 2009a). This accounted for 2.3 per cent of South-East Asia's population. Cambodia's population doubles roughly every 44 years. The demography is characterized by a youthful population, and declining fertility and mortality rates. Life expectancy has been increasing rapidly despite an HIV/AIDS prevalence rate estimated at 0.7 per cent. Table 1.1 shows the historical development of the population since 1920: despite the toll taken by war and genocide, the population grew five-fold from 1920 to 2008. The higher proportion of females is compounded by the effect of the Khmer Rouge regime, during which the death toll for men was higher. The discrepancy between the percentage of males and females in the total population is most striking for the 50+ age group, i.e. the group of people who were aged 17 or above in 1975.

Table 1.1. Total population by sex, 1920–2008

Year	Population			Source
	Total	Male	Female	
1920	2 600 000			Unknown, see Hang (2009)
1962	5 728 771	2 862 939	2 865 832	Population census, 1962
1980	6 589 954	3 049 450	3 540 504	General Demographic Survey, 1980
1993/94	9 870 000	4 714 000	5 156 000	Cambodia Socio-economic Survey, 1994
1996	10 702 329	5 119 587	5 582 742	Demographic Survey of Cambodia, 1996
1998	11 437 656	5 511 408	5 926 248	General Population Census of Cambodia, 1998
2004	12 824 000	6 197 000	6 627 000	Cambodia Inter-censal Population Survey 2004
2008	13 395 682	6 516 054	6 879 628	General Population Census of Cambodia 2008

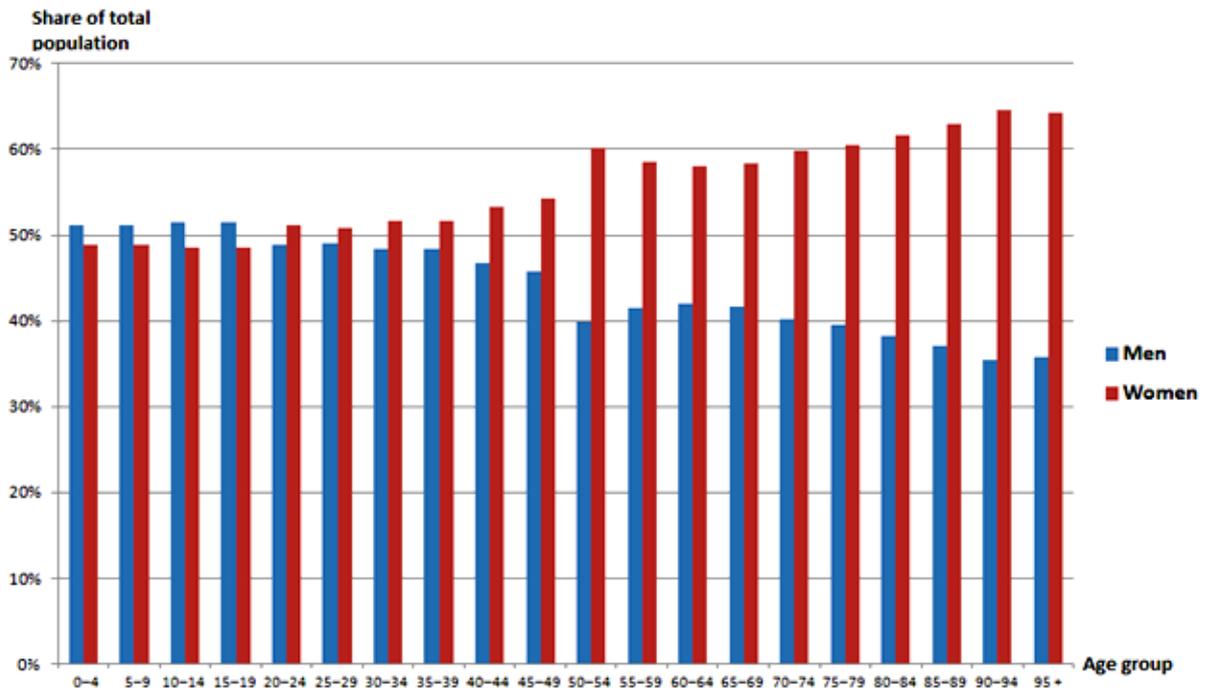
Source, ILO, 2012a.

1.1.1. Age profiles

The population of Cambodia is fairly young, with 33.7 per cent aged 14 years or younger and 4.3 per cent aged 65 years or older. The youthfulness of the population should be an advantage in extending social health protection, despite the investment required to build the health protection system. Also, resource requirements to finance social protection for the elderly are expected to remain low in the near future. At the same time, social protection provisions for children are expected to form a relatively large portion of total social protection expenditure. In Cambodia, there are 947 males for every 1,000 females. Among the elderly (65+ age group), there are 675 men for every 1,000 women (see figures

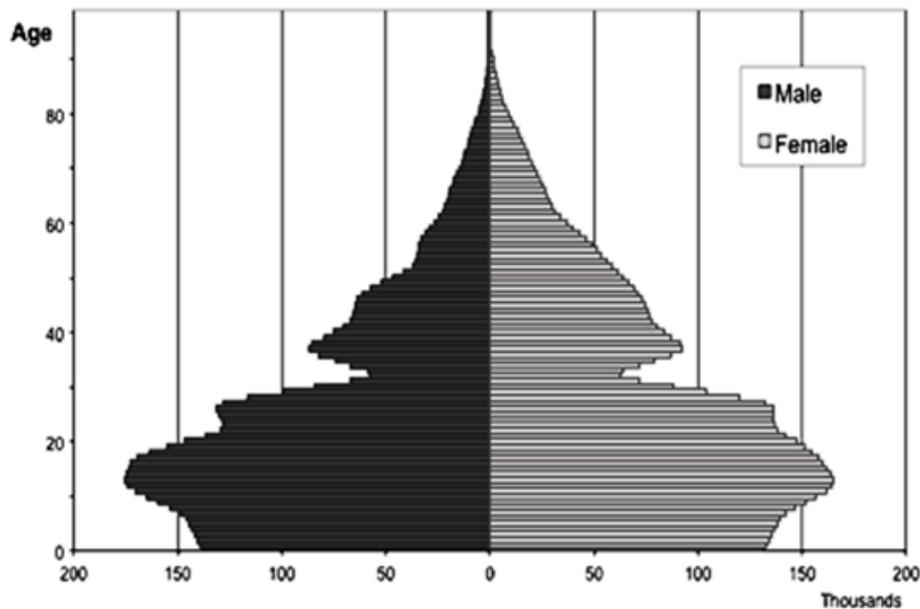
1.1 and 1.2). As women generally have lower lifetime earnings and savings opportunities, they are more likely to retire with low income security leading to a greater need for old-age social protection.

Figure 1.1. Population share by age and sex, 2008 (percentages)



Source: ILO, 2012a.

Figure 1.2. Population pyramid of Cambodia, 2008



Source: ILO, 2012a, based on Population Census 2008 (NIS, 2009a); ILO Population Model.

The average age in Cambodia was 26.3 years (25.0 years for males and 27.5 years for females) in 2008, while the median age was only 21 years. The overall young age profile has implications for the child dependency ratio, i.e. the ratio of 0–14 year olds to the working-age population aged 15–64 years. At 54.3 per cent, this ratio was more than twice the ratio observed in most developed countries. This has a direct impact on the financing of education and social protection; including food security, health care and cash benefits for children. As children represent the future of the country, it is very important to provide them with adequate social protection so that they have a fair chance to compete for and engage in gainful employment.

1.1.2. Fertility

The fertility rate of Cambodia surged in the aftermath of the Khmer Rouge regime, but has since been on the decline. It stood at 3.1 children per woman in 2008, significantly lower than a generation ago when women had 5–6 children. It is estimated that every group of 1,000 women will replace itself with a daughter generation of 1,300 women, indicating that the population increases at the relatively high rate of 30 per cent from one generation to the next. The mean age of child-bearing was estimated at 28.7 years in 2008. Better education for women and improved livelihood and employment opportunities are shifting the average child-bearing age upwards. Under conservative assumptions of fertility, mortality and international migration, a visible ageing of the population would take place only after the middle of this century.

Box 1.1

Demographics and labour mobility: Implications for social insurance

The age and gender profiles of insured people have important implications on the design and cost of a social security scheme. In a predominantly young group of members, the overall cost of health insurance is relatively low as young people avail themselves of medical services less often than older people. The cost of maternity benefits can be quite substantial when the share of female workers in the reproductive age bracket is high, as in the case of the formal sector in Cambodia. A young age profile is favourable for the introduction of social pensions, since young workers have most of their working years ahead to earn entitlements to a decent pension.

In some countries, only selected industries have social insurance coverage. Sometimes, workers may choose to leave hazardous jobs or women may quit jobs after the birth of their first child if no extended maternity leave is available. Transferability of old-age pension and provident funds between jobs becomes important, so that insured workers can reach the minimum years of service required to receive a pension, even if they change jobs. Again, voluntary membership of the pension fund after termination of employment can be allowed. However, this would require workers to pay the employer contributions as well, which may be a disincentive. Additionally, the prospect of an old-age pension later can work as an incentive for employees to stay in their jobs.

1.1.3. Life expectancy and mortality

The 2008 Census estimated life expectancy at birth at 60.5 years for men, 64.3 years for women and average life expectancy at 62.4 years (NIS, 2009a). Until the end of the 1970s, life expectancy at birth had stagnated at about 40 years; during the early 1980s it increased by more than ten years. While life expectancy is comparatively low at birth, it is not much lower than in developed countries once individuals have reached a certain age. Infant mortality also declined from 165 deaths in the early 1950s to 60 deaths in 2008 per 1,000 live births. While the decline has been remarkable, the current rate is still considered high. This is mainly due to poor sanitation, malnutrition, a high incidence of communicable diseases and limited access to quality health-care services. Also, Cambodia does not yet have a complete vital registration system in place and many deaths are not registered when they occur.

1.1.4. Rural and urban population

The urban share of the population of Cambodia increased from 18.3 per cent in 1998 to 19.5 per cent in 2008 (see table 1.2). However, the pace of urbanization in Cambodia is quite low when compared with eastern Asia, where the average urbanization rate is 46 per cent. Globally, more than half the population is considered as urban dwellers. Urbanization has direct implications on the design of social protection policies and programmes: urban dwellers are more likely to be employed in the formal economy and have higher average earnings, thereby giving them greater capacity to contribute to statutory social security systems. They are more likely to make use of public services and are easier to target under social security programmes.

Table 1.2. Share of urban and rural population, 1998 and 2008

	Population		Share of total (%)	
	1998	2008	1998	2008
Urban	2 095 074	2 614 027	18.3	19.5
Rural	9 342 582	10 781 655	81.7	80.5
Total	11 437 656	13 395 682	100	100

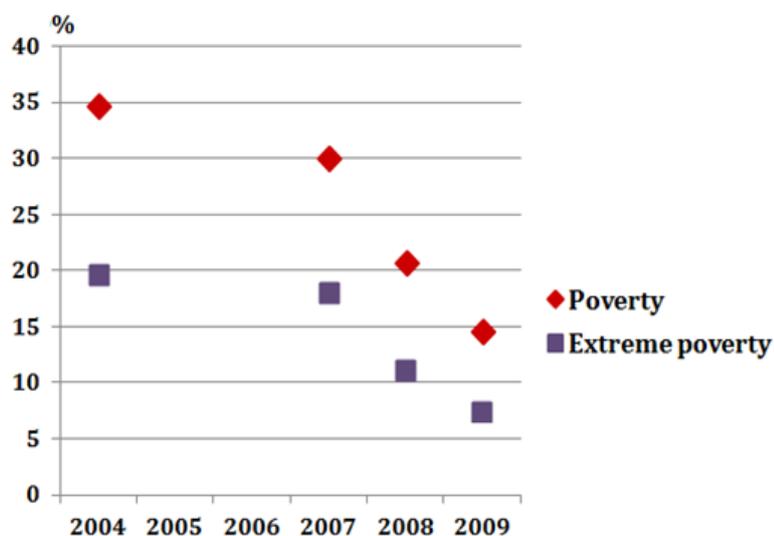
Source: ILO, 2012a, based on NIS, 2009a.

Cambodia has in place a public administration system branched out to the local level. The ID-Poor programme, which makes use of the local administrative capacity to identify the poor in remote villages, for example has done so. The Government is making efforts to decentralize public service delivery and financial management under the Decentralization and Deconcentration reform process. This is expected to improve delivery of social security benefits to the ultimate users.

1.2. Poverty and vulnerability

According to the UN, Cambodia is still among the least developed countries in the world. Despite improvements in the livelihoods of the people, many Cambodians are poor or live in precarious conditions, especially in rural areas. Rural people engaged in subsistence agriculture are vulnerable to climate shocks, such as droughts and flooding. Poor health care, including maternal care, poor nutrition, high seasonal unemployment and low education levels also increase the vulnerability of the people. The vulnerable have a high risk of falling into poverty when an economic downturn or a natural disaster strikes. Often, isolated events that affect a household such as illness, death of the breadwinner or unemployment may increase the household's vulnerability and cause the family to fall even deeper into poverty.

Figure 1.3. Estimated poverty rates, 2004–09 (percentages)



Data for 2005–06 is unavailable, 2008–09 data are World Bank estimates.

Source: ILO, 2012a.

1.2.1. Measuring poverty

The national poverty line in Cambodia represents the ability of a household to purchase a basic basket of items comprising food, clothing and housing, among others. There are two poverty lines:

- Food poverty line: This reflects the cost of buying food, assuming a daily nutritional requirement of 2,100 calories per person per day. Households that fall below the food poverty line are designated as “extremely poor”.
- Overall poverty line: This reflects the cost of buying basic food and essential goods and services such as clothing, housing, transportation and health care. Households that fall below the overall poverty line are labelled as “poor”.

The overall poverty line for Cambodia was estimated at KHR 1,826 (US\$0.45) per person per day in 2004. The food poverty line was at 80 per cent of the overall poverty line, or US\$0.36 per person per day. The poverty rate is estimated to be highest in rural areas and lowest in Phnom Penh.

1.2.2. Identifying the poor

Identifying the poor households in a country can be important to identify the geographical regions that require priority intervention in terms of relief efforts. In 2006, the Cambodian Government initiated a project to identify all poor households in the country and determine their needs. This project, known as ID-Poor, was started with support from the German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ*). It aims to re-evaluate all households every two years to ensure an up-to-date database.

The assessment of households is made through a detailed questionnaire filled out by the members of the household. Questions are included on the physical structure of the house, dependent family members, productive assets such as land, animals, electronic

assets and so on. There are also questions on unexpected problems such as non-attendance in schools, assistance received from relatives, sickness, deaths and so on. Based on the answers, households are classified into three groups: non-poor, ID-Poor 1 (those living below the food poverty line) and ID-Poor 2 (those considered poor but living above the food poverty line). The list of poor households is displayed in the village for review by the villagers before being finalized in the ID-Poor database. This project greatly facilitates the provision of the targeted social protection benefits.

Table 1.3 presents estimates of the poor population based on the data collected so far. It shows that there is a high proportion of children aged 0–10 children living in extreme poverty or falling into the ID-Poor 1 group. Since the poor are identified on the basis of total household consumption, it is likely that the number of young children is high in extremely poor households.

Table 1.3. Estimated total poor population of Cambodia, 2008

	Total ¹	Men	Women	Children (<15)	Working age (15–64)	Elderly (>65)
Total 2008 census population	13 395 682	6 516 054	6 879 628	4 513 792	8 310 590	571 300
ID-Poor 1	1 687 293	782 933	893 563	622 296	982 915	82 082
ID-Poor 2	1 888 520	891 386	985 689	624 701	1 188 059	75 760
ID-Poor 1 & ID-Poor 2	3 575 813	1 674 319	1 879 252	1 246 998	2 170 974	157 842

Note: ¹Including those with “unknown sex” in the ID-Poor data.

Source: ILO, 2012a.

1.2.3. Working poor

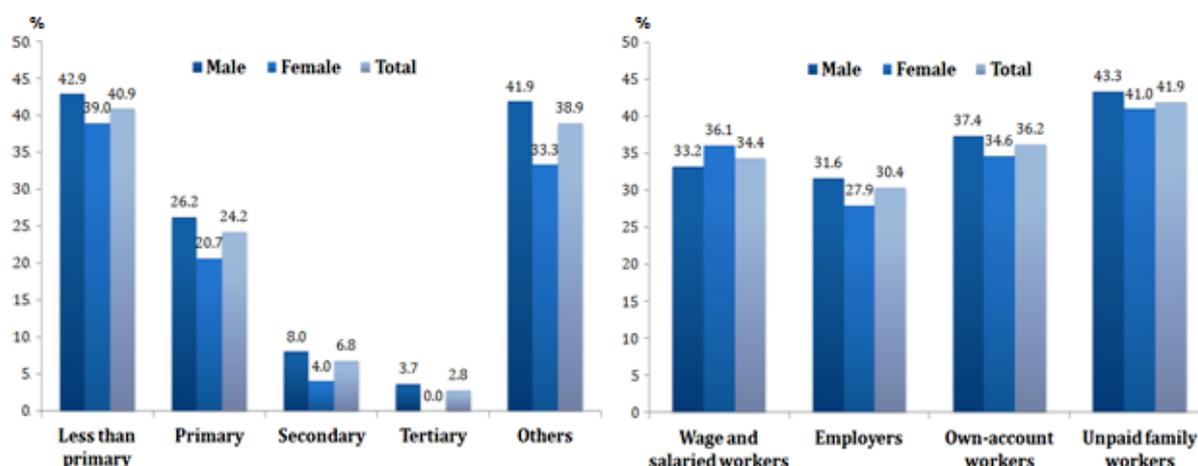
A sizeable proportion of the working population works full time or with more than normal hours every day, but is still below the poverty line. This constitutes the working poor population, which is characterized by earnings of US\$1.25 per day or less. Figure 1.4 shows that for South-East Asia and the Pacific region: 11.4 per cent of those employed earned less than US\$1.25 per day in 2010, a decline from 31.1 per cent in 2000. At the same time, 33 per cent of those employed earned less than US\$2 per day, a decline from 60.5 per cent over a decade. Figure 1.5 shows that in Cambodia the working population with less than primary education, as well as own-account workers and unpaid family workers, have the highest incidence of poverty. A large number of salaried and wage workers also fall into this category, indicating a lack of productive and remunerative jobs in the Cambodian economy.

Figure 1.4. Working poor by world region, 2000, 2007 and 2010 (percentage of total employment)

	< US\$1.25/day			< US\$2/day		
	2000	2007	2010	2000	2007	2010
World	26.4	16.7	15.1	45.9	33.1	30.2
Central and South-Eastern Europe (non -EU) and CIS	4.6	1.8	1.4	13.0	5.5	4.8
East Asia	29.9	10.9	8.1	53.2	25.6	19.1
South-East Asia and the Pacific	31.1	14.5	11.4	60.5	38.3	33.0
South Asia	46.7	37.8	36.8	81.2	70.8	68.7
Latin America and the Caribbean	7.0	4.2	3.5	15.1	10.4	9.1
Sub-Saharan Africa	54.8	43.4	39.1	75.7	67.0	63.2

Source: ILO, 2012a.

Figure 1.5. Working poor by education and employment status, Cambodia, 2004 (percentage of total employment)



Source: ILO, 2012c.

1.2.4. Vulnerable population

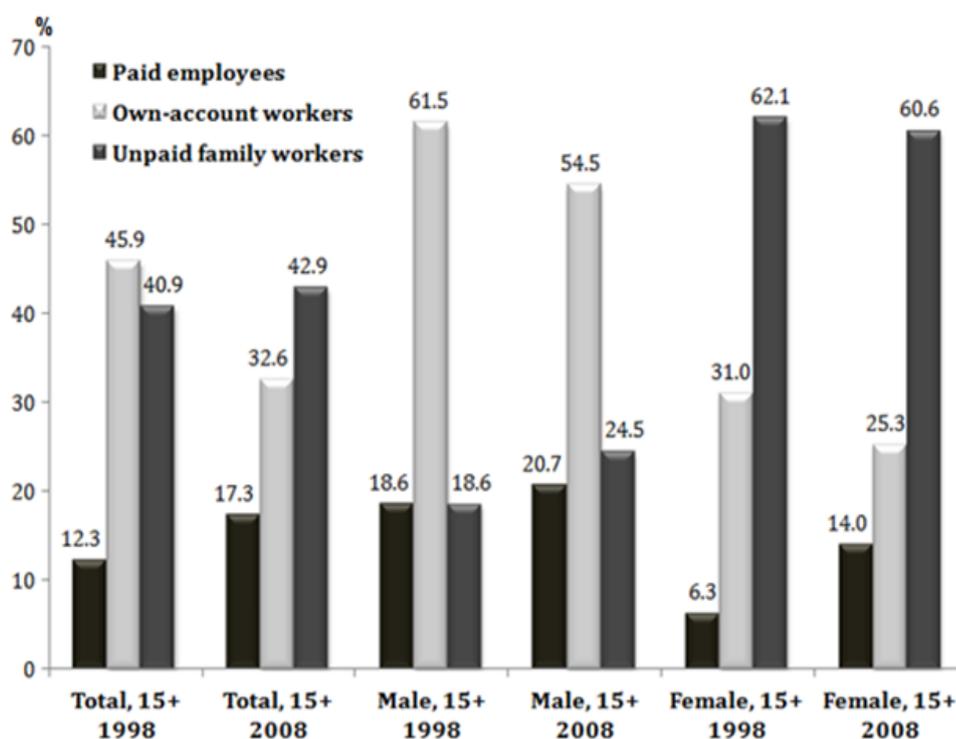
The vulnerable population includes unpaid family workers and own-account workers, among other groups. Figure 1.6 gives a comparison of vulnerable employment in different regions of the world. For South-East Asia and the Pacific, this number stood at 62.3 per cent of the labour force in 2010. In comparison, for Cambodia it was 82.5 per cent of the total population in 2008, a decline from 86.8 per cent in 1998. Vulnerability can be measured in various dimensions such as low income, low employability, and low access to credit, high insecurity, or lack of any systematic social protection. It can be found even among the paid employee category, especially for wage workers who have low income security. Figure 1.7 shows a high incidence of unpaid family workers among the female population, who probably assist the men in the family business.

