

Living Wage Survey for Cambodia's Garment Industry



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Acknowledgments

Over the past few years, the number of strikes to request higher wages has increased due to the higher cost of living. However, trade unions that demand higher wages, themselves, are unsure what a suitable wage level should be. Up to now, there has been no research on whether the prevailing effective wage in the garment industry is a living wage. In order for negotiation and social dialogue on wage to be successful for both workers and employers, the Friedrich Ebert Stiftung (FES), in cooperation with TWARO-ITGLWF, commissioned the Cambodia Institute of Development Study (CIDS) to conduct a living wage survey for Cambodia's garment industry.

In this regards, CIDS is pleased to present the "Living Wage Survey for Cambodia's Garment Industry". The research will serve as a foundation for trade unions and relevant stakeholders to:

- Bring to the national agenda and into the dialogue between unions, government and employers the concept of a "living wage"
- Build and increase worker awareness about the concept of a "living wage"
- Provide a sound technical basis for future wage negotiations and campaigns

Firstly, I would like to thank all the members of the Living Wage Committee, which consists of 7 trade federations, for their commitment and long hours in collecting and validating the data. Thank you also to the 353 garment workers, who took time to provide us with comprehensive qualitative and quantitative data.

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Last but not least, I give special thanks to the staff at CIDS for all their hard work and dedication in helping to realize this project within a short period of time.

Sincerely,
Dr. Kang Chandararot
Project Team Leader
Director of CIDS

Executive Summary

Introduction

The number of strikes to request higher wages in response to higher cost of living has continuously increased over the past few years. Trade unions that demand higher wages, themselves, are unsure what a suitable wage level should be. Up to now, there has been no research on whether the prevailing effective wage in the garment industry is a living wage. In order for negotiation or dialogue on wage to be successful for both workers and employers, the Friedrich Ebert Stiftung (FES), in cooperation with TWARO, commissioned the Cambodia Institute of Development Study (CIDS) to conduct a living wage survey for the garment industry. The survey was carried out from December 2008-January 2009.

A living wage is a wage that provides for decent living for a worker and his/her dependents, within *regulated working hours* (not including overtime) from *one income source*, and should allow for some savings.

Objective

The objective of this research is to quantify a living wage for workers in Cambodia's garment industry and compare the living wage with the current average effective wage. This survey will be used by trade unions and relevant stakeholders as a basis to:

- Bring to the national agenda and into the dialogue between unions, government and employers the concept of a “living wage”
- Build and increase worker awareness about the concept of a “living wage”
- Provide a sound technical basis for future wage negotiations and campaigns

Survey Findings

Profile of Interviewees

A total of 353 garment factory workers from 47 factories in Phnom Penh and surrounding suburbs were interviewed: 91% female and 9% male. The average age was 24 years old; the youngest interviewee was 15 years old and the oldest 47 years. Seven out of ten of the interviewees are single, while 20% are married and roughly 9% are widows. Ninety-six percent are migrants, typically from Kampong Cham and Prey Veng provinces. More than half of the interviewees (51%) work as a sewer at the factory. On average, interviewees have worked at the current factory for 3.1 years and have 3.5 years of work experience. Interviewees typically come from a 4-member household, including the interviewee, of which 2 people are income earners. The other income earner is typically a farmer.

Income

Interviewees earn an average of US\$79 per month from working at the factory, which includes their basic salary, attendance bonus, seniority bonus, overtime, living support allowance, specialization premium and other allowances (i.e. food, transport). If we were to exclude overtime, the average effective income is US\$67 per month. These figures are based on their situation over the last four months.

Within the salary structure of garment workers, overtime is a crucial component (constituting 14% of income) because it can increase, while other components are fixed. This provides workers with an opportunity to earn additional income, if needed. Basic salary is also an important component (65% of income), which can vary by factory and within factory based on collective bargaining agreements between union representatives and the factory.

Only 19 of the interviewees have a secondary activity to help supplement their income, earning an additional income of US\$34 per month, typically by lending money on interest. This low figure of secondary activity does not imply that workers do not need supplementary income, rather that they have no extra time to conduct side activities.