Figure 1.6. Vulnerable employment by world region, 2000, 2007 and 2010 (percentage of the labour force)

	Both sexes			Females		
	2000	2007	2010	2000	2007	2010
World	52.8	51.1	49.6	55.7	53.5	51.0
Developed economies and EU	10.8	9.9	10.0	10.2	8.6	8.5
Central and South-Eastern Europe (non-EU) and CIS	25.5	20.6	20.9	25.1	20.1	20.5
East Asia	58.0	54.8	49.6	64.3	60.5	53.9
South-East Asia and the Pacific	65.3	62.3	62.3	70.7	67.3	66.7
South Asia	80.9	80.0	78.4	88.1	86.3	84.6
Latin America and the Caribbean	35.9	32.3	31.9	36.8	33.1	32.3
Sub-Saharan Africa	80.7	77.6	76.9	87.6	85.5	84.7

Source: ILO, 2012a.

Figure 1.7. Employment status by sex, Cambodia, 1998 and 2008 (percentage of labour force)



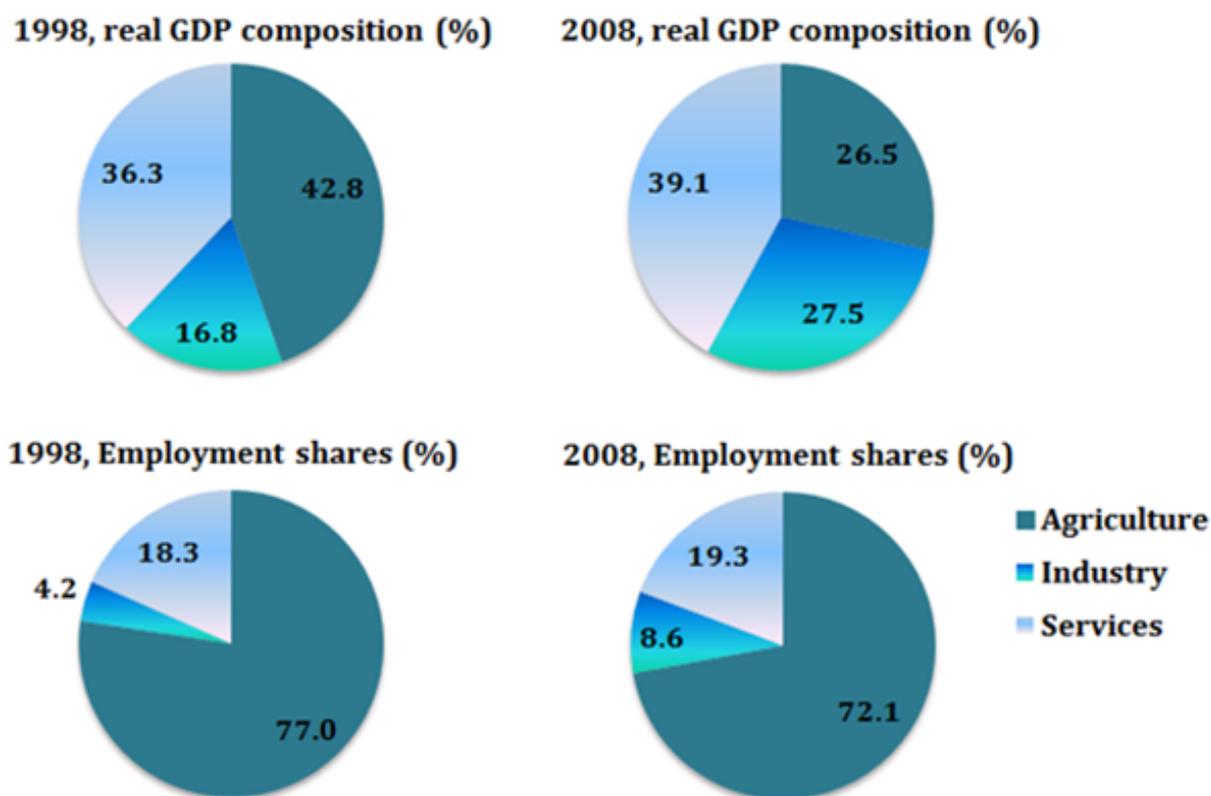
Source: ILO, 2012c, based on NIS/ILO, 2010.

2. Industry and employment

2.1. Major industries and sectors

The Cambodian economy experienced rapid growth in the late 1990s and during the global boom of 2002–07. The industrial sector grew sharply due to the burgeoning exports of ready-made garments. The economy underwent a structural change, resulting in a shrinking of agricultural contribution to GDP. At the same time, agricultural productivity increased, enhancing output surplus and exports. As shown in figure 2.1, there was a slight shift of labour from the low-productivity agricultural sector to the high-productivity manufacturing sector; nearly three-quarters of the labour force migrating from rural to urban areas in Cambodia were absorbed by the manufacturing sector. In many East Asian economies, the share of the manufacturing sector in total employment increased by 25–30 per cent during this time.

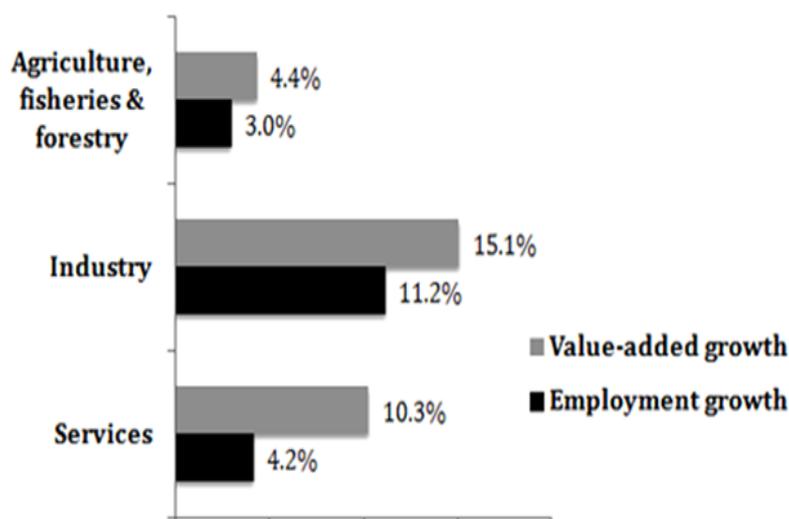
Figure 2.1. Real GDP and employment shares, by sector, 1998 and 2008



Source: ILO, 2012c, based on NIS figures.

It is evident from figure 2.2 that it was the manufacturing sector which experienced the highest growth in GDP and employment from 1998 to 2008. Although growth seems to have taken place across all sectors, it is difficult to tell whether the increase in employment has been remunerative, as the employment generated could have been in the informal economy and in low-productivity, low-income jobs. By studying the increase in formal-sector jobs, it may be possible to gauge whether employment generation was productive. For the same reason, it is necessary to distinguish between temporary, sub-contracted workers and full-time formal workers.

Figure 2.2. Average annual growth rates in GDP and employment, by sector, 1998–2008 (percentages)



Source: ILO, 2012c, based on NIS figures.

2.1.1. Agriculture

In Cambodia, the potential for greater utilization of labour and increased productivity in agriculture is vast. To realize this, it is essential to have dedicated public policy, easy access to credit, expansion of irrigation facilities and infrastructure, and greater use of fertilizers and technology. Domestic investment and FDI in large-scale farming, plantation and logging could be an added advantage. Growing multiple crops and high-yielding crop varieties on the land can enhance productivity, which is likely to lead to higher wages and an increase in the share of wage-based employment. The Government has placed a distinct emphasis on agricultural and rural development, reduction of poverty and lessening of the disparities in rural areas. A strong commitment to effectively implementing these policies and deploying the required resources is required to achieve the development envisioned.

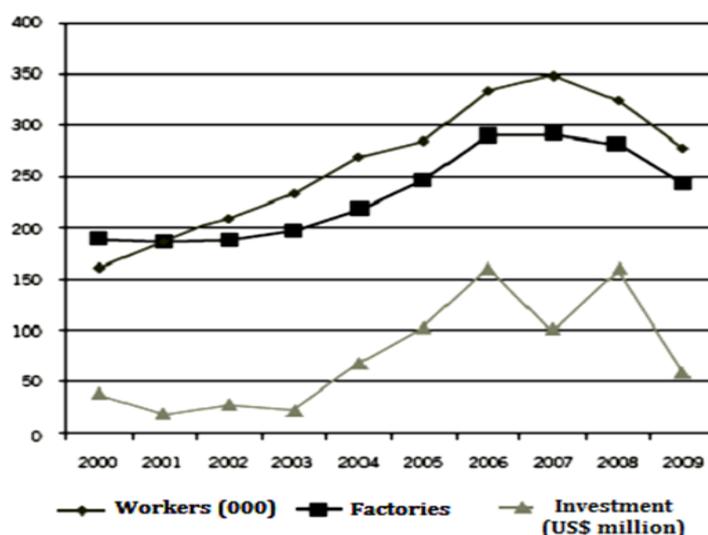
2.1.2. Manufacturing and garments

The development planning period of 2004–08 in Cambodia has been characterized by policy planners as *the economic take-off phase*. In economic literature, a take-off phase is often linked to the start of the industrialization process and its contribution to GDP and employment on a sustained basis. In contrast, there have been cases where a strong industrialization phase ended in a *frustrated take-off*, wherein the manufacturing sector failed to contribute to the much-needed job generation process. Pakistan during the 1970s is a case in point.

The economic take-off phase in Cambodia is seen to follow the East Asian strategy of export-led, labour-intensive industrialization. The manufacturing sector grew at a spectacular pace of 15 per cent per annum from 1998 to 2008, and its share in total GDP increased from 17 to 28 per cent during the same period. The main contributor to this growth was the garment and textile sector. Garment production grew at an impressive rate; the number of enterprises increased from 53 in 1995 to 398 in 2007. Many new jobs were created, accounting for nearly 350,000 workers, of which most were women. As shown in figure 2.3, this sector faced a dip during the global economic crisis of 2008 as Cambodia had primarily exported to the United States and European nations.

The meteoric growth of the garments sector was an outcome of the generous incentive structure and the liberalization reforms, and was also closely linked to the Most Favoured Nation (MFN) and Generalized System of Preferences (GSP) status given to the country by the United States during the mid-1990s. However, over-reliance on the garment sector came under scrutiny after the global economic crisis severely affected this sector. Moreover, the favourable circumstances (MFN and GSP status) no longer exist. There is a dearth of skilled workers and mid-level management skills, for which foreign skills have been brought into the country. Unless these factors are addressed, the movement of labour from agriculture to manufacturing will not do much for the economy. Countries with a dominant garment sector, such as Bangladesh, have scaled up domestic private investment and skill development. Cambodia needs to bolster domestic investment and develop a culture of entrepreneurship for sustained growth of its garment industry.

Figure 2.3. Growth in the textile industry, 2000–09

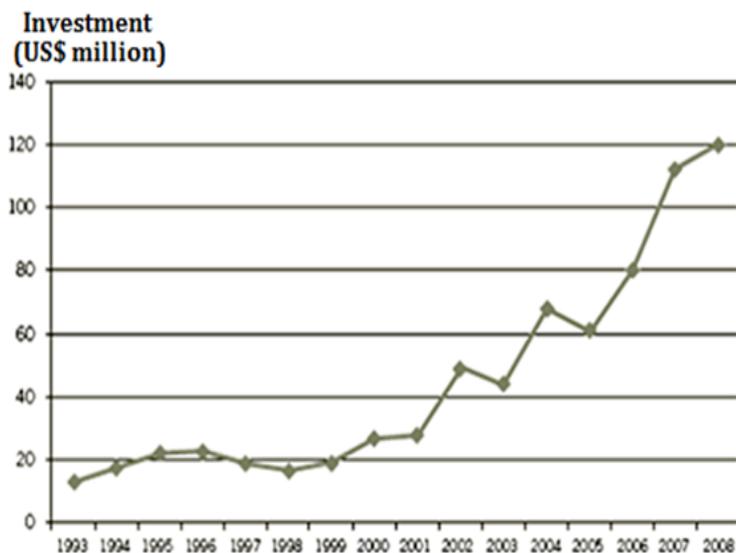


Source: ILO, 2012c, based on Hang, 2009.

2.1.3. Construction and services

The construction sector in Cambodia grew at a rapid pace, averaging around 13 per cent from 1994 to 2007 and reaching a peak of 20 per cent during the boom of 2002–07. This growth was mainly due to an increase in infrastructure and residential construction, especially around Phnom Penh and Siem Reap. The services sector accounts for about 40 per cent of Cambodia’s GDP and 20 per cent of total employment. Much of the growth in this sector in recent years has been powered by the development of the hotel and tourism sectors (see figure 2.4), transportation and communications, banking and financial services, and real estate. Tourism grew rapidly after 2003, but was badly hit during the recent crisis, slowing in the last quarter of 2008.

Figure 2.4. Investment in the hotel and restaurant industry, 1993–2008

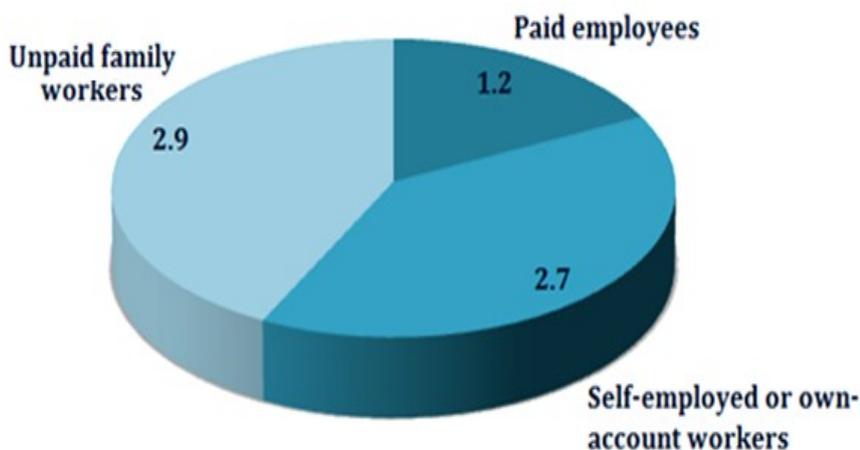


Source: ILO, 2012c, based on Hang, 2009.

2.2. Labour force

Cambodia has high labour market participation rates, at 78 per cent in 2008 when out of a total working-age population of 8.9 million comprising 15-year-olds and above, the economically active population or labour force was approximately seven million people. The number of employed people was 6.8 million in the same year. A breakdown between different kinds of employment is given in figure 2.5. Despite a trend towards formalization of employment, a large number of workers are in the informal sector and uncovered by social protection provisions. As employment formalization is a gradual process, informal employment will persist and it is imperative to extend social protection to informal economy workers through targeted or universal means.

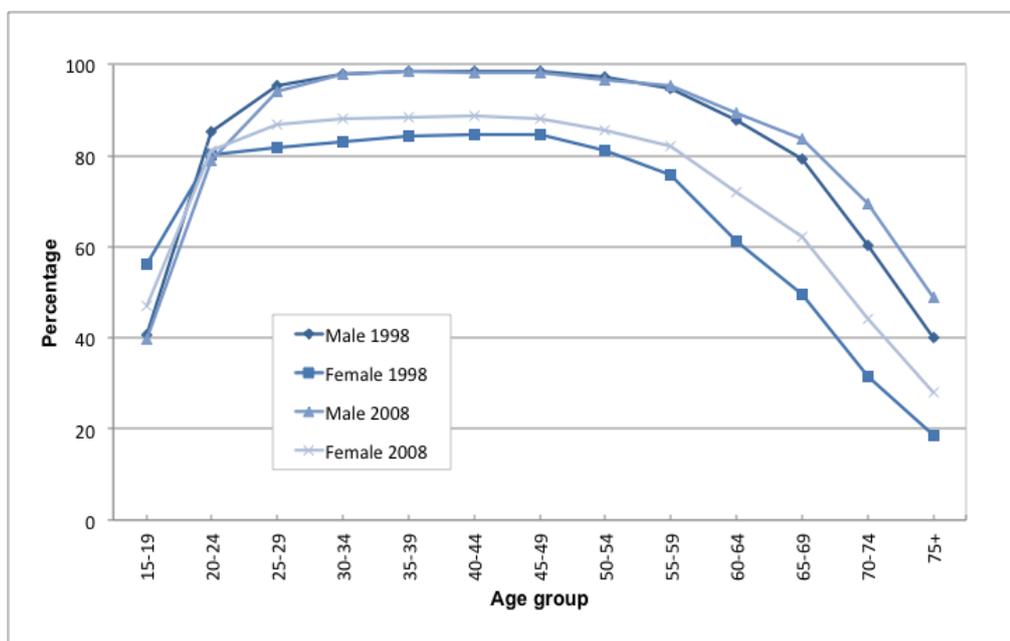
Figure 2.5. Types of employment, 2008 (in millions)



Source: ILO, 2012a.

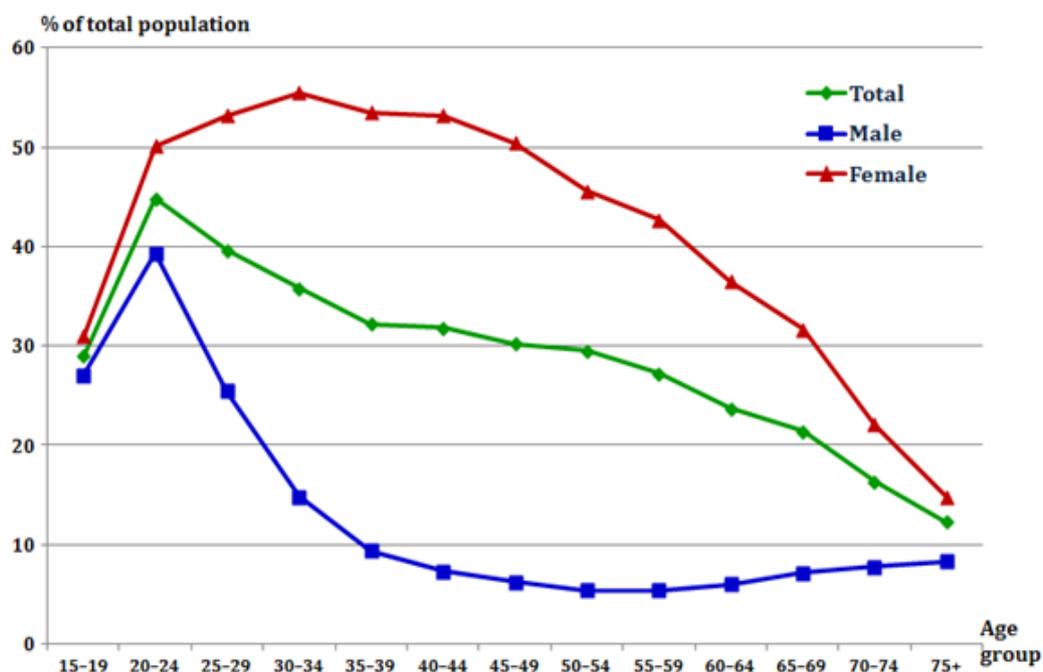
Between 1998 and 2008, the number of employed people in the Cambodian economy increased substantially by about two million, contributing to the sustained economic growth during the decade (see figure 2.6). However, about half this number consisted of unpaid family workers (see figure 2.7). While the labour force increased at an average annual rate of 3.3 per cent, unpaid employment increased at a higher rate of 4.4 per cent annually.

Figure 2.6. Labour market participation rates by age and sex, 1998 and 2008



Source: ILO, 2012a, from NIS, 2009a and NIS/ILO, 2010.

Figure 2.7. Unpaid family workers by age and sex, 2008



Source: ILO, 2012a, from NIS, 2009a.

2.2.1. Employment by education and sector

The literacy rate among employed people above the age of 15 was 75.7 per cent in 2008. Among the employed female population, the literacy rate showed a strong increase from 56.3 per cent in 1998 to 69.1 per cent in 2008. Between 1998 and 2008 the share of employed who had not completed primary school declined from 38.6 per cent to 34.5 per cent; the share of employed who had completed primary school increased from 17.2 per cent to 23 per cent, while those having completed secondary school increased from 7.2 per cent to 13.7 per cent (NIS/ILO, 2010).

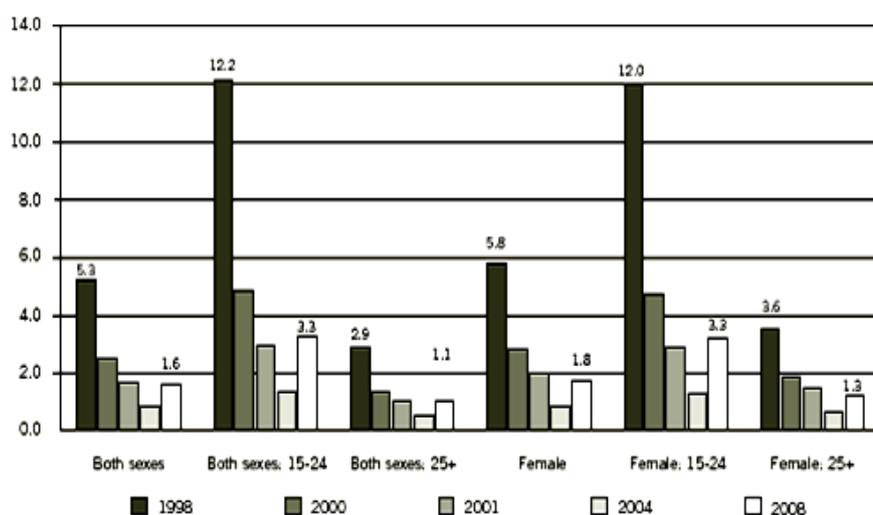
Most of the workforce is employed in the primary sector, i.e. agriculture, forestry and fisheries. This comprised 72.1 per cent of the workforce in 2008, a gradual decline since 1998 due to emerging industrialization and diversification. Employment in the secondary sector, i.e. manufacturing and industry, increased markedly from 4.2 per cent of the total workforce in 1998 to 8.6 per cent in 2008, due to the expansion of the garment and footwear industries. The tertiary sector, i.e. trade and services, accounted for 19.3 per cent of the total workforce in 2008.

2.2.2. Unemployment

In Cambodia formal unemployment is low, at 1.6 per cent in 2008 (see figure 2.8) according to ILO estimates. However, most people work in the informal sector. Even wage and contract workers accept employment as day labourers or petty traders if they are unable to find work immediately in the formal economy. Living conditions are difficult and people often take up whatever work is available to ensure that they have a source of income, even if it is irregular. Also, in most developing countries, unemployment rates as provided in statistics are usually low due to challenges in estimating employment figures. Unemployment rates are usually lower in rural Cambodia, owing to the many workers engaged in subsistence agriculture.

Despite the low unemployment rate, under-employment and seasonal unemployment is quite high, particularly in agricultural jobs. The poverty incidence rate is 30.1 per cent, indicating the high proportion of non-remunerative jobs in the informal sector. Youth unemployment in Cambodia is still higher than adult unemployment, though it has declined considerably over a decade from about 12 to 3.3 per cent in 2008.

Figure 2.8. Unemployment rates by age and sex, 1998–2008 (percentages)



Source: ILO, 2012c, based on ILO/NIS 2010.

2.2.4. Formal and informal economy

To a large extent, employment in Cambodia is still unregulated or informal, i.e. in precarious forms of employment and devoid of labour and social protection. Formal-sector jobs governed by contracts, the Labour Law and collective bargaining agreements, and covered by entitlements such as employment injury insurance are gaining ground in the garment, footwear, hospitality and service industries. However, informal employment persists in agriculture and certain tertiary sector occupations such as street vendors, petty traders and *tuk-tuk* drivers. Cambodia had an estimated number of 5.6 million informal economy workers in 2008.

The formal sector includes public administration, defence jobs, state-owned establishments, large private corporations and small establishments where the employer maintains comprehensive records and is subject to labour regulations. When counting formal-sector employers, it is assumed that all employers who are registered with the Ministry of Commerce are subject to labour regulations, taxation and the National Social Security Fund (NSSF) and are hence, formal employers. In the absence of information about registration with the Ministry of Commerce, indicators such as size of the enterprise, the keeping of records and enforcement of the Labour Law are used. There is a rising trend towards formal jobs in Cambodia, as evidenced by the increase in the number of formal-sector employees from 0.6 million in 1998 to 1.2 million in 2008. Of this 1.2 million, about 0.3 million were engaged in the public sector while the rest were employed by private firms.

Self-employed workers and small informal employers are subject to licensing fees, depending on their trade or work. However, there are no requirements to file income tax records, declare their employees or register with the NSSF. The status of *artisan* is granted to own-account workers and employers with fewer than eight workers. All business entities, irrespective of the trade, that have eight or more regular employees are obliged to incorporate the company and register with the Ministry of Commerce.

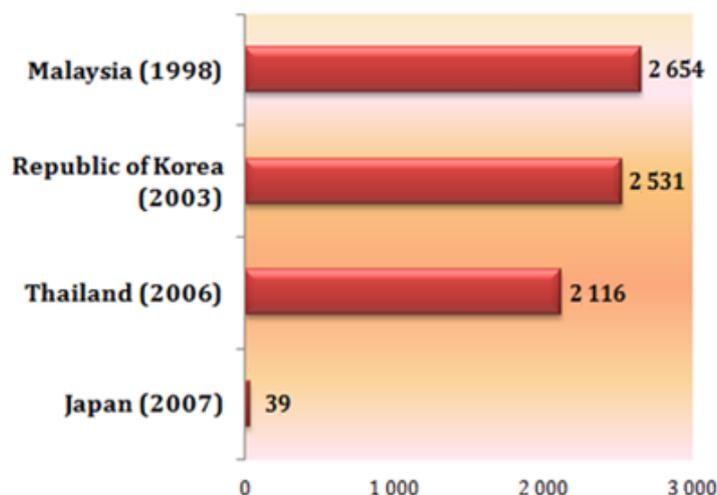
2.3. Migration

In 1979, an estimated 270,000 Cambodians had crossed the border into Thai refugee camps fleeing the Khmer Rouge regime. Hundreds of thousands of people fled to other countries as well over the next few years, and have since integrated into the society of their host country. Today, many Cambodians migrate in search of work and in the hope of finding better livelihoods. Most of these migrations are concentrated within the national borders, involving movements within and across provinces, and to the capital city of Phnom Penh. The Ministry of Planning estimates the number of internal migrations at 2.5 million or 19 per cent of the population, with the majority being absorbed by the primary sector. Many people migrate to other countries of the Greater Mekong subregion, especially to Thailand.

The idea of migration is considered by Cambodians as a short-term coping strategy to face unexpected shocks and seasonal slacks in agricultural production, rather than as a long-term decision to improve their socio-economic status. Most migrants are forced to move from their home communities by factors such as chronic poverty, lack of employment, landlessness, indebtedness and natural disasters. Consequently, the migrations are predominantly influenced by *push* factors over *pull* factors.

The high rate of internal migration poses a major challenge to the administration of social protection benefits. It is essential to develop a national registration system and a centralized database for providing benefits to people living away from their hometowns and in other parts of the country.

Figure 2.9. Migration from Cambodia, 2008



Note: Years in parentheses denote the year since when Cambodians have been authorized to work in the respective country.
Source: ILO, 2012a.

A large number of youth from poor and vulnerable backgrounds try to move across borders in order to end the cycle of poverty. There is a rising trend of Cambodians migrating for work to Malaysia and the Republic of Korea. Reliable and complete statistics on migrations are not always available; however, it has been seen that remittances have grown to a sizable 3.5 per cent of GDP. The number of reported overseas migrants was highest in the year 2007 at 9,476 persons, and fell to 7,340 persons in 2008. Figure 2.9 shows the number of reported migrant workers in 2008 in the four countries where Cambodians have officially been authorized to work. Women constitute a sizeable proportion of the migrants to Thailand. However, this is not fully documented as these movements are often clandestine. Females tend to take up work as domestic workers, in grocery stores and in the entertainment industry.

While Cambodia “exports” workers across its borders, at the same time it receives workers from countries such as Viet Nam. Unlike many labour-exporting Asian countries such as Pakistan and the Philippines, Cambodia has yet to implement a national policy on international migration to promote migration and protect migrant workers, provide essential training to adapt to the changing needs of employers and provide adequate attention to returning workers. Such a policy would have to evolve if the country were to successfully pursue an international migration programme. In 2011, Cambodia enacted Sub-Decree 190 on Sending Workers Abroad through Private Recruitment Agencies, which aims to provide Cambodians with overseas jobs, improve the living conditions of migrants and ensure their safety (RGC, 2011b). Though this is a start, it still has a long way to go in ensuring migrant worker rights.

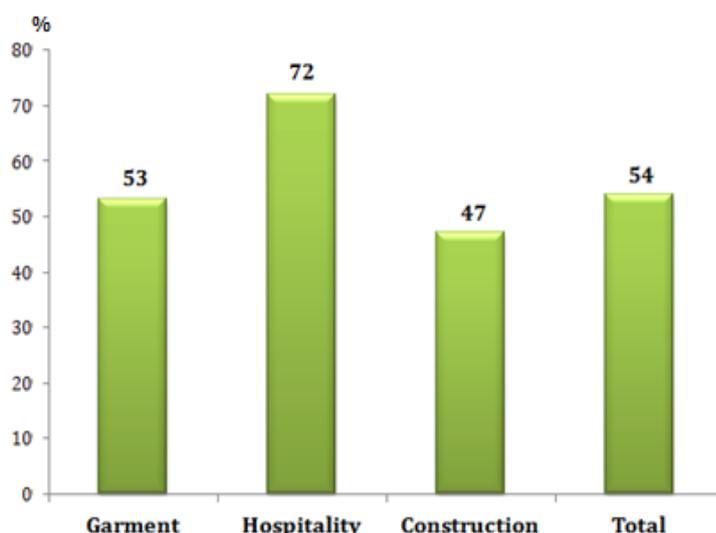
2.4. Education and vocational training

Cambodia’s education system had to be rebuilt almost from scratch in the early 1980s after the devastation caused by the Khmer Rouge, when about 75–80 per cent of teachers and higher education students died or fled the country. The country has achieved considerable progress since then. The overall literacy rate increased by 15 per cent during the decade 1998–2008, and now stands at 78 per cent. The school attendance rate for children in the 6–14 age group increased from 60 to 80 per cent during the same period. The Ministry of Education, Youth and Sports (MOEYS), along with development partners, is making efforts to reduce repetition and drop-out rates, ensure access to education by poor children and girls in rural areas, increase enrolment in higher education and improve the quality of education.

The demand for university education has increased significantly in recent years, though financing for higher education still faces limitations. The Government is mobilizing resources from development partners to provide scholarships to both poor and outstanding students. There is an education and training system that offers literacy programmes to adults and training in different skills. This is absolutely essential, as economic development can be sustained only if it utilizes an educated workforce to support the ongoing expansion of the industrial and services sectors. Vocational training is also provided to people in the active age group. It is part of a range of active labour market policies (ALMPs) designed to enhance skills and provide beneficiaries with access to well-paid jobs and therefore an improved livelihood.

The bulk of the country's labour force is unskilled and there is an overall mismatch of the skills possessed by jobseekers and the skills desired by employers in various sectors. This situation is particularly acute among youth and women. This concern on the part of employers is captured in the survey-based figure 2.10.

Figure 2.10. Firms citing a mismatch between supply and demand of skills (percentages)



Source: ILO, 2012c, from World Bank figures.

In order to provide its largely unskilled labour force with the necessary skills required to compete in international markets, Cambodia needs to focus its attention on human resource development. Mid-level skilled workers and managers are presently being “imported” to run garment, construction, tourism companies and hotels. The Ministry of Labour and Vocational Training (MOLVT) has embarked on a programme to provide training in various occupations such as rice milling, repairs and the use of technology. Female participation is being encouraged, though substantial effort will be required to overcome cultural barriers. Women need to be drawn out of unpaid family work and small informal occupations and engaged in productive work.

Under the MOLVT, the Department for Technical and Vocational Education and Training (TVET) has developed a National Development Plan aiming at strengthening the quality and accessibility of non-formal education. The Plan comprises 15 policies, including poverty reduction, enterprise growth, out-of-school youth, self-employment, access to microcredit, community and enterprise-based training, leadership and management, and skill competency. Under TVET, provincial training centres organize vocational training programmes for those out of work, marginalized groups such as the poor and the disabled, ethnic minorities and widows. In 2010 the Department trained an estimated 10,000 people on a budget of KHR 8.4 billion (US\$2.1 million).

Some of the training programmes in Cambodia are listed below.

1. “Strengthening Technical and Vocational Education and Training” is a national project supported by an ADB grant of US\$24.5 million and a government grant of US\$3 million. It aims to expand the capacity of TVET by providing free demand-oriented training on farming and livestock rearing, irrigation, technician jobs, construction, hospitality and beauty, business and information technology.
2. A post-harvest technology programme on processing and packaging of products is supported by the ADB and the Japanese Government.
3. The European Union has started a new programme focused on ID-Poor families in Siem Reap by providing training in sewing, hospitality, cooking and beauty.
4. Development centres for women, overseen by the Ministry of Women’s Affairs, are operated with the objective of empowering women by helping them set up their own sewing and souvenir businesses.
5. After the financial crisis, the Prime Minister created a special fund to provide training to retrenched workers and address training requirements in Special Economic Zones. The programme includes a cash allowance for accommodation and food, as well as a microcredit component.

Despite the existence of these programmes, students are sometimes reluctant to enrol in them so that they are not as effective as they could be. People feel that the time spent in training would mean a lost opportunity to earn money through small jobs. The programmes also face a lack of funding, decent physical infrastructure and talented teachers. Also, they risk being rendered redundant because there is no direct link between the training and inclusion in industry, so that employers prefer to conduct their own induction and training programmes after recruitment. It is essential that training be provided in direct collaboration with companies and enterprises to ensure that there is no gap between demand for labour and supply of skills. The Government needs to keep abreast of the employment situation of beneficiaries after they complete the vocational training programmes, in order to evaluate the impact of the training.

3. A National Employment Strategy

3.1. Need for a national employment strategy

Historical experience and evidence from European countries have shown that productive employment is essential for the sustained reduction of poverty. The rapid economic growth from the late 1990s to 2007 led to a tangible reduction in poverty in Cambodia. But although economic growth is a necessary condition, by itself it will not arrest the cycle of poverty. It is therefore imperative to pursue an employment-friendly development strategy; here arises the need for a national employment strategy (NES) within the development framework of the country.

Cambodia is committed to attaining the Millennium Development Goals, especially the goal of reducing poverty. For this, the country must develop a strategy to achieve target 1b of “full, productive employment and decent work”. This in itself provides a rationale for designing and formulating an NES addressing the four indicators of MDG target 1b, i.e. incidence of working poor, employment-to-population ratio, proportion of vulnerable population, and labour productivity. Facilitating growth in the number of paid private- and

public-sector jobs could also be an important instrument for attaining sustained poverty reduction.

The National Strategic Development Plan (NSDP) 2006–10 placed poverty reduction as one of the highest national priorities. The *NSDP Update 2009–13* notes that “creating jobs and ensuring improved conditions are the government’s continuing long-term goals, aimed at enhancing the living standards of the population and ultimately alleviating poverty and accelerating economic growth” (RGC, 2011c). Increasing productive employment opportunities and employability for Cambodians of all backgrounds is a critical requirement, particularly in the rural areas where poverty is most widespread and severe and diversified economic activity scarce.

Cambodia has in place a National Social Protection Strategy for the Poor and Vulnerable (NSPS) since 2011; however the formulation of a NES is still some stages behind. This is not an ideal situation. Promoting social protection and productive employment are two sides of the same coin and need to be addressed together by development planners. An NES is likely to be a medium-term goal and needs to be complemented by a strategy of extending social protection to the poor and vulnerable. Also, some ALMP instruments such as public works programmes and vocational training, which form part of the NSPS, ought to be embedded within the framework of an employment strategy as well.

3.2. Basic framework

The basic objective of an NES is to provide support to policy planners, social partners and other stakeholders to formulate an integrated framework of policies and programmes that will lead to a state of full, productive employment with respect for worker and employer rights. The NES is expected to help governments put employment at the centre of their economic and social policy-making. Economic and labour policies, social protection and skill development programmes, institutional reforms and regulatory frameworks are to be closely reviewed for an articulated NES and a joint action plan. Employment generation is a complex phenomenon; hence the design of an NES would need to be conducted as an integrated approach through an inter-ministerial platform.

The NES is purported to be a forward-looking policy document consistent with the NSDP. It would set out employment-related objectives for the medium term and would comprise:

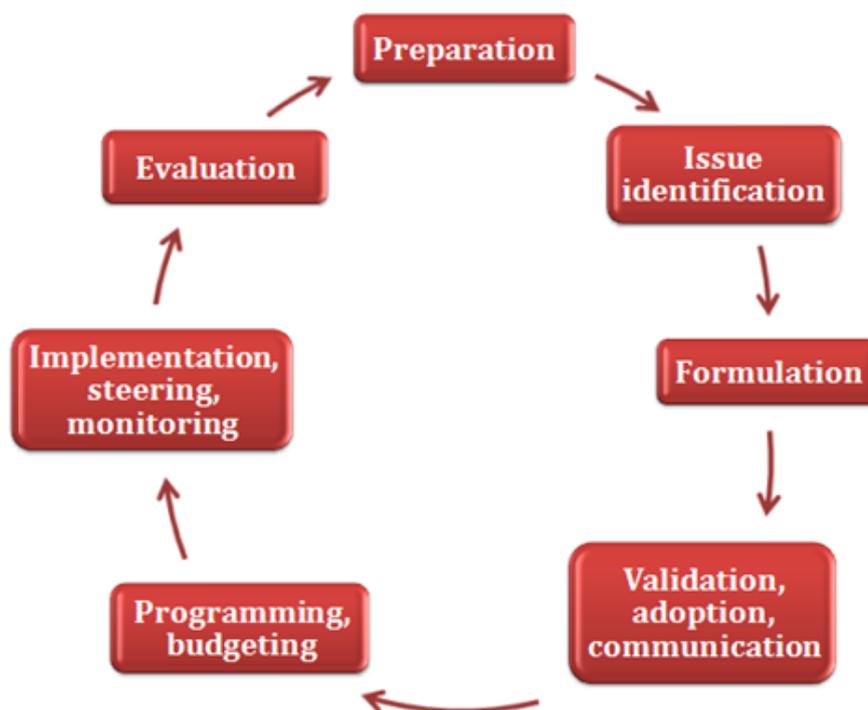
- an assessment of key employment challenges and identification of priorities;
- policy initiatives and concrete measures to be taken to address the main challenges; and
- linkages with fiscal allocations and financing mechanisms and returns to investment.

The NES is a consistent approach towards achieving full and productive employment. It is expected to sufficiently incorporate the provisions of the Labour Law, industrial relations, vocational training, ALMPs, migration policies, taxation policies, infrastructure and technological improvements, and macroeconomic measures. In the last three categories (tax relief, infrastructure and technology and macroeconomic policies), the NES is not primarily responsible for the design of policies, but just needs to ensure that it is consistent with developments in these categories.

3.3. Setting up the National Employment Strategy

The setting up of the NES would follow the policy cycle pictured in figure 3.1. One of the first steps is the identification of economic sectors that could be developed into “growth diamonds”, i.e. sectors with a high economic development potential. This has to be decided at a national level and should have a clear linkage with the national development framework.

Figure 3.1. Employment policy cycle



Source: ILO, 2012b.

In the identification of such sectors, some of the relevant questions that could be asked include the following: What is the current investment climate in the sector? What incentives and security are required to attract domestic and foreign investors into the sector? How can entrepreneurship be encouraged? What are the legislative and institutional obstacles to the mobilization of resources? Are the work conditions precarious? What would it take to establish a standard of decent work in this sector? What skills are demanded by employers in the sector?

The next step would involve an assessment of the gaps and requirements of the identified sectors. It is important to understand the technological, infrastructure and skill deficiencies, and the steps to be taken to bridge these. Only then can the sector realize its full economic growth potential. A detailed roadmap could then be drafted to address all the gaps, and could be subsequently discussed with all stakeholders and translated into an action plan. This is the third step, i.e. identifying and bringing together relevant stakeholders such as all relevant ministries (including the Ministry of Economy and Finance), coordinating councils (for instance, the Council for Agricultural and Rural Development (CARD) for the primary sector) and social partners on a common platform so that effective social dialogue can take place. All relevant ministries should be involved in the national dialogue process since several ministries have a stake in, and responsibility towards employment generation.

This is followed by validating the NES document and communicating its provisions to ministries, employers' and workers' organizations. Budgeting the provisions of the NES and implementing them are the essential next steps. Monitoring and evaluation of the NES are considered to be absolutely essential to ensure its success. It is important to undertake regular surveys to gather data and feedback, without which performance evaluation becomes difficult. Some key performance indicators for monitoring would include: the proportion of the economically inactive working-age population (those who are neither employed nor in education or training), unemployment, the share of the formal sector in total employment, underemployment, working poor, working conditions for the vulnerable sex, income levels, productivity, and child labour.

PART II. SOCIAL PROTECTION

4. Social protection in Cambodia: The current situation

Social protection includes a set of measures designed to reduce poverty and vulnerability. This is achieved through social insurance and social assistance programmes, measures to promote efficient labour markets and to enhance the capacity of people to manage risks such as unemployment, exclusion, sickness and old age, among others. After three decades of war and instability, social stability was established again in Cambodia towards the end of the 1990s, and the country has since embarked on a path of economic growth and poverty reduction. The Government, foreign donors and social partners all run programmes to provide social protection to the population. Yet despite the progress achieved in poverty reduction, particularly during the last decade, a high share of the population continues to face severe risks from food and income insecurity, natural disasters, economic shocks and unemployment, lack of medical care and catastrophic health expenses.

Developing the social protection system in a country is key to reducing poverty. While industrialized countries in Western Europe have been at the forefront in developing integrated employment and social protection policies, this has not been the case in Asia. Even the fast-growing East and South-East Asian economies, which attained near-full employment through labour-intensive growth, have put less than proportionate emphasis on social protection. This was first realized during the Asian financial crisis in 1997, when countries such as Indonesia, the Republic of Korea and Thailand faced a slowdown in GDP growth, with severe consequences to the earnings and livelihoods of the workforce. The crisis served to awaken the Asian countries to the significance of having adequate social protection measures in place to help people in times of need.

4.1. Efforts by the Government

Social security was first introduced in Cambodia in 1955 through Royal Decrees 55 and 306 in the form of statutory entitlements. These were abolished by the Khmer Rouge in 1975. The Department of Social Security was established in 1993 under the MOSVY and mandated with formulating policy on statutory social security provisions.

The NSPS commits the Government to providing social protection to all Cambodians, especially the poor and the vulnerable. The concept of social protection for all is clearly enshrined in the 1993 Constitution. Article 36 states that “Khmer citizens of either sex shall enjoy the right to choose any employment according to their ability and to the needs of the society. Every Khmer citizen shall have the right to obtain social security and other social benefits as determined by law,” Article 72 stipulates that “The health of the people shall be guaranteed. Poor citizens shall receive free medical consultation in public hospitals, infirmaries and maternity wards.”

However, despite continuous and substantial efforts of the government and social partners, there is a long way to go in extending adequate social protection to the entire population. The quantity and quality of social services including public hospitals, infirmaries and maternity wards could be further improved. As seen in many developing countries, the scope of government interventions was often limited to the formal sector,

which meant that beneficiaries of social protection schemes were mostly civil servants and their families. Most programmes for the poor and vulnerable are funded by external assistance. However, with the launch of the NSPS in 2011, it is expected that a substantial part of the informal economy will be progressively covered (see section 6.3).

Table 4.1 provides a summary of the social protection programmes described in this chapter.