Expenditure

Expenditure is the key foundation for calculating the living wage. **Total expenditure** includes spending on the interviewee's **basic needs** plus their **financial commitments**, which are to help support the basic needs of their household members. Basic needs consist of a basket of goods and services including food, clothing, housing, personal & medical, fuel & electricity, education, transport & communication and others that the interviewee needs for a basic standard of living, which is in line with the definition of the National Institute of Cambodia (NIS).

On average, interviewees spend a total of US\$72 per month, of which US\$57 (80%) is on their personal basic needs and US\$15 (20%) is on financial commitments to the household. The amount US\$57 per month (about US\$1.84 per day) for basic needs is far below the NIS figure for the average person living in Phnom Penh, which is US\$ 3 per day. Of this amount, garment workers spend US\$0.97 daily on food. This low spending is the result of extreme budgeting and thrifty spending by workers. Survey findings reveal that the way workers keep spending on basic needs low is by: 1) eating in groups, and 2) living in groups (i.e. 12m² room shared by 4 people). Some workers minimize food expense by bringing rice, meat and fish from their village.

Financial commitment depends on the number of household members and disposal income of the interviewee. According to the findings, three-fourths of the interviewees (269 workers) send remittances home. The average amount of remittances (financial commitment) is US\$15 per month.

Savings

In this study, savings is defined as the factory income of the interviewee that is left over after making all expenses on basic needs and financial commitments. Overall, the survey

finds that interviewees have a **positive savings of around US\$7 per month**. Among the 353 workers surveyed, 81% (287 people) have positive savings, while 19% (66 people) have negative savings. Those with positive savings have around US\$10 left each month, while those with negative savings are short US\$8 per month.

Those with negative savings tend to have lower income than the average worker because of less overtime and lower specialization, and higher expenses because they are required to send higher remittances home.

During the interviews, workers reported that overtime has been reduced over the last few months of 2008, resulting in their negative savings, which did not happen before. Their first response to deal with this period of negative savings is to use their past savings, ask parents to send food items, and reduce remittances home. In the event that these options are exhausted or impossible, they borrow money with the expectation that they can work overtime, find a higher paying job, or find supplementary income. If this does not occur, they will reduce their personal expenses to make repayments.

Satisfaction with Current Wage

In synthesizing the current situation of the the 353 interviewees, we find that:

- **Daily expenditure on basic needs by garment workers is not sufficient**, as it is less than the expenditure of an average person living in Phnom Penh (US\$1.84 compared with US\$3).
- **Current financial commitments fall short of the required amount**. On average, interviewees need to send home US\$46 per month to help cover the income gap of the household to ensure their members have a minimum living standard; however, they can afford to send only US\$15 per month with their given wages, leaving the household short US\$31.
- **Savings fall short of the 10% of income standard**. A living wage should be sufficient to cover all the basic needs of a worker and their household members, and allow for some savings for precautionary and future purposes. The average garment worker can save US\$7 per month, usually as a result of thrifty spending on basic needs and not sending remittances. It was obvious during our interviews that garment workers are not yet aware that their wages should enable them to have some savings.

This situation justifies why the majority of interviewees (85%) are not satisfied with their current salary. Among the 353 interviewees, 13% said they are somewhat satisfied, while only 3% said they are satisfied.

Living Wage

In quantifying a living wage for the garment industry, we make two living wage calculations: minimum and maximum. The **minimum living wage** assumes that all income earners of the household contribute **equally** to the household expenses. The living wage for garment workers should not be lower than this minimum level because this would mean that the shortage must be fulfilled by other income earners of the household. The **maximum living** wage assumes that the household income shortage is

placed solely on the interviewee because other income earners are unable to increase their earnings, an assumption that fits with the situation of garment workers in Cambodia. **The minimum living wage to ensure workers and their household members a minimum standard of living is US\$ 90 per month; the maximum living wage is US\$ 120 per month.**

Conclusion

The current effective wage in the garment industry of US\$79 per month, which includes overtime and other allowances, is not a living wage. If we exclude overtime, which is currently being reduced by factories at the moment because of the economic crisis, the average effective wage is US\$67 per month. Overtime has played a very important role in enabling workers to cover their basic expenses and maintain a minimum living standard. This practice means that the living standard of garment workers is highly dependent on the economic situation. If the economy is in a good state, they get overtime, and their living standards improve; if the economy is in a bad state, overtime is reduced and the living standards of workers deteriorate even if they are employed. This set up provides no security for a decent living standard, which undermines industrial relations and the stability of the garment industry. To make the environment conducive for both employers and workers, there is an urgency to institutionalize the living wage, which should not be dependent on overtime.