Table 4.1. A summary of social protection programmes in Cambodia, 2010

Programme/ provision	Benefits provided for	Beneficiaries	Funding source	Expenditure 2010	
				US\$ millions	% of GDP
National Fund for Veterans (NFV)	Sickness, maternity, employment injury, death, retirement, invalidity, survivors' pension	Armed forces, police, war veterans & dependants	National budget	19.4	0.17
National Social Security Fund for Civil Servants (NSSFC)	Sickness, maternity, employment injury, death, retirement, invalidity, survivors' pension	Civil servants (active and retired) & family dependants	National budget	25.4	0.22
National Social Security Fund (NSSF)	Employment injury (medical care, disability & death benefits, cash, survivors' pension)	Private sector	Employers	1.3	0.01
Employer liabilities (Labour Law)	Paid sick & maternity leave, severance pay & work injury benefits	Private sector	Employers	n.a.	n.a.
Hospital subsidies	Cost of infrastructure, salaries, drugs, certain operational costs	Whole population	National budget	152.8	1.31
Donor support to health sector	Cost of infrastructure, salaries, drugs, certain operational costs	Whole population	ODA, NGOs	226.0	1.99
User fee exemption	User fee subsidies	Mostly ID-Poor	National budget	4.6	0.04
Health equity funds (HEFs)	User fee subsidies, food allowance, transport and funeral cost	Mostly ID-Poor	ODA, donors	n.a.	n.a.
Community-based health insurance (CBHI)	Medical benefits, food allowance, transport and funeral cost	Mostly near poor	Members, ODA	1.2	0.01
Social assistance programmes by MOSVY	Social welfare services, food distribution	Poor and vulnerable (disabled, elderly, orphans, etc.)	National budget	63.9	0.55
Disaster relief operations	Emergency assistance, food aid	People affected by disasters	MOEF, ODA, NGOs	14.8	0.13
Scholarship Programme	Cash transfers on attending school	Poor students	MOEYS	3.5	0.03
School Meal Programme	Free school meals and take-home rations	Children in primary schools	WFP	8.9	0.08
Social assistance projects	Mostly in-kind benefits	Poor and vulnerable	ODA, NGOs	41.9	0.36
Public works programmes	Food for work, cash for work; work involved developing public goods and infrastructure	Mainly rural poor	ODA	20.7	0.18
Vocational training	Skill training	Unskilled adults	National budget	24.0	0.21
TOTAL				634.2	5.51

Source: ILO, 2012a.

4.2. Current provisions: A brief overview

As in most Asian countries, traditional coping mechanisms in Cambodia involve informal arrangements within the family or community. Social networks of this kind for providing food and small loans, or lending land and animals, have long existed in Cambodia. These have their limitations, however, especially when it comes to dealing with widespread risks such as a natural disaster or an economic downturn. Given the large number of migrations in the country and the erosion of community bonding over time, these practices do not always work.

For both the formal sector and informal economy, social security coverage is of recent origin and rather limited. At present, there are several social protection programmes run by the Government, donors and social partners, but the level and coverage of social protection among the labour force continues to be very low. The informal economy is vast, entailing challenges in providing everyone with an adequate level of protection. There are several health insurance provisions in place, as well as social assistance programmes to provide income support and entitlements to the poor. These are mainly in the nature of non-contributory schemes financed by the Government or by donors. The programmes are often ad hoc, with varying impact on the target groups. Nevertheless, the policy-making process and institutional capacity building have been initiated. An important requisite for successful development of the social protection system in the country is political will, along with adequate resource allocation and capacity building.

Among the existing social protection provisions are the following:

- **Statutory provisions** mandated by the Constitution and laws
- **National Social Security Fund for Civil Servants (NSSFC)**
- **National Fund for Veterans (NFV)** for the armed forces and national police
- **National Social Security Fund (NSSF)** to provide employment injury insurance to private-sector workers
- **Social health protection programmes** such as health equity funds, community-based health insurance schemes
- **Social assistance programmes**
- **Donor-funded social protection programmes** such as school feeding and public works programmes, targeting the rural poor and vulnerable
- **Vocational training**

The current provisions in health and child care, social protection and income security for the elderly and working people are described in the next sections.

4.3. Social health protection

4.3.1 Health status

The health status of the people in a country has a direct impact on its social and economic development. Industrial growth is sustainable when it is brought about by an increase in labour productivity. For this to happen, improved education standards and good health are prerequisites. The government needs to put prime focus on improving the health status of people. Also, increased labour productivity leads to higher wages and hence, higher disposable incomes, which ultimately gives people an enhanced capacity to contribute to the national social protection system. Thus, investing in social health protection is beneficial in the long run for the socio-economic development of the country.

Cambodia's health status is still among the poorest in South-East Asia. Communicable diseases, high child and maternal mortality affect many Cambodians who are caught in a vicious cycle of ill health, debt and poverty. This is delaying the development of the country. Cambodia needs to see an improvement in the quality of health-care services and a way to protect the people from catastrophic health expenses. An international comparison of key health indicators is given in figure 4.1.

Achievement of the Millennium Development Goals presents a mixed picture (see table 4.2). Cambodia has made remarkable progress in maternal and child mortality, which is likely to have a positive effect on primary and secondary education, as healthy children learn better than sick ones. The country is on track with respect to achieving its infant and child health immunization goals, while it has had some improvement in arresting HIV/AIDS. HIV prevalence peaked in 1998 at 2 per cent of the population aged 15–49 years, but has been declining steadily, reaching 0.7 per cent in 2008. However, Cambodia is far from achieving its goals of reducing malaria-related fatalities and tuberculosis prevalence. The prevalence rate of tuberculosis declined from 0.76 per cent in 1998 to 0.62 per cent in 2008, though it is still much higher than in neighbouring countries.

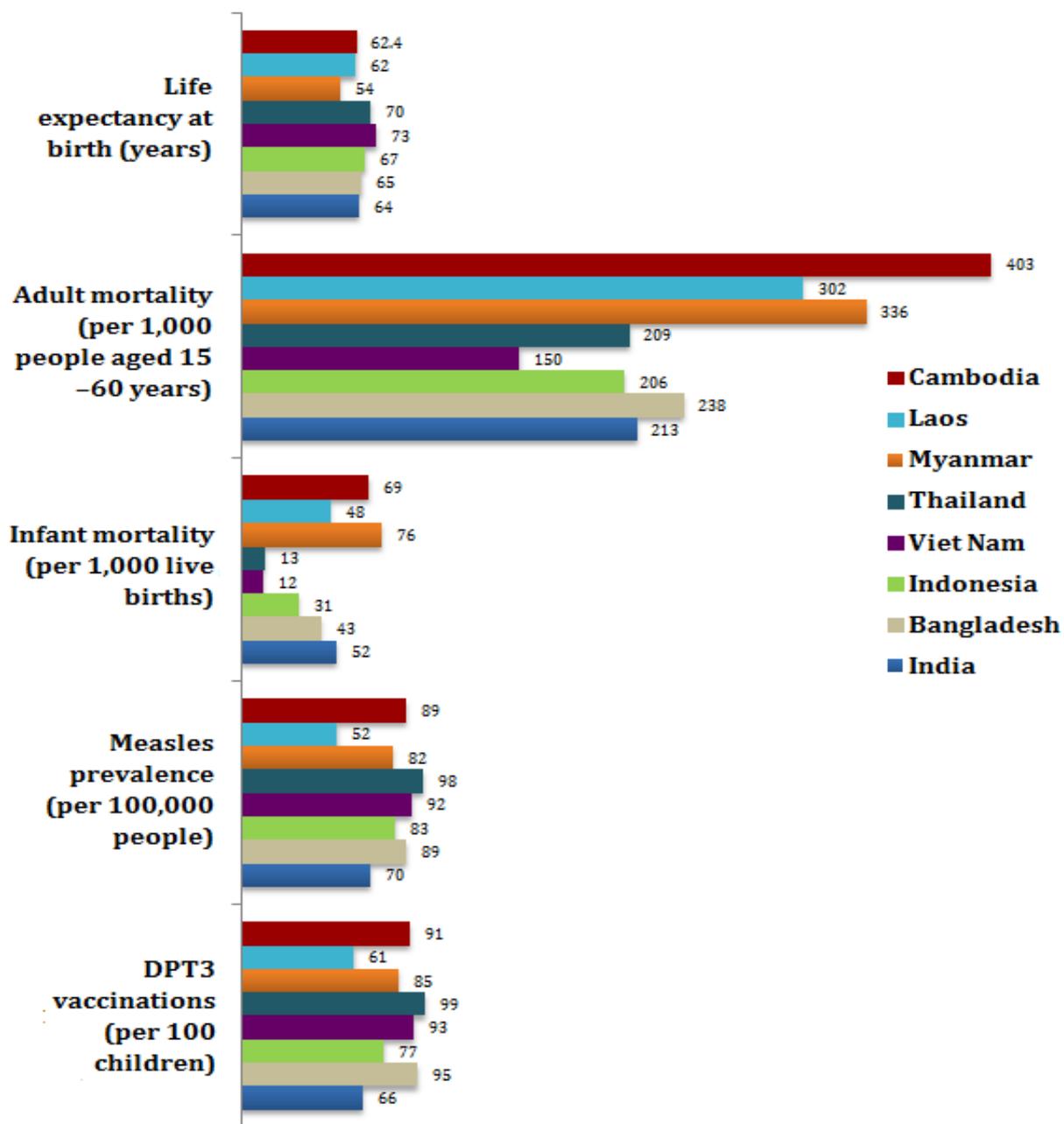
It has been seen that Cambodians prefer visiting private medical centres and hospitals or being treated at home. Expecting mothers among the poor sections still deliver at home, as they often cannot afford medical care, leading to a high maternal mortality rate.

Table 4.2. Key health Cambodia Millennium Development Goals (CMDGs)

Goal	Measure	2015 target	2010 target	Recent data (year)
Reduce child mortality	Children under-5 mortality rate (per 1,000 live births)	65	85	54 (2010)
	Children under 1 immunized against measles (%)	90	85	91 (2008)
Improve maternal health	Maternal mortality rate (per 100,000 live births)	250	350	206 (2010)
	TB prevalence rate (per 1,000 persons)	135	214	590 (2009)
Combat HIV/AIDS, malaria and other diseases	People 15–49 years old living with HIV (%)	1.8	2.0	0.7 (2008)
	Malaria severe case fatality rate (%)	0.1	0.25	0.35 (2009)

Source: ILO, 2012a; data from Cambodia Demographic and Health Survey (CDHS) 2008 and 2010; NIS, 2009a.

Figure 4.1. Comparison of health indicators for Asian countries, 2008



Source: ILO, 2012a; data from NIS, 2009a and WHO.

4.3.2. Public health services

After the civil war, the Ministry of Health made several efforts to improve the quality of health-care services in the country. The health reform process undertaken since 1995 has involved staff training, infrastructure development and the provision of drugs. A Health Coverage Plan was formulated; under this, district-level referral hospitals and health centres in Cambodia were reconstructed. A Master Plan for Social Health Insurance (SHI) was adopted in 2005, signifying the essential first step towards establishing a unified health protection system.

The public health-care system in Cambodia is organized as operational health districts (ODs), which are different from administrative districts. Each province is divided into ODs; there is one OD in Sihanouk, but ten in Kampong Cham, based on population concentration. Each OD has health centres which provide first-line health services to a catchment population of 10,000, and a referral hospital to provide second- or third-line health services to a catchment population of 100,000–200,000.

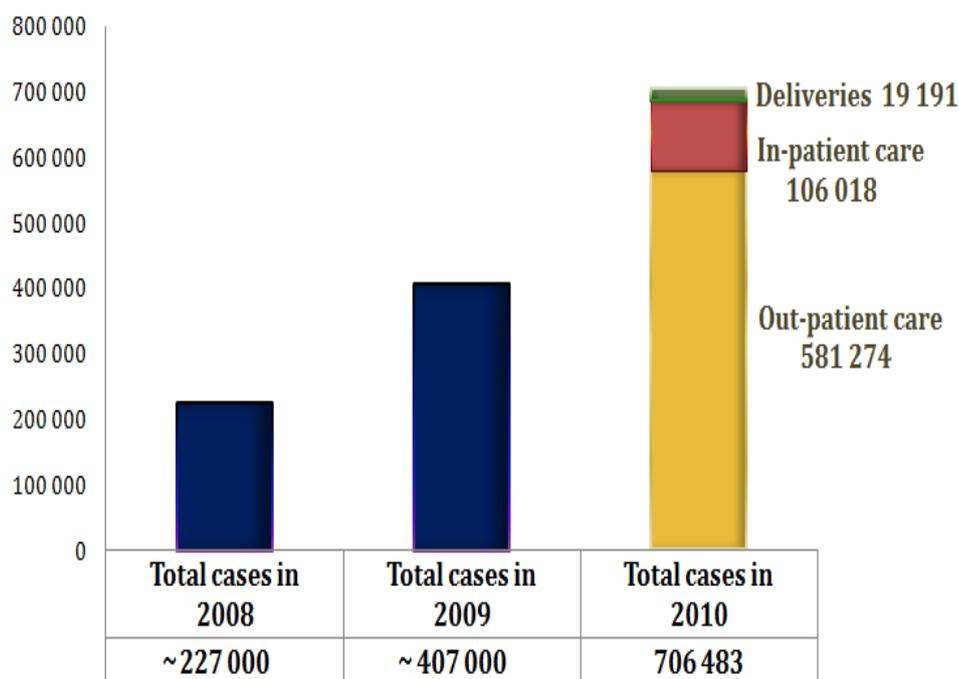
4.3.3. The Social Health Insurance Master Plan

The Social Health Insurance (SHI) Master Plan is considered an important move towards achieving universal health insurance coverage. It has four parts for different sections of the population:

- compulsory insurance for the private sector and civil servants;
- voluntary insurance through community-based health insurance (CBHI) for informal-sector households who can afford small premiums;
- social assistance through health equity funds (HEFs) and government funds for the non-economically active and the indigent population; and
- private insurance for higher wealth groups.

Health equity funds. Health equity funds (HEFs) are currently the most widespread and most effective form of social health protection provided in Cambodia, together with the fee exemption scheme. HEFs are a pro-poor health financing mechanism. Beneficiaries are identified by the ID-Poor system and are eligible to receive reimbursement for their health-care fees, transportation and hospital-food costs, ambulance services and when required, funeral expenses.

Figure 4.2. Number of claims under health equity funds, 2008–10



Source: ILO, 2012a.

Evidence has shown that HEFs are well regarded by people and associated with little social stigma. They enjoy extensive donor support and are mostly operated by local and international NGOs. Over 50 HEF schemes are currently operating in the 77 districts of Cambodia, covering more than half the poor population. In 2010, approximately 3.2 million people were covered and US\$4.7 million was incurred in total expenses.

Community-based health insurance (CBHI) is a set of voluntary health insurance schemes that targets near-poor households. Enrolment in the schemes is voluntary in exchange for a modest monthly contribution. Since its inception in 1998, CBHI has grown to 18 schemes in 10 provinces and Phnom Penh municipality. The benefit package varies by region, but broadly covers user fees, transportation costs and funeral grant in case of death. Premium payments by users usually cover the direct costs of medical and non-medical benefits, while administrative costs are covered by external donor funding. The schemes are run by local and international NGOs. In 2010, about 170,000 people were members of CBHI, of whom 96,000 were new members and 23 per cent dropped out of the scheme during the year. There is a monitoring and evaluation system involving random checks, beneficiary interviews, checking for “red flags” such as high frequency of service usage, excessively high transportation costs and so on.

User fee exemption. Several groups of the population such as the poor, widows, divorced women, monks and the military are eligible to use health services free of charge at government-run health facilities. To date, six national hospitals, 23 provincial hospitals and 852 health centres have waived user charges. However, the programme has not been utilized to its full potential and not all eligible beneficiaries have received exemptions. In addition, an adequate remuneration is needed for staff members at health facilities to avoid undue additional charges to the users.

Health vouchers. In January 2011, MOH launched a new programme co-funded by the German Development Bank KfW, targeting pregnant women from poor households. Women identified by the ID-Poor system would receive vouchers allowing them to access reproductive care services. The purpose of this programme is to bring about improvements in Cambodia’s reproductive health and to reduce maternity mortality by promoting institutional deliveries, safe abortion and family planning services. Complications and caesarean sections are also covered under the health vouchers.

Extension of health insurance to the formal economy. Compulsory health insurance for the formal sector is planned under the National Social Security Fund (NSSF), which currently provides employment injury benefits to private-sector employees, and the National Social Security Fund for Civil Servants (NSSFC). The formal economy accounts for 17 per cent of the workforce and is gradually expanding. Together with their dependants, the formal sector represents just over 20 per cent of Cambodia’s population.

The Health Insurance Project for Garment Workers (HIP) was initiated by the French NGO *Groupe de Recherche et d’Echanges Technologiques* (GRET) in 2009. It was designed to research the feasibility of introducing SHI on a broad level and presently covers 5,000 workers, mostly women, in 12 factories. An SHI scheme for civil servants and public-sector pensioners is planned for 2013.

Benefits to be provided by the NSSF include medical care, income replacement during sickness and maternity leave. The SHI package has been designed with existing pro-poor schemes such as HEF as a basis and includes all medical services available at public hospitals. However, it excludes some high-cost treatments such as haemodialysis, chronic diseases, cancer treatments and others. This may turn out to be a hindrance to the scheme, because the formal sector is mostly comprised of people who have the ability to pay out-of-pocket for basic medical services from their disposable income or savings. To them, the appeal of insurance lies more in the coverage of catastrophic health expenses. It

would be unfortunate to exclude such high-cost treatments without first assessing the cost of their inclusion. Also, since NSSF and NSSFC beneficiaries would be paying at least a part of the contributions themselves, their expectations of the scope and quality of health care would be higher than those of HEF beneficiaries.

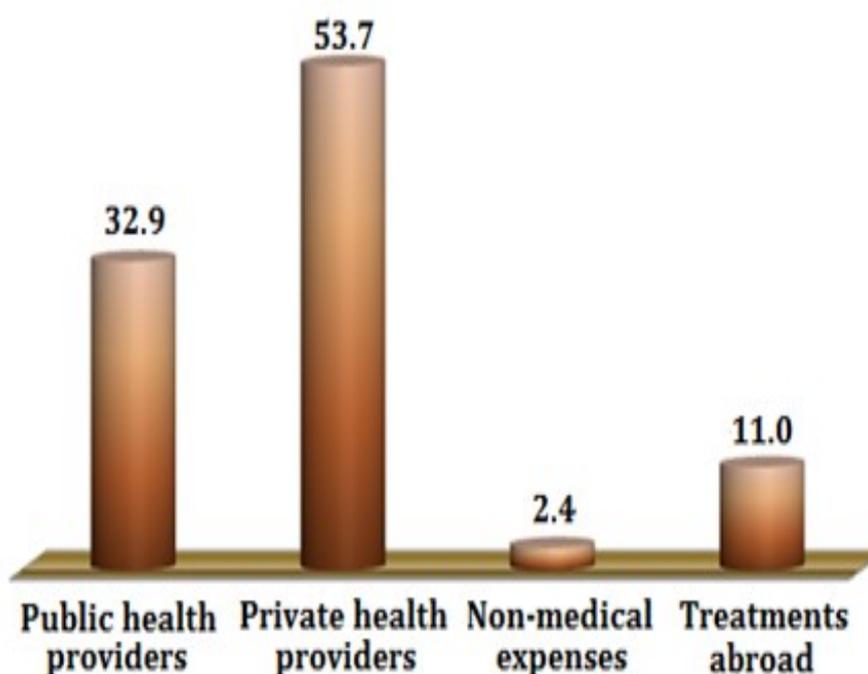
The introduction of SHI for the formal economy presents a good opportunity to improve the overall health system in Cambodia by increasing coverage and bringing about improvements in service quality. However, SHI has little donor support and its implementation has been momentarily stalled. It is unclear when the two schemes will come into effect and whether the potential improvements in the health system will take place.

4.3.4. Health financing

Health care in Cambodia is financed from a variety of sources, including the government budget, donor funding, NGOs and charities, private insurance providers and out-of-pocket spending. In 2010 the budget for health in 2010 amounted to KHR 645 billion, with total disbursements estimated at KHR 611 billion, equivalent to 12.8 per cent of recurrent government expenditure. According to the Council for the Development of Cambodia (CDC), in comparison, a total amount of over US\$1 billion was disbursed in the form of official development assistance (ODA) in the same year. Cambodian expenditure on health is relatively high in comparison with other countries in the region.

Despite improvements in the management of public health services in the last few years, public demand for services has not increased proportionately because financial and other barriers continue to burden the poor. Out-of-pocket (OOP) expenditure constitutes a considerably high share of health expenditure in Cambodia. While per capita health expenditure was estimated at US\$61 in 2010, per capita OOP expenditure was about US\$30 and is increasing by 13.1 per cent every year. More than half of this is spent in private medical centres.

Figure 4.3. Out-of-pocket expenditure by provider type, 2010 (percentages)



Source: ILO, 2012a.

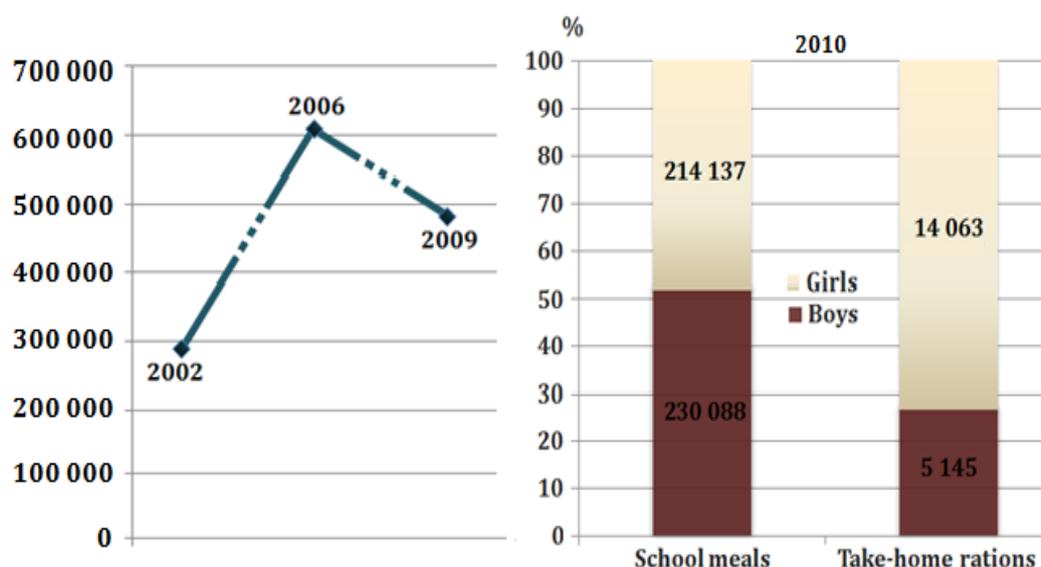
4.4. Income security for children, the active age group and the elderly

4.4.1. Nutrition and shelter for children

The School Meal Programme (SMP) began in 2001 with assistance from the World Food Programme (WFP) and provides children between 3 and 12 years old with a daily meal in school. It also provides take-home rations to students from poor families, particularly girls in grades 4–6. This is done to encourage parents to send their daughters to school. After 2006, the programme experienced a reduction in funding which led to a decline in beneficiaries.

The SMP distributed 10,670 metric tonnes of food in Cambodia during the school year 2009–10 for a total expenditure of US\$8.9 million. It had a significant outreach of about 20 per cent of primary-school pupils in the same year, operating in 1,624 of the 6,665 schools in the country. Evaluation has shown that the programme has positively impacted school enrolment.

Figure 4.4. Children benefiting from the School Meal Programme, 2002–10



Sources: ILO, 2012a, from WFP, 2011.

The WFP Mother and Child Nutrition programme is presently operating in five provinces across the country. A corn and soya blend mixed with water and oil is distributed to pregnant and lactating women, as well as children below 2 years of age. The objective is to provide fortified minerals to tackle the 1,000 days that are critical for malnutrition, from conception to 2 years of age. The mothers are also provided rice as an extra incentive. The nutritional benefit of this blend is equivalent to 77 per cent of a child's energy requirement and most micronutrient requirements. The rations are distributed in pagodas or in health-care centres so that the mothers become used to visiting the centres. Nutrition counselling and cooking demonstrations are also provided.

Orphanages and child-care centres are run by the Government and by NGOs in different parts of the country. Children in the orphanages are usually provided with food, shelter and education, though it varies from place to place. Poipet has a transit centre which provides a safe temporary shelter to victims of human trafficking and vulnerable children deported from Thailand.

4.4.2. Children's education

The Ministry of Education, Youth and Sports (MOEYS) has stipulated free compulsory education from the 1st to the 9th grade under the Education Strategic Plan 2009–14 and the Education for All: National Plan 2001–15. School drop-outs are eligible for free non-formal education programmes. There are several NGOs in Cambodia which give children in-kind transfers to help them go to school and to study. For example, Plan International in Siem Reap distributes free books, uniforms, bicycles and stationery to children from ID-Poor 1 and ID-Poor 2 families. Samaritan's Purse in Banteay Meanchey provides breakfast in some elementary schools.

MOEYS, with WFP support, also provides scholarships to children in grades 4–6 from ID-Poor 1 families, as this age group has the highest drop-out rate. At present, the WFP is attempting to evaluate whether cash transfers or food distribution (take home rations) are more effective in increasing school attendance. Two different groups of children are provided with either 10kg of rice every month, or US\$5 in cash – an amount equivalent to 24 per cent of average household income. In future, cash and food will be combined in the best deemed ratio. Currently, 470 schools are being evaluated under this project.

4.4.3. Social Insurance for workers

Cambodia's immediate neighbours, Lao PDR and Thailand, have recently implemented mandatory employment-based social insurance. In Cambodia, the provision of social security has been advocated in strategic development frameworks including the Rectangular Strategy, the National Strategic Development Plan and most recently, the Financial Sector Strategy. This clearly shows a political commitment in the country for developing a strong social protection system.

The *National Social Security Fund for Civil Servants (NSSFC)* was established in January 2008 to set up a centralized and sustainable social security scheme for civil servants. The operations are carried out by MOSVY. Under the NSSFC, beneficiaries receive entitlements in the event of sickness and employment injury, maternity, retirement, invalidity and death, and other benefits (see table 4.3). However, there is a pressing need to strengthen the human resource capacity, administration and infrastructure of the programme. The NSSFC has planned the introduction of health insurance in the near future; this will require significant improvements to the administrative and operational capacities.

Table 4.3. National Social Security Fund for Civil Servants (NSSFC), estimated coverage, 2010

	Male	Female	Total
Civil servants	114 709	60 316	175 025
Dependants (spouse)	48 253	91 767	140 020
Dependants (children)	148 771	148 771	297 542
Sub-total	311 733	300 854	612 587
Public-sector pensioners (old age)	24 589	6 147	30 736
Public-sector pensioners (invalidity)	4 274	1 069	5 343
Dependants	21 648	32 471	54 119
Sub-total	50 511	39 687	90 198
Total	362 244	340 542	702 786

Source: ILO, 2012d.

The *National Fund for Veterans (NFV)*, which began in 2010, manages social security benefits for the Royal Cambodian Armed Forces (RCAF), National Police Force (NPF) and persons certified as war veterans, including formal civil servants and laymen who enrolled as soldiers. The benefits provided are similar to those under the NSSFC; however, the NFV also provides a marriage allowance.

Parliamentarians, members of the judiciary and some state employees who do not have the status of civil servant and do not fall under the purview of the NSSFC or the NFV are covered by special provisions. As seen from table 4.4, most NFV beneficiaries are survivors, including widows and widowers, children, parents and guardians.

Table 4.4. National Fund for Veterans (NFV), number of benefits disbursed, December 2009 and 2010

	Dec. 2009	Dec. 2010
Pension for veterans	28 393	28 626
Retirement allowance	5 238	6 829
Invalidity benefits	1 101	1 476
Survivors' grants	164 752	161 830
Widows	36 923	38 735
Orphans	69 714	65 719
Parents	58 040	57 192
Guardians	75	184
Total	199 484	198 761

Source: ILO, 2012d.

The NSSFC and NFV are financed entirely from the national treasury, through the MOSVY budget. A major portion of the Government's social protection budget is spent on retirement allowances and pensions for civil servants and war veterans. On average, civil servants receive KHR 192,000 (US\$48) every month, an amount close to poverty line of US\$1.25 a day; while for veterans this amount is even lower at US\$35 per month.

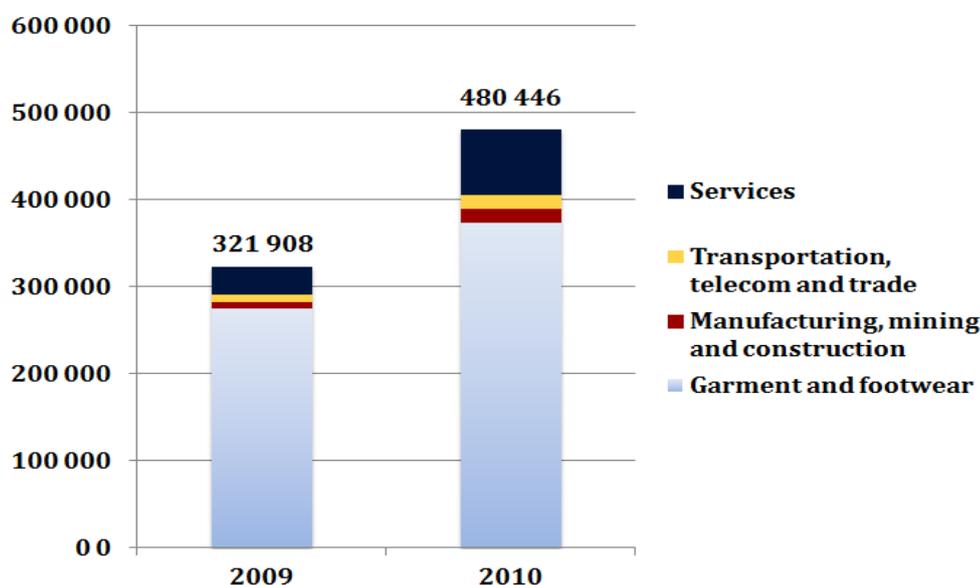
Recently, an agreement was made with ACLEDA Bank to disburse pensions directly into NSSFC beneficiary bank accounts in an effort to reduce administrative complications and reduce the possibility of fraud. The Government is also considering shifting to a contribution-based pension system.

The *Labour Law* in Cambodia, adopted in October 1997, provides the legal framework for protection of workers and employees in the private sector. The Law stipulates a minimum working age of 15, as well as working hours, overtime pay, paid leaves and protection for workers in hazardous occupations. It also stipulates minimum social security benefits to be granted to all employees and a minimum wage for different economic sectors. In principle, all enterprises with more than seven employees have to register with MOLVT and are subject to inspections. Furthermore, registered enterprises have to adopt internal regulations that must include the benefit provisions for employees, including employment injury, sickness, maternity and dismissal benefits.

The *Social Security Law* was passed in 2002 and stipulates the establishment of a social security scheme for private-sector employees. Under this, the National Social Security Fund (NSSF) was established in 2008 to administer social security benefits to the private sector. So far only the employment injury branch has been implemented, which covers workplace accidents and work-related diseases, and road accidents while commuting to and from work. As of December 2010, NSSF covered around 1,500 enterprises and 522,685 workers, accounting for 7.5 per cent of employed people

(see figures 4.5 and 4.6). The workers insured were mostly from the garment and footwear sector. About 80 per cent of the insured were women, due to these sectors employing primarily female workers.

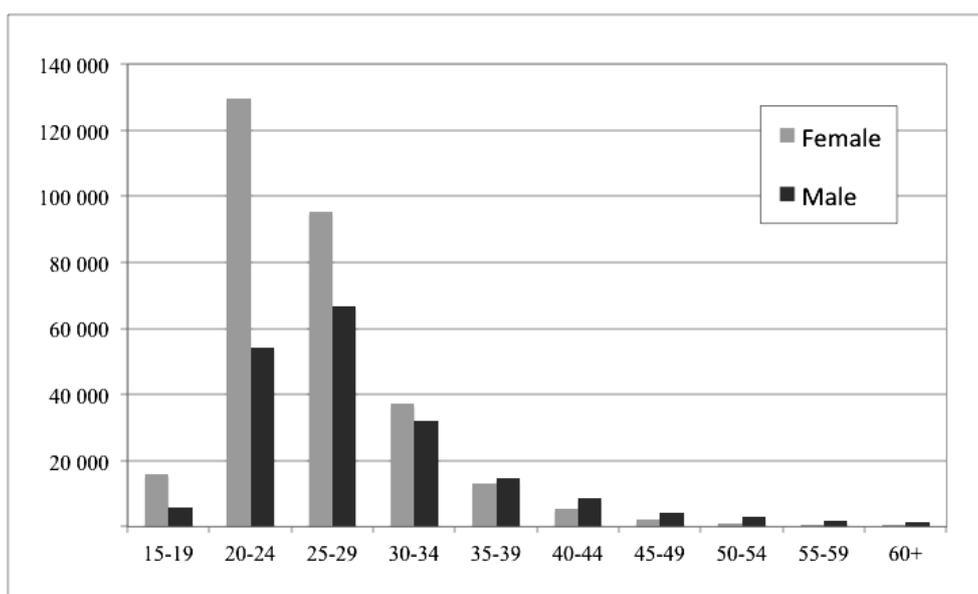
Figure 4.5. National Social Security Fund (NSSF), average number of workers insured, by sector, for the years 2009 and 2010



Source: ILO, 2012a, estimated from data provided by the IT Division, NSSF.

A total of 2,936 people claimed employment injury benefits under the NSSF in 2010. Total benefit expenditure in 2010 was KHR 2,424 million (US\$0.6 million), while an almost equivalent amount was spent on administrative and other costs, as well as capital investments. By international comparison, the incidence rate of occupational accidents has been very low, but this could be an indication of under-reporting of accidents by employers. Also, large factories have on-site infirmaries where minor injuries are treated and subsequently not reported to the NSSF.

Figure 4.6. National Social Security Fund (NSSF), number of workers insured, by age and sex, July 2010



Source: ILO, 2012a, estimated from data provided by the IT Division, NSSF.

The NSSF has planned for the introduction of old-age pensions by 2015. To satisfy the minimum years of service requirement, those contributing to the scheme will be young workers and the initial pension payments will probably take place after 2035. Contributions will be accumulating during this time, so the Government needs to build a sound investment strategy and address concerns of possible misappropriation of funds. On this note, it is relevant to mention the *Guidelines for the investment of social security funds* and *Good governance guidelines for social security institutions* published by the International Social Security Association (ISSA). Regulations should be put in place for investing the reserve funds and addressing issues such as investment policy, risk management and conflicts of interest.

In summary, table 4.5 shows details of benefits provided to formal-sector employees, from a recent (2012) assessment in Siem Reap and Banteay Meanchey as part of the ILO/EU project “Improving Social Protection and Promoting Employment”.

Table 4.5. Benefits provided to formal-sector employees in Siem Reap and Banteay Meanchey, 2012

Risk	Benefits	Beneficiaries
Retirement	<p>Retirement allowance: 8 months of final salary</p> <p>Lifetime pension: between 60 and 80% of final salary (20–30 years of service)</p> <p>Funeral allowance: 12 months of pension</p> <p>Pension for widows and orphans: KHR 6,000/month for widows or widowers and KHR 4,000/month for orphans younger than 16</p>	Civil servants RCAF NPF
Dismissal	<p>Severance pay: 15 days of salary per year of seniority (Labour Law) and allowance for breach of contract</p>	Private sector
Sickness	<p>Paid sick leave: full salary during 1st month and 50% of salary for 2nd consecutive month (Labour Law, recommended by MOLVT)</p> <p>Sickness cash benefit: full salary and allowances for 3 months and 90% of salary for next 12 months</p>	Private sector Civil servants RCAF NPF
Maternity	<p>Maternity leave: 90-day leave at 50% of salary for those employed for at least 12 months before delivery (Labour Law)</p> <p>Maternity leave: 90-day leave at full salary and cash of KHR 600,000 per child or miscarriage</p>	Private sector Civil Servants RCAF NPF
Employment injury	<p>In-kind medical care</p> <p>Income replacement: at 70% of wage</p> <p>Cash allowance: in case of limited permanent disability</p> <p>Lifetime pension: in case of serious permanent disability</p> <p>In-kind rehabilitation benefits</p> <p>Funeral allowance: KHR 4 million</p> <p>Survivors' pension</p> <p>Medical care</p> <p>Cash benefit: at full salary during treatment and convalescence</p> <p>Invalidity benefits: in case of permanent disability</p>	Private sector Civil Servants RCAF NPF
Invalidity	<p>Lifetime pension: between 50 and 65% of final salary (20–30 years of service)</p> <p>Lump sum: 4–10 months of final salary (<20 years of service)</p> <p>Invalidity allowance: 6 months of final salary</p>	Civil Servants RCAF NPF
Death (natural and while performing duty)	<p>Cash allowance: 6 months of final salary</p> <p>Funeral allowance</p> <p>Pension for widows and orphans: KHR 6,000/month for widows or widowers and KHR 4,000/month for orphans younger than 16</p>	Civil servants RCAF NPF

Source: Taïeb et al., 2012.

4.4.4. Social assistance

Social assistance or social welfare programmes are usually non-contributory tax-financed programmes which are generally conditional on the level of income of the recipient. They are generally a device to alleviate or reduce poverty. Many such programmes operate in Cambodia as institutionalized government-funded projects and with the help of international donors. For donor-funded projects which typically run for only a few years, long-term sustainability is a serious concern, unlike for those run by line ministries. The Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSVY) the 'key line ministry' engaged in providing social welfare services. It operates through district offices, which collect information from commune/sangkat councils on the social welfare needs of the local people including orphans, people living with HIV, disaster victims, vulnerable and marginalized people and others in need. MOSVY has been prioritized for the D&D reform to enhance the responsibilities of district offices and commune councils in future.

The MOSVY work plan 2008–13 spells out the following goals:

- 11,000 orphaned and 676 disabled children to receive shelter, care, education and vocational training in state and NGO-run orphanages;
- 15,185 child and teenage delinquents or drug addicts to receive shelter, care, detoxification treatment, moral education and vocational training;
- 1,500 people affected by HIV/AIDS to receive social services;
- 8,500 female and child victims of human trafficking to receive education, health care, vocational training and reintegration into their community; and
- 250,000 victims of natural disasters and poor people facing food shortages to receive emergency relief assistance.

The **National Committee for Disaster Management (NCDM)** supplies emergency aid in case of natural or man-made disasters. In 2011, almost a tenth of the population was affected by flooding. The main role of NCDM is to coordinate between the different ministries and donors during disaster relief operations. For instance, MOSVY provides food and relief services and MOEF identifies funding sources, while the Ministry of Defence may provide logistic support. NCDM works closely with the Cambodian Red Cross.

4.4.5. Public works programmes

Public works programmes (PWPs) are ALMPs that provide cash for work, can increase the employability of people, and provide some temporary income. Cambodia has two main PWPs. The **Rural Investment and Local Governance Project (RILGP)** aims to promote rural development and poverty reduction by developing public goods and infrastructure. It is an effort to strengthen local governance through the design, management and contracting of small infrastructure and agriculture projects. Almost 90 per cent of RILGP expenditure (US\$34 million during 2009–10) was on rural and urban transportation.

In May 2008, MOEF launched the **Emergency Food Assistance Project** to assist poor households in coping with food price increases. Financial support for this US\$40 million project has been given mainly by the Asian Development Bank. About half the budget is to be used for measures such as rice distribution, school feeding, food-for-work and cash-for-work programmes, while the rest is for activities to improve agricultural productivity and capacity building. According to the June 2010 monitoring report, the

food-for-work programme rehabilitated 56 kilometres of rural roads and gave employment to 4,900 households along with 819 tonnes of rice. At the same time, the cash-for-work programme led to the rehabilitation of 115 kilometres of roads in exchange for daily wages of KHR 10,000.

5. A social protection floor for Cambodia

5.1. Gaps and challenges

The ILO Social Protection Floors Recommendation, 2012 (No. 202), adopted with one abstention, by the Government, worker and employer delegates of the ILO's 185 member States, including Cambodia, provides guidance to member States in building comprehensive social security systems and extending social security coverage by prioritizing the establishment of national floors of social protection accessible to all in need. The Government of Cambodia is committed to extending social protection to all, as demonstrated by the inclusion of this concept in the 1993 Constitution as well as in the NSPS. Moreover, as we have seen in earlier chapters, Cambodia has made important progress in recent years in extending social protection to its population. However, despite these efforts several gaps and challenges remain to be progressively addressed by the national policies:

- The ID-Poor system is widely used and has been essential for the identification and targeting of the beneficiaries of social assistance schemes. Since its establishment in 2006, it has gone through a learning process to improve the system. Further efforts to improve the system and its extension to population groups not yet included would certainly be important to support the Government with the provision of social protection to all its citizens.
- The social health protection system in Cambodia needs to be extended to cover population groups not yet covered and existing schemes to increase effective coverage. For example, the NSSF only covers formal-sector workers in Cambodia who are employed in organizations with eight or more employees. Moreover, some of these organizations may still not have registered because of the administrative burden or because of a lack of awareness. Another example are the HEF and CBHI schemes, whose effective coverage faces the obstacle of some people requiring medical treatment or pregnant women not being able to pay the transportation costs to the hospital or health centre.
- Providing basic income security provisions to all people of working age who do not earn sufficient income is a major challenge for Cambodia as 82.5 per cent of its working age population are workers in the informal economy. Without social protection, these men and women remain unprotected from economic shocks and social risks such as seasonal unemployment, sickness or invalidity. They rely on traditional coping mechanisms such as selling their assets, which can plunge them into chronic and continuing poverty. At present, the existing PWPs target a part of the informal-economy workers.
- Interventions guaranteeing income security for the elderly or disabled could be extended and improved in order to guarantee basic income security at a nationally defined minimum level. For example, a harmonized definition of 'disabilities' and a database of potential disabled beneficiaries would have to be established across ministries. Old-age pensions and survivor benefits could be extended and increased, and in some situations the replacement rates provided may not meet at least 40%, as foreseen by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102).

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- Awareness raising and social protection education could be reinforced in order to inform and sensitize potential or actual beneficiaries of their entitlements and the advantages of social protection. The CBHI schemes have, for example, cited difficulties in convincing people to enrol.
 - Education from grades 1 to 9 is free of charge and compulsory in Cambodia. However, some families may need additional assistance as they may not have the means to pay for travel, books and uniforms for their children. There are a few schemes, mainly run by NGOs, which distribute such items to poor children. Such schemes could be extended to all those in need.
 - Health and education services could be further improved in terms of infrastructure, material and equipment, qualified and experienced staff, and adequate remuneration for staff.
 - Funding of social protection schemes from domestic resources stepwise replacing ODA would benefit the sustainability of the policies. This could be progressively implemented according to available resources and accompanying development.
 - Further improvements in the coordination of the social protection programmes and schemes to avoid fragmentation and overlapping schemes would be beneficial for their efficiency and effectiveness and in order to create synergies and linkages with other sectors.
 - Additional institutional capacity building of the involved ministries, social security institutions and organizations as well as regular trainings for its officials and staff would improve the planning, design, management, ownership and delivery of social protection schemes
 - Monitoring and evaluation of social protection schemes could be further developed to support the identification of gaps and implementation issues and to strengthen their impact, outreach and efficiency.

5.2. Social protection floors

While the Asia–Pacific region has made significant economic progress which has lifted many people out of poverty in the last two decades, not all have benefited from these gains. Millions of people are still poor, deprived of basic human rights and susceptible to financial risks and natural disasters. This is a major hurdle to achieving sustainable economic growth and one that threatens to reverse the hard-won progress in human development of the past decade. The provision of basic income security and access to basic social services to all people should thus be a priority of national governments.

As agreed in the Social Protection Floors Recommendation, 2012 (No. 202), national social protection floors (SPF) are, nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. The guarantees should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level. Such guarantees can be achieved through contributory or non-contributory schemes, either means-tested or universal, or a mix thereof. Several Asian countries including, but not limited to, Cambodia, China, India, Indonesia, Lao PDR, Mongolia, Nepal, Philippines, Solomon Islands, Sri Lanka, Thailand, Vanuatu and Viet Nam have taken measures aimed at ensuring access to basic health care, basic income security, free education and food security for those not yet covered by statutory social security schemes. These measures form part of national SPFs. Contributory social insurance schemes also

play an important role in achieving a SPF, since their members are already covered and do not require public resources to be assigned to non-contributory schemes for them.

Box 5.1
Provisions of the social protection floor

	<p>All residents should have access to a nationally defined set of goods and services supporting essential health care, including for maternity.</p>		<p>All persons of working age who are unable to earn sufficient income (because of sickness, unemployment, maternity or disability) should enjoy basic income security, at least at a nationally defined minimum level.</p>
	<p>All children should enjoy basic income security, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services.</p>		<p>All persons in old age should enjoy basic income security, at least at a nationally defined minimum level.</p>

Source: Schmitt, 2012 from ILO Social Protection Floors Recommendation, 2012 (No. 202).