According to our survey and calculations, the living wage of garment workers should range from at least US\$90 per month to US\$ 120 per month.

1. Introduction

Over the past few years, the number of strikes to request higher wages in response to higher cost of living has continuously increased. Trade unions that demand higher wages, themselves, are unsure what a suitable wage level should be. Up to now, there has been no research on whether the prevailing effective wage in the garment industry is a living wage. In order for negotiation or dialogue on wage to be successful for both workers and employers, the Friedrich Ebert Stiftung (FES), in cooperation with TWARO, commissioned the Cambodia Institute of Development Study (CIDS) to conduct a living wage survey for the garment industry. The survey was carried out from December 2008-January 2009.

2. What is a Living Wage?

At present, there exists no universally accepted definition of a ‘living wage’ or a standard for how to calculate it. Some definitions of the concept are:¹

- **The Universal Declaration of Human Rights** provides that “everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worth of human dignity.
- The **Ethical Trading Initiative (ETI)** defines the Living Wage as a - “wage rate which is required to support an employee, meet the financial obligations of the employee towards his/her dependants, and provide some discretionary income”.
- **Family Budget Unit (FBU)**, UK defines it as ‘a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents’
- **Apparel Industry Labour Rights Movement (ALaRM)**, defines the living wage as “a wage from an eight hour work that is enough to fulfill basic needs of the worker and dependent family and which recognizes hidden costs”.

In sum, a living wage is a wage that provides for a decent living for a worker and his/her dependents, within *regulated working hours* (not including overtime) from *one income source*, and should allow for some savings. This is the definition used in this study.

It is important to distinguish between a living wage and a minimum wage. A minimum wage, usually set by law, is the minimum amount a worker must be paid for his/her services, which in some cases, may fail to meet the living requirements of the worker and his/her dependents.

¹ Prasanna, R. and Gowthaman, B. (2005). Sector Specific Living Wage for Sri Lankan Apparel Industry Workers. Report prepared for ALaRM for Wider Discussion.

3. Research Objectives

The objective of this research is to **identify and calculate a living wage for Cambodia's garment industry workers**, specifically, the study will:

- Quantify living wage in Cambodia's garment industry
- Compare living wage with minimum wage and average wage in the industry

This survey will be used by trade unions and relevant stakeholders as a basis to:

- Bring to the national agenda and into the dialogue between unions, government and employers the concept of a “living wage”
- Build and increase worker awareness about the concept of a “living wage”
- Provide a sound technical basis for future wage negotiations and campaigns

4. Methodology

4.1. Calculating Living Wage

There is currently no universal standard for calculating the living wage. Regardless, the method used must take into consideration the local and cultural context, profile of workers and their household, among other things. In this section, we introduce two methods; the first is a formula commonly used in other country studies, the second is developed and localized by the research team.

Method 1:

One method commonly used for calculating the living wage in various countries is as following:²

Equation 1: Minimum Living Wage

$$\text{Living Wage} = \frac{(\text{Household Size} \times \text{Basic Needs per Person}) * (10\% \text{ of Income})}{\text{Number of Income Earners}}$$

The formula takes into consideration the household size, basic needs of each household member, the number of income earners and incorporates a component of savings, with the assumption that a minimum of 10% of income is for discretionary purposes (that is, for savings). *The underlying assumption in this formula is that all income earners in the household should make equal contribution to the household expenses.* This assumption means that the living wage calculated from this method represents the **minimum living wage**.

² Prasanna, R. and Gowthaman, B. (2005). Sector Specific Living Wage for Sri Lankan Apparel Industry Workers. Report prepared for AlaRM for Wider Discussion.

Method 2:

For garment workers in Cambodia, they typically come from a 4-person household (including the interviewee), of which there is 2 income earners to support the household—the garment worker and a farmer. Because farming income is generally fixed or constrained by factors such as the size of the land, irrigation methods, and seasonality, it may be unrealistic to assume that both income earners can contribute equally to the household expenses. Thus, *the burden to fill the household income shortage falls entirely on the interviewee.*

Based on this context, we developed a second equation for calculating the living wage by taking into account the basic needs of the interviewee, his/her financial commitments to the household, and saving (10% of income). *Financial commitment* is determined by the household size and other incomes of the household, and represents the amount of money the interviewee needs to contribute to ensure that his/her household have a decent standard of living. The living wage calculated with this method, thus, represents the **maximum living wage**.