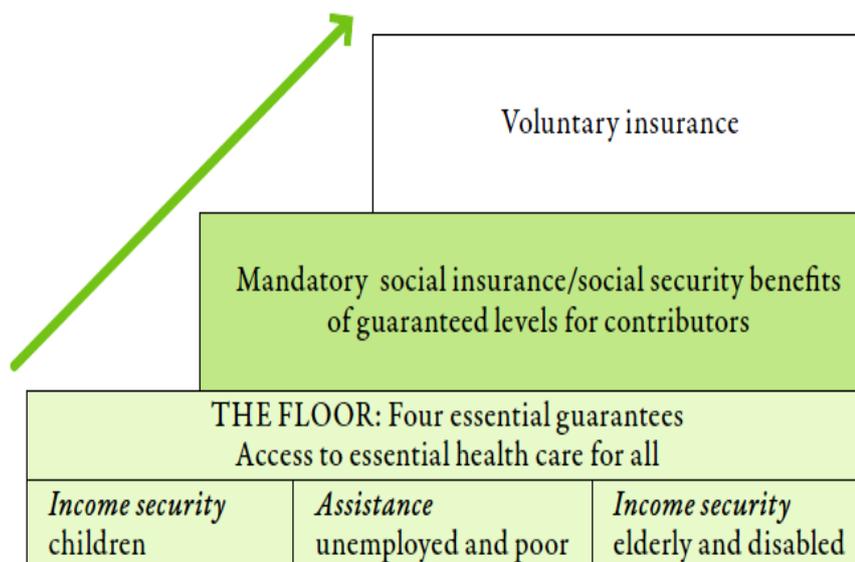
The Social Protection Floor Initiative (SPF-I) was adopted by the United Nations System Chief Executives Board (UNCEB) in April 2009 as one of the nine joint crisis initiative as a response to the global financial and economic crisis. At the 67th Session of the UN Economic and Social Commission for Asia and the Pacific in May 2011, member States passed a resolution on “Strengthening social protection systems in Asia and the Pacific”. At the 101st Session of the International Labour Conference in 2012, the ILO Social Protection Floors Recommendation, 2012 (No. 202) was adopted, reaffirming social security as a human right and a social and economic necessity, along with promoting employment, for development and progress. The Recommendation provides guidance to ILO member States to build national social protection floors within their strategies for the extension of social security and as a fundamental element of their national social security systems.

In a number of countries, UN agencies and development partners support the establishment of nationally defined SPFs using a collective or coordinated approach. Thailand’s UN Social Protection Floor Joint Team, established in March 2010, is a successful example of working as One UN to promote the development of national SPFs, formulating recommendations for the Government, providing technical support and building institutional capacity.

5.2.1. The staircase approach

With the growth of the economy, fiscal space is created, and social protection systems can expand from providing basic SPF guarantees to include higher levels of social security in the form of for example mandatory social insurance and voluntary insurance. The scope, level and quality of benefits and services provided are extended, thus resembling the movement up a staircase.

Figure 5.1. The social security staircase



Source: ILO, 2010.

5.2.2. Towards a social protection floor for Cambodia

Cambodia has taken a major step towards establishing its national social protection floor by including the concept in its National Social Protection Strategy adopted in December 2011. The NSPS advocates that the SPF is a starting point from which greater access to sustainable and decent employment and higher levels of social protection should be provided (RGC, 2011a). However, Cambodia still faces important challenges towards the establishment of a national social protection floor which would at least provide the four basic social security guarantees in accordance with the Social Protection Floors Recommendation, 2012 (No. 202). For instance, in terms of health protection, there is currently no coverage of private-sector employees and public servants and although some poor and near poor people have access to HEFs and CBHI schemes, coverage gaps (in terms of effective and legal coverage and quality) still exist. The social health insurance (SHI) programme for the formal sector will be implemented in the near future and is an important step towards establishing a SPF, but the expansion of HEFs and CBHI schemes seems to be crucial to cover all poor and near poor people, as envisioned in the Social Health Protection Master Plan, while at the same time a pension scheme for private-sector employees could be implemented.

The NSPS also advocates targeting children previously involved in child labour and out-of-school children through cash transfers, and the expansion of scholarships and school feeding programmes to poor areas. Maternal and child malnutrition can be tackled more effectively by expanding coverage of programmes that provide cash transfers and fortified foods. The NSPS also recommends improving the quality of education and vocational training in order to respond to the needs of enterprises. Special vulnerable groups such as the elderly and people with chronic illnesses and disabilities should have access to social transfers.

To sum up the challenges: although certain groups of people may in principle be covered by a social security scheme, there are various factors at play that can limit their access to these benefits: poor quality of service, non-provision of transportation costs to medical centres, and many others. Efforts to develop the social protection and social welfare system have been ad hoc, geographically limited and reliant on donor funding for their sustenance. They are further hampered by poor coordination between implementing

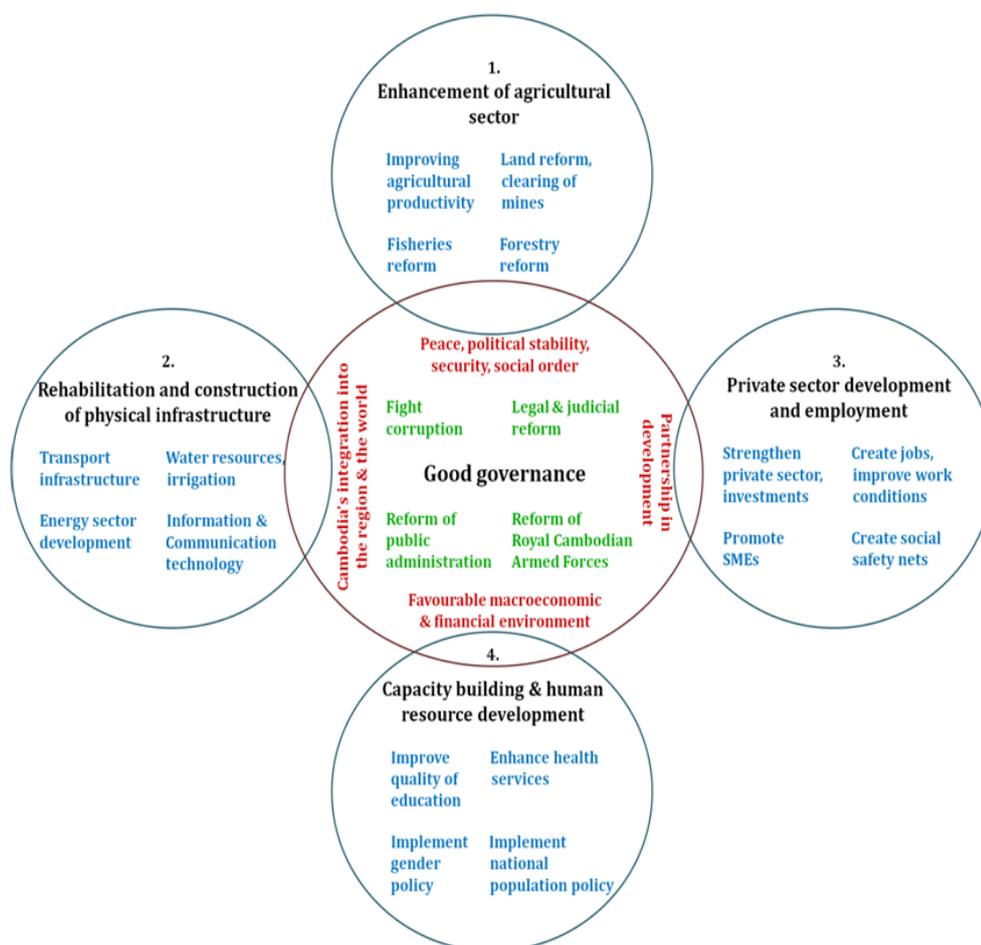
parties, and lack of well trained and experienced staff and infrastructure. Thus, only a small section of the population currently benefits from basic social protection coverage, and this is often fragmented and inadequate. The next chapter looks at the major instruments that have been set up in Cambodia to address these gaps.

6. The extension of social protection to all

6.1. The Government's Rectangular Strategy

The Government's Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase II (RGC, 2009) expresses the political commitment in the country to reduce poverty and sets the policy directions for improving the social protection system. It also identifies priorities for the development of social protection measures and promotes equitable economic development. While Phase I of the Strategy is aimed at enhancing social interventions for the people of Cambodia, Phase II highlights the importance of good governance in delivering social security. The policy cornerstones identified by the Rectangular Strategy are enhancement of the agriculture sector; development of the necessary physical infrastructure; private-sector development and employment; and capacity building. These four main themes are interlinked and supported by good governance, as shown in figure 6.1.

Figure 6.1. Pillars of the Rectangular Strategy Diagram



Source: ILO, 2012c. from RCG, 2009.

6.2. The National Strategic Development Plan, Update 2009–13

The *National Strategic Development Plan, Update 2009–13* (see RGC, 2011c) guides the development of the NSPS and the Government's priorities over the short to medium term. It firmly recognizes the need to move towards a broad-based development strategy, where greater emphasis is placed on rural development. This is a shift of mindset from one where poverty reduction is viewed as a simple function of growth, to one where it is recognized to be contingent on the patterns of growth (ILO, 2012c). The *NSDP Update* has enhanced allocations for rural development in an effort to improve income prospects for the rural poor.

6.3. The National Social Protection Strategy for the Poor and Vulnerable (NSPS)

The NSPS aims to develop an integrated and coordinated social protection system in Cambodia. It was prepared through a consultative process involving line ministries, social partners and civil society. A draft Strategy was presented to stakeholders during the Cambodia Development Cooperation Forum in June 2010. Subsequently, the NSPS was finalized, and officially launched and presented to the people and stakeholders in December 2011 by H.E. the Prime Minister of Cambodia (RGC, 2011a).

The Government's long-term vision for social protection is: "to ensure a basic guarantee of social protection for the entire population through a package of benefits and complementary services". The vision of the NSPS comprises targeted transfers to the poor as well as contributory social protection schemes. It aims to achieve a high level of human development as well as equal choices and opportunities for all Cambodians. This long-term vision is in line with the concept of the social protection floor."

The NSPS has three approaches:

- **Protecting the poorest and most disadvantaged who cannot help themselves** by providing social services and assistance, such as food distribution, social transfers and pensions for the elderly and disabled, and so on.
- **Preventing the impact of risks that could lead to negative coping strategies** that further impoverish people, through the expansion of social protection measures. For instance, in the absence of social health insurance, the mammoth cost of a critical operation may force a family to sell their livestock.
- **Promoting ways for the poor to move out of poverty by building human capital** through education, adequate health care and livelihood support, and by expanding opportunities.

The key social interventions outlined in the NSPS are grouped under five strategic objectives that follow the framework of the Cambodian Millennium Development Goals (CMDGs), as shown in figure 6.2.

Figure 6.2. Objectives of the National Social Protection Strategy for the Poor and Vulnerable (NSPS)

Priority area and related CMDG	Objective	Medium-term options for programmatic instruments
<p>Addressing the basic needs of the poor and vulnerable in situations of emergency and crisis (CMDG 1, 9)</p> 	<p>1. The poor and vulnerable receive support including food, sanitation, water and shelter, etc., to meet their basic needs in times of emergency and crisis</p>	<ul style="list-style-type: none"> Targeted food distribution, Distribution of farm inputs Other emergency support operations
<p>Reducing the poverty and vulnerability of children and mothers and enhancing their human development (CMDG 1, 2, 3, 4, 5)</p> 	<p>2. Poor and vulnerable children and mothers benefit from social safety nets to reduce poverty and food insecurity and enhance the development of human capital by improving nutrition, maternal and child health, promoting education and eliminating child labour, especially its worst forms</p>	<ul style="list-style-type: none"> Cash, vouchers, food or other in-kind transfers for children and women towards one integrated programme (e.g. cash transfers focusing on maternal and child nutrition, cash transfers promoting education and reducing child labour, transfer of fortified foods to pregnant women, lactating mothers and children) School feeding, take-home rations Outreach services and second-chance programmes for out-of-school youth and supporting social welfare services
<p>Addressing seasonal un- and underemployment and providing livelihood opportunities for the poor and vulnerable (CMDG 1)</p> 	<p>3. The working-age poor and vulnerable benefit from work opportunities to secure income, food and livelihoods, while contributing to the creation of sustainable physical and social infrastructure assets</p>	<ul style="list-style-type: none"> National labour-intensive PWP Food for work and cash for work schemes
<p>Promoting affordable health care for the poor and vulnerable (CMDG 4, 5, 6)</p> 	<p>4. The poor and vulnerable have effective access to affordable quality health care and financial protection in case of illness</p>	<ul style="list-style-type: none"> Expansion of HEFs (for the poor) and CBHI (for the near poor) as envisioned in the Master Plan on Social Health Protection (pending Council of Ministers approval)
<p>Improving social protection for special vulnerable groups (CMDG 1, 6, 9)</p> 	<p>5. Special vulnerable groups, including orphans, the elderly, single women with children, people living with HIV, patients of TB and other chronic illnesses, etc., receive income, in-kind and psychosocial support and adequate social care</p>	<ul style="list-style-type: none"> Social welfare services for special vulnerable groups Social transfers and social pensions for the elderly and people with chronic illness and/or disabilities
<p>The 9 CMDGs are:  Eradicate Extreme Poverty and Hunger,  Achieve Universal Primary Education,  Promote Gender Equality and Empower Women,  Reduce Child Mortality,  Improve Maternal Health,  Combat HIV/AIDS, Malaria and Other Diseases,  Ensure Environmental Sustainability,  Forge a Global Partnership for Development and  De-mining, Explosive Remnants of War and Victim Assistance.</p>		

Source: RGC, 2011a.

6.3.1. Implementing the NSPS: A financial assessment

Under the ILO/EU project “Improving Social Protection and Promoting Employment”, a preliminary financial assessment of the social interventions outlined in the NSPS was undertaken. Twelve policy options were selected and the associated costs of implementation from 2012 to 2020 were calculated. The costing gives an indication of the resources required for implementation of specific social protection programmes over time. For the purpose of the assessment, cash transfer programmes, including pensions and public works programmes, as well as HEFs were selected. Table 6.1 describes the policy options selected for the costing exercise, while figures 6.3 and 6.4 represent the cost of implementation for each of the twelve options.

Table 6.1. Summary of proposed NSPS policy options

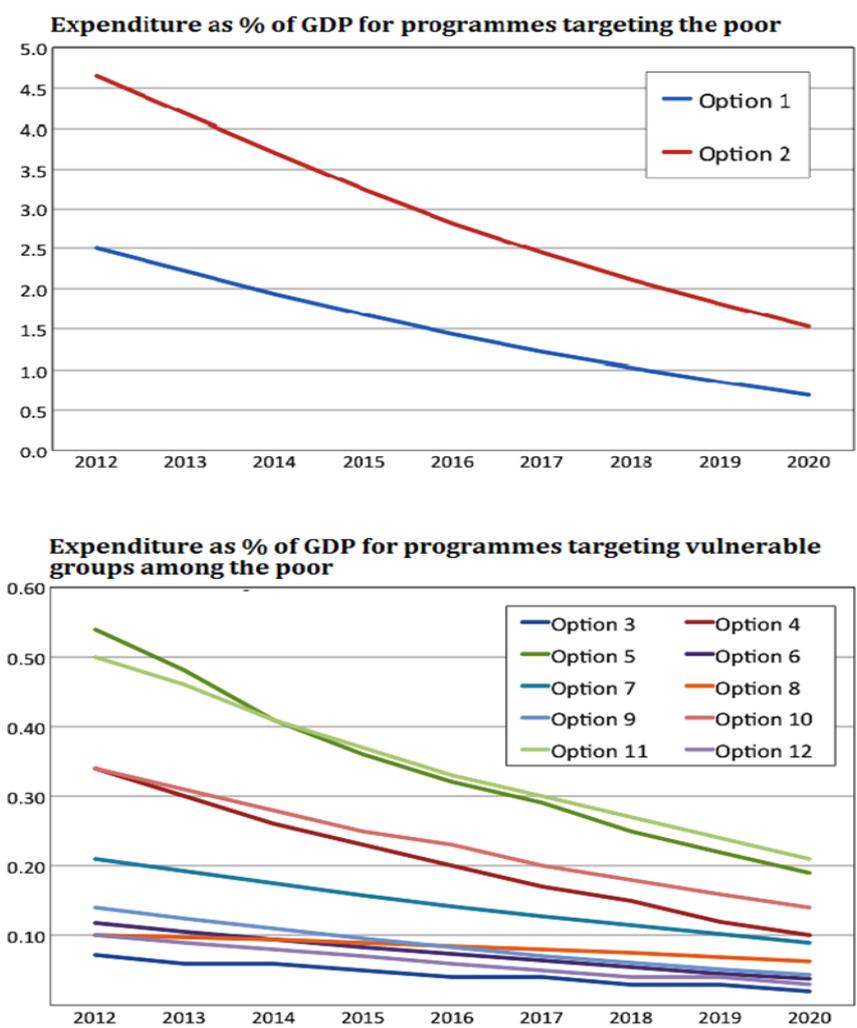
Policy option	NSPS objective	Programme description	Target group	No. of Beneficiaries (millions)	Benefit amounts (2012)
1	1	Ensuring food security for the poorest among the poor	ID-Poor 1	1.94	KHR 56,000/month
2	1	Ensuring food security for the poor and attending to basic needs	ID-Poor 1&2	3.45	ID-Poor 1: KHR 75,000/month; ID-Poor 2: KHR 37,500/month
3/3U	2	Income support for pregnant women	ID-Poor 1&2 /U	0.08/0.33	KHR 75,000/m for 6 months
4/4U	2	Child allowance for children aged 0–2 years	ID-Poor 1&2 /U	0.27 /1.00	KHR 56,000/month
5/5U	2	Child allowance for primary school children aged 6-11 years	ID-Poor 1&2 /U	0.42/1.70	KHR 56,000/m on attending school
6	3	Providing seasonal employment and cash for work, through PWPs	ID-Poor 1 (1 person/ household)	0.04	KHR 10,000/ day for 80 workdays
7	3	Providing seasonal employment and cash for work, through PWPs	ID-Poor 1&2 (1 person/ household)	0.08	KHR 10,000/ day for 80 workdays
8	4	Extension of HEFs	ID-Poor 1&2	3.45	Free healthcare
9/9U	5	Social pensions for the elderly aged 70+	ID-Poor 1 /U	0.06/0.40	KHR 94,000/month
10/10U	5	Social pensions for the elderly aged 65+	ID-Poor 1&2 /U	0.16/0.64	KHR 94,000/month
11/11U	5	Social pensions for the elderly aged 60+	ID-Poor 1&2 /U	0.23/1.00	KHR 94,000/month
12/12U	5	Social pensions for the disabled	ID-Poor 1&2 /U	0.04/0.19	KHR 94,000/month

Note: U = universal benefits.

Source: ILO, 2012e.

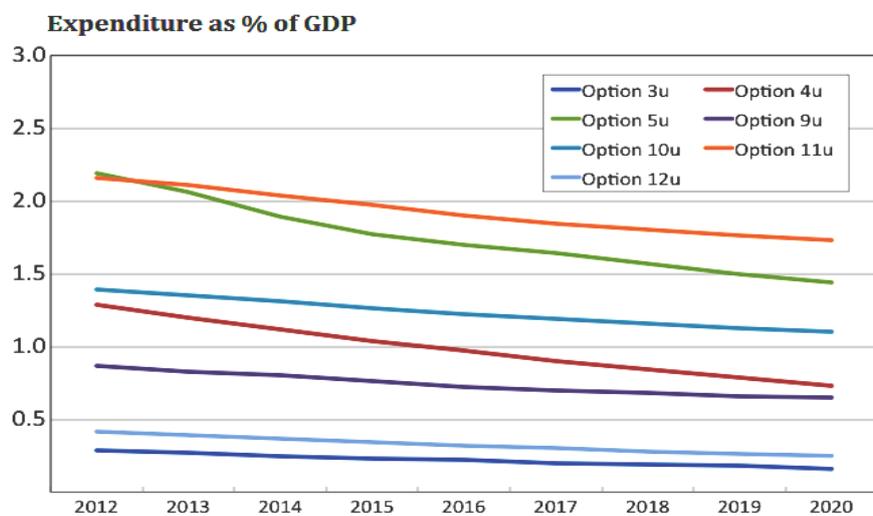
The above-mentioned scenarios estimate the full cost, which could be extended over time by means of a stepwise introduction of the respective policy. Some options can be continued, others represent alternative designs of the same policy. With the development of fiscal space over time, the government can gradually introduce benefits and services targeted at children and the elderly, PWPs and extend healthcare services to all. In this way, it is possible to envisage the provision of benefits for at least each of the four SPF guarantees.

Figure 6.3. Cash transfers for the poor and vulnerable, cost projections, 2012–2020 (percentage of GDP)



Source: ILO, 2012e.

Figure 6.4. Universal cash transfers, cost projections, 2012–2020 (percentage of GDP)



Source: ILO, 2012e.

The NSPS presents a long-term vision and strategic framework for extending social protection benefits to the entire population in Cambodia, with special focus on the poor and vulnerable, who require such assistance the most. To be effective, social protection provisions should be designed according to the strategic framework proposed by the NSPS and through national dialogue involving the Council for Agricultural and Rural Development (CARD), relevant ministries, social partners and other relevant stakeholders. To go from the strategy stage to the implementation stage will require further planning, policy formulation and resource mobilization. At present, the implementation of the NSPS is being piloted in two provinces, namely Siem Reap and Banteay Meanchey at the provincial, district and commune levels (Taïeb et al., 2012).

PART III. EXPLORING LINKAGES

7. The way forward

7.1. Pilot-testing the NSPS

Under the scope of the ILO/EU project “Improving Social Protection and Promoting Employment” in Cambodia, a national dialogue process was facilitated involving CARD and relevant ministries, social partners, development partners and other stakeholders. It was endorsed that the implementation of the NSPS would start with a pilot-testing phase during 2012–15. During this phase, existing social protection programmes such as HEFs, PWPs, conditional cash transfers, vocational training and school feeding programmes would be further expanded, while new programmes will be developed to fill the gaps in full population coverage. Also, a coordination mechanism, called the Single Window Service or in Cambodia, Promotion and Enhancement of People Livelihood and Equity (PEOPLE) Service will be established at the national level and at the level of the commune councils, districts and provinces for the administration of the programmes.

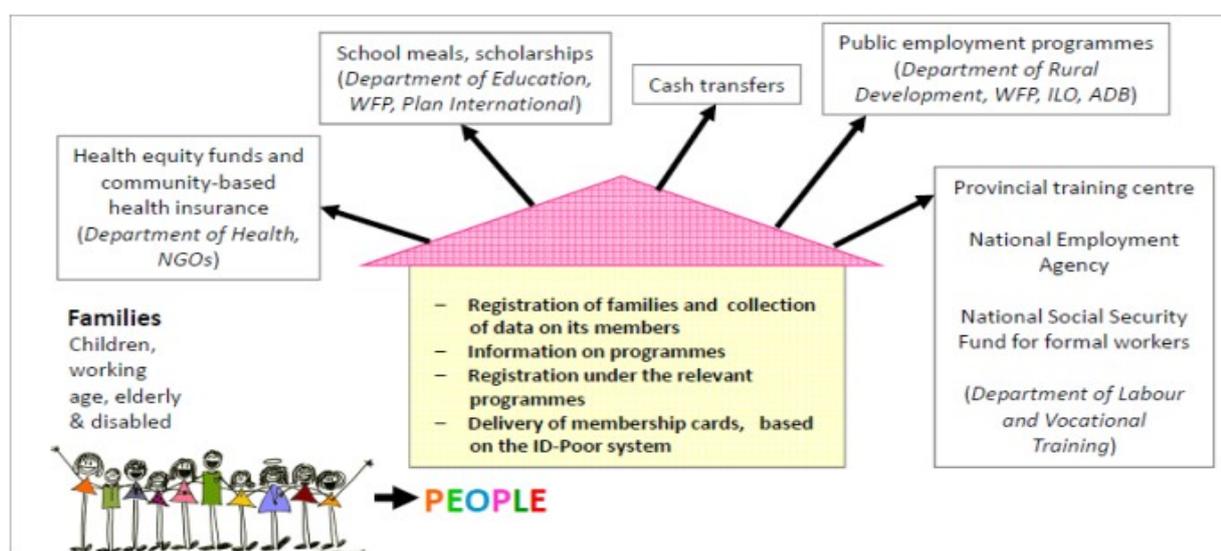
The pilot phase aims to achieve a five-fold objective, outlined below. Based on the experience gained during the pilot testing, an implementation plan will be designed and rolled out.

- **Increasing outreach and improving efficiency of existing schemes:** The poor and vulnerable sections of the population, who are most susceptible to economic, environmental and social risks, would be targeted under this phase so they can enjoy easy access to a basic level of social protection guarantees including free or low-cost health care, education and income security through public employment programmes. An approach of the NSPS is to lift the poor out of poverty by building human capital through education and training. During the pilot phase, measures to enhance the capabilities of people through vocational training programmes and to support the creation of micro-enterprises would also be tested.
- **Developing new schemes:** In order to provide food security to poor and vulnerable families, especially in times of emergency and crisis, cash transfer programmes would be designed and tested.
- **Increasing coordination between national and sub-national levels:** The Government aims to further empower the provincial, district and commune levels in the area of local governance and strengthen their administrative capacities. During the pilot phase, the subnational levels would be directly involved in the operation and monitoring of schemes under the NSPS, and would report the progress to the central level.
- **Developing coordination and synergies:** Many of the existing social protection schemes in Cambodia are scattered and ad hoc, with little coordination between them. During the pilot, the Government aims to address these issues by developing and testing coordination and synergies between flagship programmes of the NSPS at the delivery level and between line ministries in charge of policy development and supervision of the schemes;
- **Creating linkages between social protection and employment:** The Government wants to explore possible areas for linking, coordinating and integrating social protection and employment policies and programmes.

7.2. The PEOPLE Service or Single Window Service

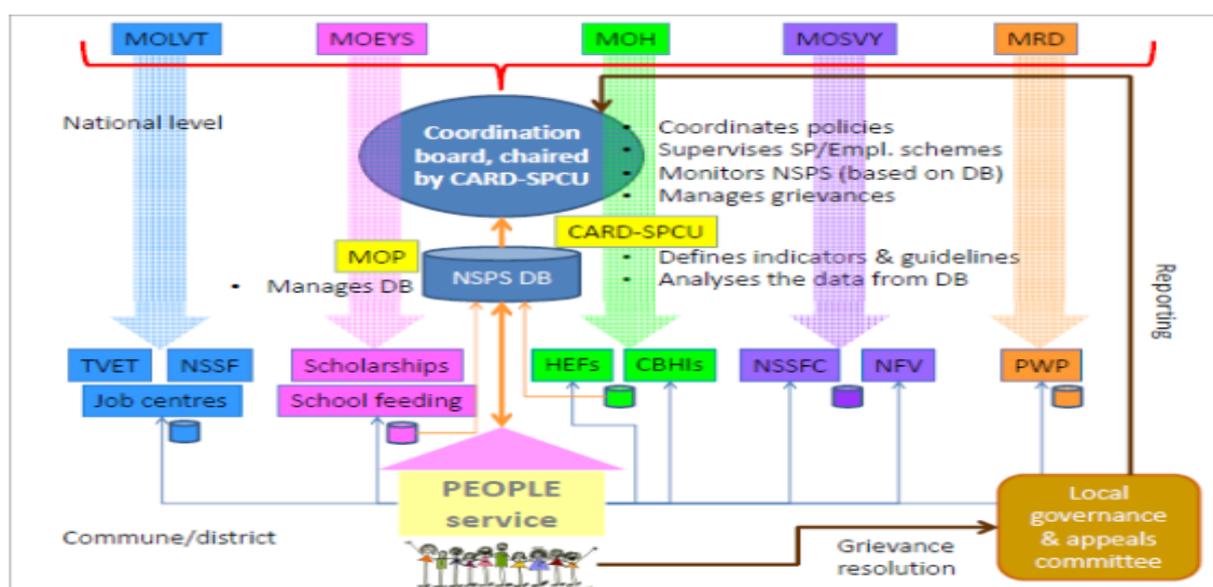
The PEOPLE Service in Cambodia is a coordination mechanism developed by CARD, with the technical support of the ILO amongst other, to provide integrated labour market and social protection provisions to the people (see figures 7.1 and 7.2). It aims to establish a coherent and easy-to-access framework for implementing the NSPS. There will be an office (SWS) in the district or commune which beneficiaries can approach to receive information and benefits related to both social protection and employment schemes. The operations of the service will be managed by local government bodies, which will then report to the central government. Procedures to identify and register beneficiaries and deliver benefits to them will be further simplified by the fact that local government bodies, already familiar with their regions, will be administering the service, which should also lead to a reduction in administrative costs. A single database of beneficiaries and a monitoring and evaluation system is also to be established.

Figure 7.1. The PEOPLE (Single Window) service for social protection schemes



Source: Schmitt et al., 2012.

Figure 7.2. Design of the coordination structure



Source: Schmitt et al., 2012.

For piloting the implementation of the NSPS as well as the establishment of the PEOPLE Service, two provinces were selected – Siem Reap and Banteay Meanchey – based on poverty incidence rates, nutrition levels, current coverage of social protection, and other factors. A set of guiding principles was designed to ensure that the pilot testing is carried out in accordance with the NSDP and NSPS, and that it leads to actual learning and addressing of issues. An inventory of existing social protection and employment-related programmes was made, assessed and mapped with a focus on social protection floor guarantees, to detect gaps and problems at the policy and implementation levels. A summary of these gaps and challenges have been provided in Chapter 5. Based on this, priorities for government intervention were drawn up and are to be tested during the pilot phase. These priorities encompass health care and social security for the entire population, as well as employment and enterprise development; details are set out below.

7.3. Developing the SPF guarantees

7.3.1. Health care

There are many HEFs and CBHI schemes operating in the country, and the Ministry of Planning has made several efforts to harmonize them. During the social protection assessment conducted by the ILO in the provinces of Siem Reap and Banteay Meanchey in 2012, some areas for intervention and improvement were outlined (Taïeb et al., 2012). Based on this assessment, the next steps could include the following:

- A **common benefit package for all the HEFs and CBHI schemes** could be designed and fully implemented so that they are at least available to the poor and near-poor population. A checklist of services available at health centres which provide first-line health services, and at referral hospitals which provide second- or third-line services, and at other levels of the health care pyramid could be made known to the beneficiary population.
- Beneficiaries could also be made aware of the guaranteed benefit package by **displaying a list of the services available with the fee charged for each service** on the doors of the hospital or health centre. This method is used by private hospitals and is expected to bring about some transparency.
- A **monitoring and appeals mechanism** could be established, possibly through a hot-line.
- The cost of travelling to the health centres represents a significant 10 per cent of out-of-pocket (OOP) spending and is a further drain on the pockets of the beneficiaries. **Transportation costs could be reimbursed** by all health-care schemes.

The Samakum Theanearabrong Srok Angkor Chum (STSA) scheme in the Angkor Chum operational health district (OD) in Siem Reap province is operated as a Single Window Service providing social health services by combining the HEFs and CBHI schemes. Residents can take out voluntary membership of STSA, while people identified as poor by ID-Poor are automatically eligible for membership. Registration is carried out through a common process for both the poor and non-poor. STSA has a single database of beneficiaries and is managed by a community organization recognized by the Ministry of the Interior. STSA has several synergies with the PEOPLE Service and thus, Angkor Chum could be a potential pilot rural area.

7.3.2. Children

The assessment process in the two Cambodian provinces also identifies some recommendations to improve social protection for children. At present, the rice that is distributed through the school meal and food scholarship programmes is not bought from local farmers. If this were done, it could have a sizeable impact on the local economy, as close to 10,700 metric tonnes of food were distributed under the School Meal Programme (SMP) during the school year 2009–10. The rice could be procured from local producers and mothers of schoolchildren could be employed to cook the meals. The vocational training centres could train rice farmers on productivity-increasing and food-processing techniques. PWPs could use locally available labour to implement irrigation projects to support the farmers. In this way, an integrated approach combining the SMP and food scholarship programmes with PWPs and vocational training could be developed to benefit the local economy.

Teachers and directors of Cambodian schools are paid very low salaries, which are often insufficient to meet their daily expenses. It is essential that a minimum wage for teachers and directors is established, the amount being dependent on the poverty level in the district. Additionally, a grievance referral system should be built at the district and commune levels for that parents and students.

7.3.3. The working-age population

A minimum wage for all sectors should be implemented so as to provide equitable earning opportunities to the working-age population. It has been found that many people are underpaid by their employers, especially in informal-sector jobs.

The Government could further consider implementing a biometric identification system, linked to a unique social protection number, to ensure accuracy of information and address the issue of misplaced or duplicate ID-Poor cards. Based on this, a single database of beneficiaries common to all social protection providers could be built. This database could be used to cross-check the information contained in the NSSF database, to make sure that all employers register their workers for NSSF benefits and also report accidents. It is also important to establish a legal framework for the exchange of information among the different social security institutions and authorities, as well as the protection of an individual's privacy.

The biometric system could be piloted using the PEOPLE Service. An example of such a system is the so called "Twin" system in China, wherein a network of assistants visits all enterprises in urban and rural areas to collect information on work premises and working conditions. The information is entered into a common database and compared with information provided by social security institutions. This helps to improve efficiency of contribution payments and social security affiliation.

The PEOPLE Service could also be used to register NSSF beneficiaries at the district and commune levels to help increase its outreach. A grievance referral mechanism could be established; part of that system could be a hot-line through which people can report issues and claim their benefits.

7.3.4. The elderly

The report of the assessment exercise recommends that all cash transfers under the NSSF, NSSFC and NFV be delivered directly to beneficiary bank accounts. The NSSFC has entered into a partnership with ACLEDA Bank to disburse civil servant pensions. The extension of such a system could enable more people to have access to a bank account and invest money or take out loans to start a micro-enterprise. Alternative systems for money transfer could also be explored.

7.4. Promoting employment and encouraging entrepreneurship

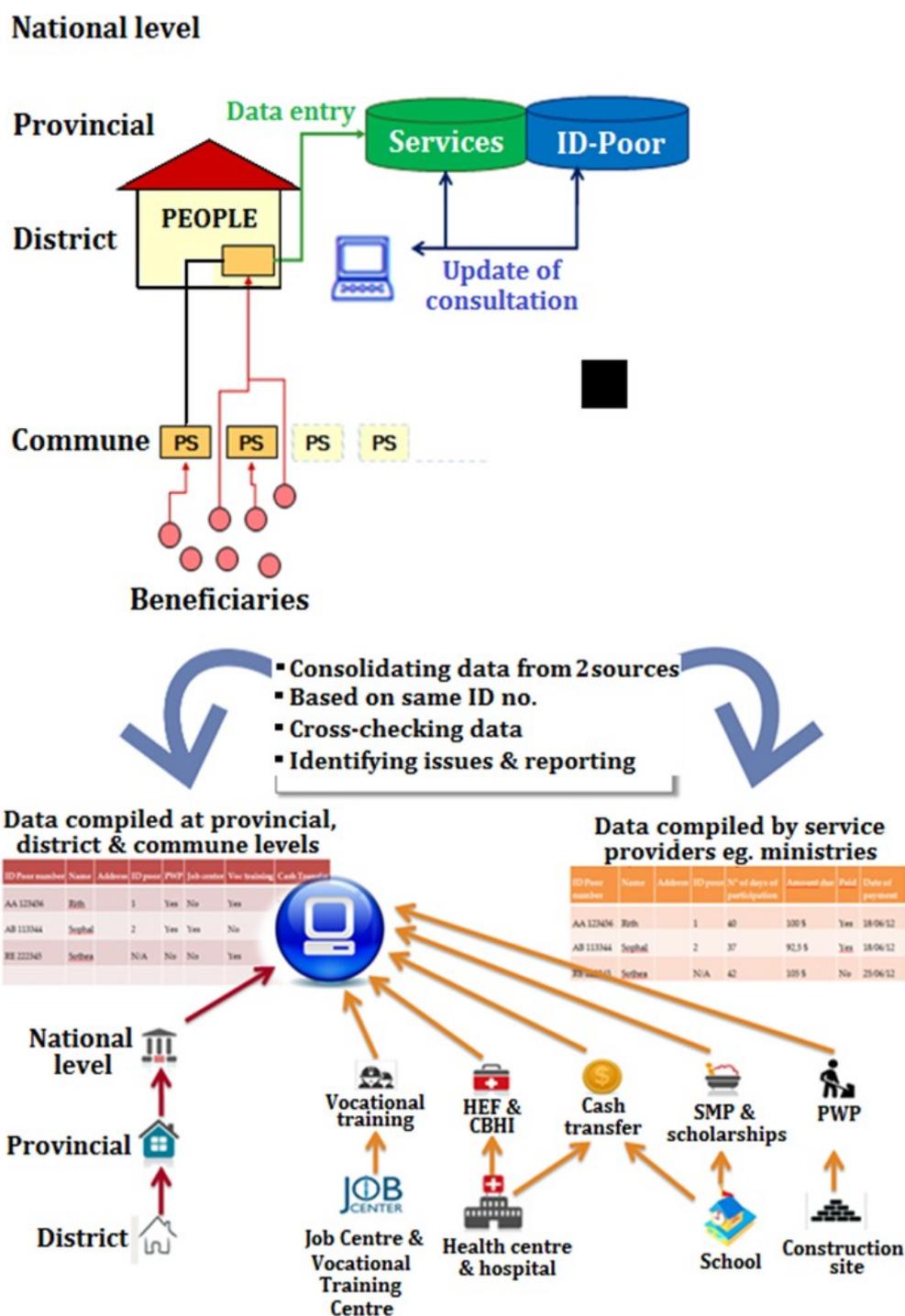
7.4.1. Facilitating job placement and recruitment

Recommendations on improving job placement, vocational training and entrepreneurship support facilities were also made during the assessment conducted in Banteay Meanchey and Siem Reap (Taïeb et al., 2012). Vocational training in Cambodia has to be adapted to the demand in the market. As a first step, the training centres could identify promising economic sectors and companies that will need to recruit massively in the next few years. A public–private partnership could be established to involve these companies in designing and conducting training programmes at the provincial training centres. After training, companies would be able to hire directly from among the graduating students and would not need to spend their resources or duplicate efforts by conducting their own training programmes. The centres would also need to track the employment situation of the graduates in order to evaluate the training courses and make improvements as and when required.

Some initiatives have been undertaken to date in the area of job placement. Cambodians who register under PWPs could be automatically entered into the database of the National Employment Agency (NEA) as jobseekers. PWPs seem to be an efficient mechanism for registrations. Coordination between the Ministry of Rural Development (MORD) and MOLVT would be important in this regard.. Also, the job centres could be more active in identifying prospective employers and maintaining a list of vacancies in organizations; they could provide the connection between employers and prospective employees. For instance, Apsara Authority in Siem Reap hires and trains local people as workers involved in the conservation of temples, as housekeepers and in other jobs. However, they usually advertise vacancies in the media and there is no contact with the job placement centre in Siem Reap (ILO, 2012b).

It is often difficult for job centres to identify all jobseekers, especially in rural areas. To cover this gap, the PEOPLE Service could be linked to job centres so that they can collect data on jobseekers at the commune level and provide this information to the job centres. Additionally, the PEOPLE Service could also be linked to TVET to allow jobseekers to participate in training programmes that they are interested in. The resulting structure and database have been conceptualized in figure 7.3.

Figure 7.3. Linking the PEOPLE Service to a coordinated database



Source: ILO, 2012b.

7.4.2. Accessing training and skill development

At present, training centres exist at the provincial level, but there are none at district level. This could be one of the services tested by the PEOPLE Service pilot, with the objective of encouraging people to visit the centres regularly. At the same time, it would be important to create partnerships between the different training centres so that they can collaborate on matters such as training curriculums, company searches and job placements.

The vocational training centres could provide travel and food allowances to all participants in the training, as a lack of sufficient finances may deter them from visiting the training centres. The training programmes could also be linked to entrepreneurship support programmes to help people who want to start their own ventures rather than look for employment in a company. A cross-subsidy system could be implemented so that poor students are offered free training, while those who can afford to pay for their courses do so. This would aid the financial sustainability of the training programmes.

7.4.3. Creating an environment for entrepreneurship

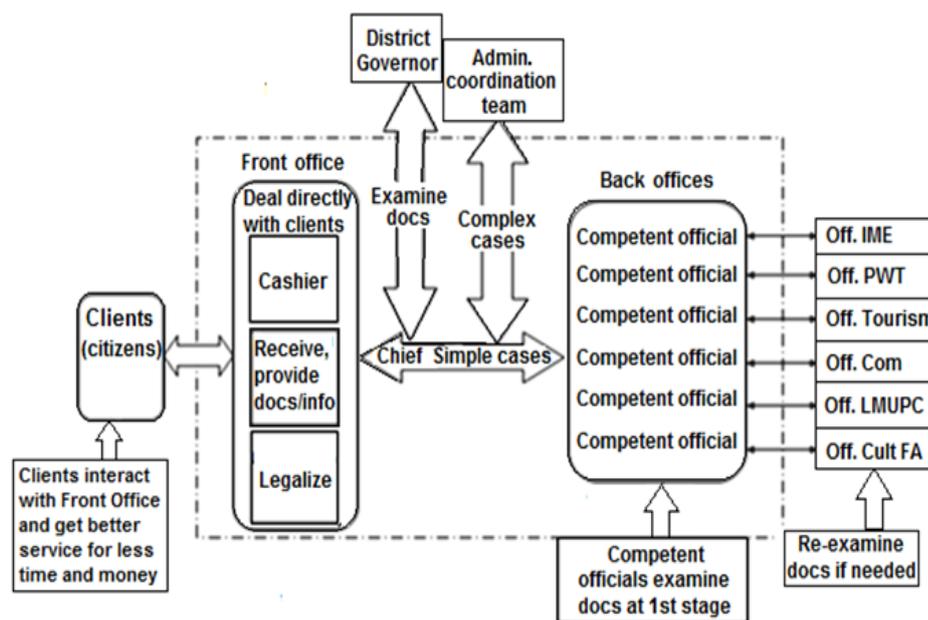
The Government, in partnership with microfinance institutions, could consider setting up a venture fund to support the creation of small enterprises in promising sectors. For instance, people may want to set up tour companies, restaurants and guesthouses in Siem Reap due to the burgeoning tourism industry, but may not have the financial means to do so. The fund would provide financial as well as technical support. As a necessary condition for accessing this fund, beneficiaries would have to register their companies on set-up, pay a minimum wage to their employees and enrol them under health insurance schemes.

Again, the PEOPLE Service could be used to assist Cambodian citizens to open a local bank account to help them invest their money and apply for loans. Banks could progressively design financial products adapted to the needs of the people and small businesses, and thus take on the role of financier to the economy.

7.4.4. Company registration

The One Window Service Office (OWSO) in Siem Reap is an effort to bring transparency and efficiency to the company registration process and the collection of fees. Eight line ministries have delegated functions to the OWSO and have a representative performing technical work there (see figure 7.4). However, line ministries have so far been reluctant to delegate powers to the OWSO, which has mostly registered very small businesses. Its role could be extended to encourage more businesses to use the service.

Figure 7.4. Administrative structure of the One Window Service Office (OWSO)



Source: Taïeb et al., 2012.

8. Integrating employment and social protection

8.1. The strategy level

Adequate social protection and economic growth in a country are not alternatives, but complement each other. Developing the social protection system is essential for reducing or alleviating poverty. When people have access to good health-care services and education, they have better opportunities for decent work; labour productivity also increases, contributing to economic growth in the country. With such growth comes an improvement in the living standards of the people, and their ability to contribute to the social protection system in the country further increases.

The labour-intensive textile, apparel and footwear industry grew at 13.7 per cent per year over the period 2002–08. Accounting for 10.3 per cent of total output in 2008, it employs a large number of the female labour force and is an important contributor to the formal sector. Construction expanded at 13.0 per cent annually over the same period and represented 6.1 per cent of total GDP. In the trade and services sector, financial services was the fastest growing segment, expanding at 18.5 per cent per year. During the same period, real estate and businesses grew at 12.8 per cent while hotels and restaurants grew at 9.6 per cent.

Despite this growth, the incidence of poverty in the country is high, especially in rural regions and among small-farm workers. Economic growth has not necessarily trickled down to these regions and benefited the entire workforce. For the vulnerable sections of the population to have a steady and sustainable source of income, formal-sector job creation in the economy is essential. Formal-sector employment is productive and remunerative, and also goes a long way to enhancing contributory social insurance, thereby reducing pressure on the national budget. This kind of employment may lead to negotiation and dialogue on matters like wages and productivity, thereby improving standards of livelihood.

If a strategy of formal-sector job creation were to be implemented effectively, it would need to be spread out over a few years. During this time, the working poor and the vulnerable would continue to require income and job support. Such support is currently being extended through non-contributory social transfers and special employment interventions such as PWPs. At the same time, conditional cash and in-kind transfers, which are already providing education and health benefits to poor households, could be further linked with vocational training. In this way, beneficiaries of non-contributory schemes can also access skill training, thereby increasing their employability and job placement opportunities.

Social protection schemes and ALMPs such as vocational training help in securing labour market transitions and allow for gradual movement from unskilled to skilled jobs. Empirical evidence from other countries shows that there is no single social model; countries develop their own models depending on the demography, economic situation and other factors. However, some elements, listed below, were identified as important across different social protection systems:

- **Investing in human capital:** An educated, skilled and able workforce is essential for increased productivity and economic growth. The most basic step is to ensure that all children have access to school education and are taught by good and qualified teachers. Gender balance in education is another vital point. Additionally, people should be able to upgrade their skills throughout their working career, according to their needs and to market demand.

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- **Preparing the legal framework and strengthening institutional capacity:** The Labour Law in Cambodia is already in place. What needs to be done further is to reduce inefficiencies in its functioning through the development of institutional and administrative capacity.
 - **Encouraging economic and social inclusion:** Efforts should be made to improve the quality of employment. This would contribute to improving social inclusion and it would provide opportunities for further economic advancement. Providing income transfers for those unable to work on a permanent basis is a moral responsibility and helps to combat social exclusion. Also, a platform should exist at the local level so that the concerns of all people, including the poor and vulnerable, can be heard and addressed.
 - **Linking social objectives into the broader macroeconomic framework:** Fiscal incentives such as tax benefits can be implemented to promote investment and growth of promising economic sectors. It is also the responsibility of the Government to develop national infrastructure to encourage trade and commerce. At the micro level, there should be arrangements for access to credit for those who require it.

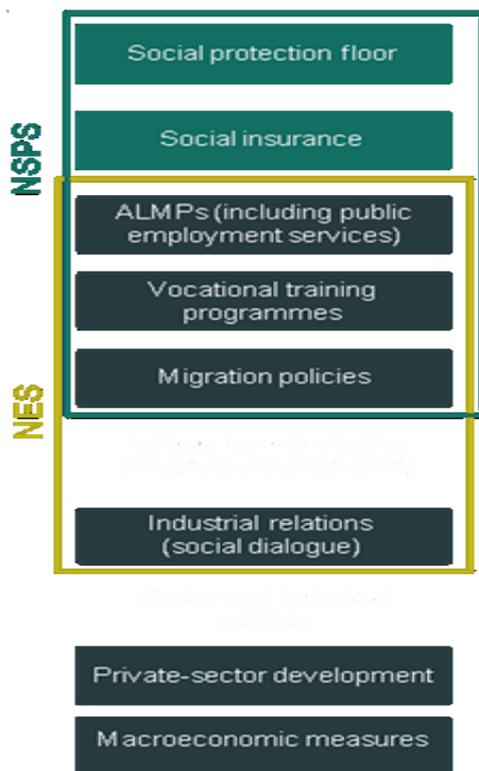
Government policies on social protection and full employment are critically interrelated in the fight against poverty. The institutions necessary to ensure the policy outcomes need to be built up as the economy progresses. Cambodia's ability to build a nationwide model of employment-related social protection will amongst other, depend on political will, resources and institutional capabilities. The NSPS could draw on country experiences in the developing world, such as those of Brazil and South Africa, which are trying to pursue the twin objectives of social security and productive employment within a national development strategy.

8.1.1. The missing link: National Employment Strategy

The *NSDP Update 2009–13* and the NSPS have laid the strategic framework for achieving social and economic inclusion of all people in Cambodia. What is still missing is a national employment strategy (NES). Despite the economic growth achieved by Cambodia in the past decade, a majority of the people do not have sufficiently paid jobs with decent working conditions. Economic growth has offered opportunities to some, but has left many others behind, resulting in a large number of working poor. In this context an NES, as a coherent framework that can be applied to the ground-level employment situation, would be essential. The NES will take a long-term view, over a 5–10 year time frame. It will complement the existing strategy documents; the *NSDP Update 2009–13* (RGC, 2011c) and the NSPS (RGC, 2011a) and it should be built on the basis of social dialogue.

Integrating the employment and social protection strategies is a crucial aspect, but in the end the most important part will be to establish a network that can implement the strategies and deliver the provisions to every individual and household in Cambodian society (ILO, 2012b). The provisions of the NSPS and NES overlap, amongst other, in the areas of ALMPs, vocational training programmes and migration policies. To maximize efficiency these provisions should be done in a coherent and integrated manner.

Figure 8.1. Overlap between NSPS and NES instruments



Source: ILO, 2012f.

8.2. Implementing the NSPS and NES

Implementing the NSPS is a complex and challenging task, which will be further compounded once the NES has been formulated. The steps and actions recommended in each strategy will have to be integrated. Upon request of the Government, some recommendations were formulated in the ILO report “Toward integrated employment and social protection policies”, (ILO, 2012b). It is suggested that for the above-mentioned purpose a coordination board or a social protection task force could be established at the national or ministerial level. It would comprise representatives of all relevant line ministries, provincial governors and beneficiaries and could be chaired by CARD-SPCU (Social Protection Coordination Unit). The functions of the board could include sharing of information, establishing indicators to monitor implementation of the NSPS and NES and the extension of coverage, and ascertaining protocols to assess the impact on poverty reduction, productive and remunerative employment, among others.

CARD-SPCU would use the information from the unified database managed by the Ministry of Planning. Existing line ministry responsibilities would be left intact, each ministry would implement its own social protection and employment programmes. For instance, MOLVT would continue to be responsible for TVET, the NEA, job centres and the NSSF; MOEYS would coordinate the scholarship and school feeding programmes; MOH would monitor HEFs and CBHI schemes; MOSVY would continue to administer NSSFC and NFV benefits; while MORD would coordinate the public works programmes. At the commune and district levels, a grievance and feedback mechanism would ensure that any issues or problems related to access or availability of services can be reported by beneficiaries to the responsible authorities at the provincial and central levels and that such issues would be solved (ILO, 2012b).

8.2.1. Role of the National Employment Agency

The recently established National Employment Agency (NEA) is responsible for matching supply and demand in the labour market. Its functions include: identifying infrastructure projects in cooperation with ministries and local authorities, identifying individuals eligible for enlisting under PWPs, and recognizing the demand for specific skills in different sectors together with employer and worker organizations. It is also responsible for maintaining a list of educational institutions which can conduct skill development programmes and organize the courses (ILO, 2012b). During the national dialogue process facilitated under the ILO/EU project, it was observed that the NEA could develop abilities to better forecast the skills required in the future workforce of the country, and to advise the vocational training programmes on such skills.

8.2.2. Providing a competitive advantage

Competitive advantage is a more encompassing concept than comparative advantage. The latter usually refers to a static endowment that enables some countries to produce goods at lower costs than others. Examples of comparative advantages include natural endowments such as oil, arable land or cheap labour. These advantages tend to vanish over time. Natural resources become depleted and low labour costs disappear when economic wealth increases. If comparative advantages are not renewed, they lose ground over time. For instance, labour costs were very low in the industries of Hong Kong (China), the Republic of Korea and Taiwan (China) in the 1970s and 1980s and those of coastal China in the 1990s. Over time, the advantage of cheap labour tends to shift to other countries in the region or to areas further away from the coast, as in the case of China. The challenge for these industries is not to maintain the low labour costs but to become more productive. This is where competitive advantage steps in (ILO, 2012b).

Competitive advantages in an economy are dynamic and deliberately created, and require constant nurturing to maintain. To give some examples, the Republic of Korea and Taiwan (China) acquired the competitive advantage of skilled labour which was still unavailable when they staged their economic take-off phases. This required an enormous amount of concerted effort in building human capital, planning and resource mobilization. The governments played a crucial role here. Government policies were directed towards education and skill enhancement, encouraging an investment climate through tax and regulatory relief measures, as well as infrastructure improvement through the construction of harbours, transportation facilities and warehouses. In this way, the role of policy planners is essential in building a competitive advantage in the country (ILO, 2012b).

8.2.3. Growth diamonds

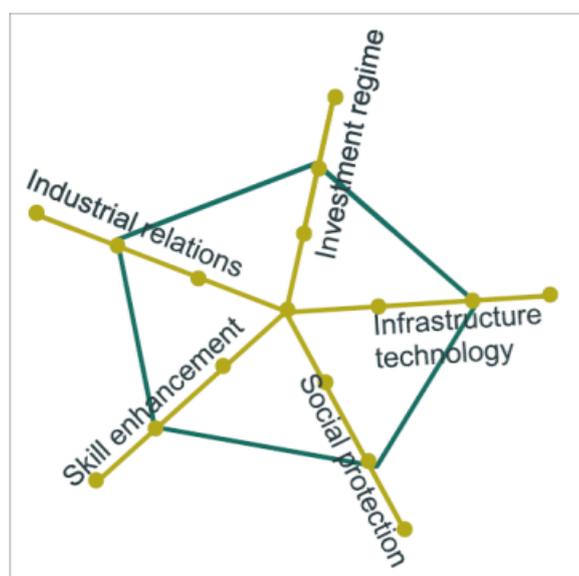
Growth diamonds can be defined as economic clusters guided by well-coordinated policies. The concept is loosely based on the work of Michael Porter (1998), who advocates that a set of favourable economic, political, social and technological circumstances can be mutually reinforcing and can drive performance to international competitive levels. In the identification of growth diamonds for Cambodia and in assessing the requirements for these sectors to develop their full economic potential, the NES could contribute in a very practical sense.

In an integrated employment and social protection framework, a growth diamond could have five dimensions, describing the main policy areas (see figure 8.2):

- **investment regime:** incorporating tax incentives and regulatory relief measures designed to encourage investment in the sector;

- **infrastructure and technology:** improvements that are likely to increase efficiencies;
- **social protection:** including universal and social insurance schemes and programmes tailored to the specific sector;
- **skill enhancement:** programmes to benefit the labour force and improve productivity; and
- **industrial relations.**

Figure 8.2. The growth diamond and its dimensions



Source: ILO, 2012b.

These five dimensions together constitute a strategic agenda for a sector. The government can formulate policies for each dimension, and when implemented together, they benefit the whole sector. Targets or milestones can be set on the linear axes and the progress in achieving them measured. Over time, as the milestones are achieved, the growth diamond becomes larger. According to Porter (1998), the existence of a domestic market is an enabling factor for building growth diamonds, but not a necessity. This can be seen in the cases of Hong Kong (China) and Singapore, which catered to international markets in Europe and the United States. The domestic consumer markets in the former countries developed much later.

The identification of Cambodia's growth diamonds is an activity that could be taken up in the NES. Several economic sectors have the potential to become growth diamonds, including rice production, silk manufacturing, rubber plantations, agro-processing and tourism. The application of the growth diamond concept is explained in table 9.1 through the example of the rice production sector. The integration of social protection and employment provisions and their linkage with growth diamonds is expected to contribute to economic growth, productivity improvement, generation of decent work opportunities and poverty reduction (ILO, 2012b).

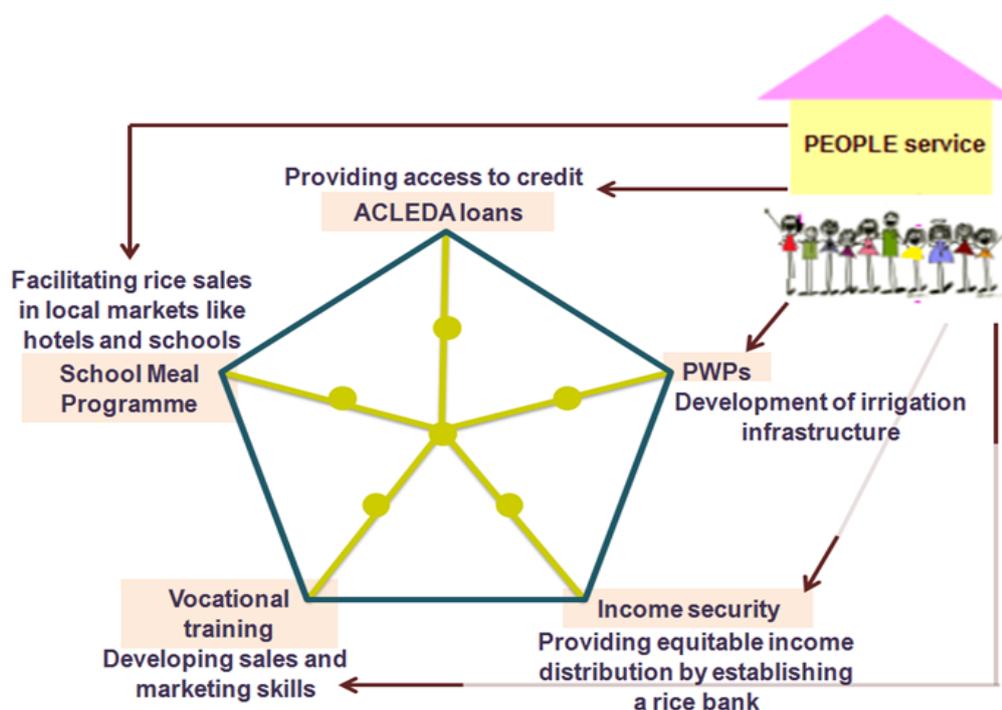
Table 8.1. Rice production as a growth diamond

Dimension	Examples of policies and actions	Social protection and employment provisions
Investment regime	Provision of land security through enforcement of land reforms; access to credit and agricultural equipment	Income security for the working-age population
Infrastructure and technology	Development of irrigation facilities and infrastructure	PWPs
Social protection	Establishment of a rice bank which would buy, sell and store the rice produced and thereby contribute to equitable income for rice farmers over time	Income security for the working-age population
Skill enhancement	Development of technical, sales and marketing skills	Vocational training
Industrial relations	Facilitating rice sales in local markets like hotels and schools; tax exemption to facilitate exports	School Meal Programme; income security for the working-age population

Source: ILO, 2012b.

Growth diamonds can also be linked to the PEOPLE Service to provide integrated employment and social protection provisions to those workers in promising economic sectors. The PEOPLE Service would contribute to access to facilities at the local level. As can be seen in figure 8.3, the rice produced by farmers could be distributed through the school meal and food scholarship programmes, thereby addressing the industrial relations dimension. In order to ensure a relatively steady stream of income, a rice bank could be used to store and trade the rice grains, thereby providing income security to the rice-producing communities. To aid the process of rice farming, PWPs could develop irrigation facilities in local areas, while vocational training centres could train farmers on food processing and marketing techniques. A partnership could be set up with a bank to provide access to small loans for farmers. In this way, the PEOPLE Service would be used to gather beneficiaries and connect them to the programmes, while the integrated approach would benefit the local economy.

Figure 8.3. Linking the PEOPLE Service to growth diamonds



Source: ILO, 2012b.

A huge task facing the Cambodian Government is the development of strategies for promising economic sectors. Such strategies should reflect the effective use of endowments such as land and labour. It would be useful to review Cambodia's true comparative advantages. The current emphasis on cheap labour-based, export-led growth, largely confined to the garments industry, could be reviewed, especially in light of the recent global economic crisis. An industrialization and trade policy could be developed that can draw on the lessons learnt from the garment industry. Particular attention could be given to labour force competitiveness, diversification in industry and exports, incentives for promoting domestic investment (especially in SMEs), and so on (ILO, 2012b).

8.3. The importance of social dialogue

One of the key points of the ILO/EU project "Improving Social Protection and Promoting Employment" is the recognition that employment and social protection measures cannot be designed and implemented through fragmented and isolated interventions. Sustained and concerted action is required over a wide range of policy areas and involving all relevant groups and stakeholders. In proposing national plans to extend social protection coverage and promote employment, the project makes social dialogue its very basis, so that a common platform with a shared focus can be established and relevant ministries and social partners can be brought together.

The approach of the project is based on social dialogue and involves consultation and participation between line ministries, including the ministries of finance and planning, and employer and worker organizations. Social dialogue is a cornerstone of the process, because without the active involvement of all these organizations, no integrated perspective can be established, nor can the broad basis required for implementation of the proposed interventions be mobilized. As a defining element in the ILO's Constitution, social dialogue is also an effective means of addressing social and economic challenges.

9. Conclusion

The development of social security in Cambodia is of relatively recent origin. Since the end of the Khmer Rouge regime, Cambodia has come a long way in building a public administration system. However, challenges remain in the area of development. While rapid economic growth during the last decade helped generate jobs in the economy, the number of the working poor and vulnerable is still high. Even though overall poverty has declined, it is still widespread in particular in rural areas and among agricultural workers. These regions have not reaped the benefits of growth. Also, public institutions and availability and quality of public services could be further strengthened. The national budget is tight, with spending priorities divided between investments in infrastructure and public services on the one hand, and remuneration for the low-paid civil servants on the other, leaving little fiscal space for social protection programmes (ILO, 2012d).

Over the past two decades, Cambodia has been witnessing a transition from a primarily rural economy with a predominant agricultural sector to a more diversified economy with fast-growing manufacturing and service sectors. Emerging industrialization and urbanization have been accompanied by a loosening of family bonds and slow disintegration of traditional communities. While the traditional social protection mechanisms were built on solidarity within the extended family and food donations to the poor and needy at Buddhist temples, such informal arrangements can no longer be relied upon. Due to the changes in the economy, demography, employment and labour mobility, there is a need to develop and implement statutory provisions to protect all Cambodians against contingencies faced in everyday life, including food insecurity, illness, unemployment, disability and old age.

The Government's long-term vision, as embodied in the National Social Protection Strategy for the Poor and Vulnerable, is to ensure a basic guarantee of social protection benefits and complementary services for the entire population. This comprises targeted transfers to the poor and vulnerable, and contributory social protection schemes for those who can afford them. Furthermore, the NSPS mentions how this would be in line with the social protection floor concept. Employees of the State such as civil servants, war veterans, members of the armed forces and police already benefit from some social security provisions. The establishment of the NSSF in 2008 reflects a political commitment to fill the gaps and extend social protection to private-sector employees. Developments in the formal sector are complemented by national efforts to provide protection to the poor and informal-economy workers.

In the health sector, much progress has been made in recent years. However, out-of-pocket spending remains high, and most of this is spent on private medical services. The quality of health-care services should be improved to bring people into the public health system. All Cambodians, including formal-sector employees and many non-poor informal-economy workers face the risk of catastrophic health expenditure and should be covered by social health protection. Retirement, invalidity and survivors' benefit entitlements are already available to public-sector employees. The labour market participation rate of elderly people in the informal economy is quite high, due to insufficient savings and lack of pensions. Given the youth of the population, social pensions for the elderly and disabled would not be very costly in relative terms.

Beside access to health, cash transfers and other social protection measures which would also cover the poor and vulnerable are part of the policy measures identified by the NSPS to achieve its long term vision and goal and support the development and strengthening of a Cambodian social protection floor. In Cambodia, the WFP-initiated School Meal Programme (SMP) is presently the only large-scale social transfer programme for the poor. The SMP covers 20 per cent of primary pupils in the country and is planned to be extended to cover all schools in Cambodia. CARD, with support from UNICEF, plans to introduce a programme to provide cash transfers to pregnant women and mothers with young children. This is expected to have a positive impact on the reduction of maternal and child mortality rates.

Donor assistance can be important in the short to medium term to achieve progress on development projects and the MDGs. However, donor-funded programmes are rarely institutionalized or backed by long-term financial commitments, and do not provide the necessary long-term sustainability by themselves. Nevertheless, the economic development in Cambodia is opening up new fiscal space, creating opportunities for the Government to allocate budgetary resources to priority development projects. In this way, resources can be gradually allocated to social protection schemes to supplement the donor funds and eventually replace them. A strong commitment is required from the Government and from donors to ensure that such allocation can happen in an effective manner.

Current efforts to build the institutional capacity of social security agencies must be continued in order to ensure that they can efficiently administer benefits. This could include further training of staff, development of management information systems and streamlining of administrative procedures. The strengthening of the involvement of social partners could further support the Government in developing the required institutions and their capacities. The ongoing D&D reform process, aimed at strengthening local governance, is expected to particularly aid public service delivery at the community level and benefit the rural population. An efficient public administration system would be a vital element for the functioning of a comprehensive social protection system.

Cambodia needs to adopt an employment-friendly development strategy in order to achieve sustained poverty reduction and to bring about the structural transformation in the

economy that would benefit the poor. Government policies should be directed towards engaging the labour force in a remunerative way and encouraging a shift from low-productivity agricultural jobs to high-productivity modern sector jobs. Through the *NSDP Update 2009–13*, the Government has given recognition to the need for a renewed framework of economic growth and poverty alleviation. One of the challenges would be to move away from the reliance of the Cambodian economy on external circumstances and FDI almost to the neglect of domestic investment. A transformation could for example be brought about by a prudent use of fiscal and monetary policy to encourage domestic investment (ILO, 2012c).

The advanced economies in the post-War period, as well as, in the more recent times, the economies of the countries of East and South-East Asia have shown the close relationship between productive employment and successful reduction of poverty. During the post-War period of the 1950s and 1960s, many European countries pursued a goal of full employment as a central pillar of their macroeconomic policy. In parallel, they also concentrated on the development of social protection institutions and systems so that society as a whole could take care of the unemployed, should their economies fall short of full employment. More recent policy practices in Brazil, India, China and South Africa have focused on enforcing the twin objectives of employment generation and social protection. In the aftermath of the global economic crisis, development planning must embrace an employment-friendly growth strategy and a social protection floor as an integrated approach to reducing poverty and providing better livelihoods for people (ILO, 2012c).

The pursuit of such a strategy can help Cambodia to build on its outstanding economic record of the last decade. Sector-specific policies can also aid promising and fast-growing economic sectors such as garment and footwear, tourism, construction, financial services to reach their full potential and turn into the so-called growth diamonds. Developing social protection and ALMPs in the country can only increase the employability of people and help them get better jobs. A coordinated and concerted effort involving line ministries, local government bodies, development partners and civil society is required for this to happen. Integrating social protection and employment policies, and effectively implementing and monitoring them, is absolutely essential in Cambodia's fight against poverty and for a sustainable and inclusive development of the country.

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