Equation 2: Maximum Living Wage

$$\text{Living Wage} = (\text{Basic Needs of Interviewee} + \text{Fin Commitments}) * (10\% \text{ of Income})$$

For this study, we will use both equations to determine the minimum and maximum living wages.

4.2. Determining Basic Needs

When pre-testing the questionnaire, the research team encountered difficulties in getting accurate data on household expenditure or basic needs of household members from interviewees because:

- Most of the interviewees are not head of the household and thus, not in charge of the household budget
- Workers migrate to work in urban areas far from rural home

To overcome this challenge, we use secondary data from the comprehensive Cambodia Socio-Economic Survey 2003-2004 conducted by the Ministry of Planning. Data on daily expenditure per person by region was updated by CIDS to 2008 prices. As shown in Table 1, the average daily expenditure per person in 2008 is 12,049 riels (roughly US\$3) for those living in urban Phnom Penh, and 4,554 riels (US\$1.13) for those in rural areas.

Table 1: Mean Daily Expenditure per Person in 2008 (in Riels)

By Region	Food	Non-Food	Total
Urban Phnom Penh	4,610	7,439	12,049
Rural Areas	2,636	1,917	4,554

Source: Cambodia Socio-Economic Survey 2003-2004, Updated by CIDS based on NIS CPI data

4.3. Collecting data

The survey was conducted by CIDS in cooperation with TWARO and the Living Wage Committee, which consist of 14 members from various trade federations in Cambodia. CIDS designed the questionnaire based on international best practices and adapted it to the Cambodian context. Data was collected by the members of the Living Wage Committee during 3 rounds of interview sessions with garment workers in Phnom Penh and surrounding suburb area; approximately 25 interviews per person. Each interview session was monitored by CIDS and CIDS was on call at all times to answer questions related to the questionnaire to ensure data quality. A total of 353 garment workers were interviewed, covering 47 factories.

5. Survey Findings

5.1. Profile of Interviewee

Of the 353 garment factory workers interviewed, 91% were female and 9% male. The average age was 24 years old, of which most were 23 years old; the youngest interviewee was 15 years of age and the oldest 47 years. Seven out of ten of the interviewees are single, while 20% are married and roughly 9% are widowed (Table 2). Almost all of the interviewees (96%) are migrants, typically from Kampong Cham and Prey Veng provinces. The fact that nearly all of the interviewees are from distant provinces means that they encounter high transportation costs (i.e. when they must travel to their hometown for holidays). While working in the city, most of the interviewees reside in Mean Chey district (42.5%), Ruessei Keo district (32%) and Ang Snoul (15.6%). More than half of the interviewees (51%) work as a sewer at the factory. On average, interviewees have worked at the current factory for 3.1 years and have 3.5 years of work experience.

Table 2: Marital Status of Interviewee

Marital Status	Frequency	Percent
Single	250	70.8
Married	71	20.1
Widow/Widower	32	9.1
Total	353	100.0

Table 3: Hometown of Interviewees

Hometown	Frequency	Percent
Kampong Cham	75	21.2
Prey Veng	74	21.0
Svay Rieng	49	13.9
Takeo	35	9.9
Kandal	34	9.6
Kampong Thom	20	5.7
Kampong Speu	16	4.5
Phnom Penh	15	4.2
Kampong Chhnang	8	2.3
Kampot	8	2.3
Siem Reap	7	2.0
Kratie	5	1.4
Battambang	4	1.1
Pursat	2	0.6
Banteay Mean Chey	1	0.3
Total	353	100.0

Table 4: Job Type in Factory

Job Type	Frequency	Percent
Sewing	180	51.0
Quality Control	44	12.5
Washing	23	6.5
Cutter	20	5.7
Finishing	20	5.7
Mechanics	14	4.0
Helper	9	2.5
Ironer	6	1.7
Supervisor	3	0.8
Fashioner	2	0.6
Technician	2	0.6
Other	30	8.5
Total	353	100.0

In this study, household size is the number of people covered by the income of the interviewee. Survey results reveal that the average household size of interviewees is 4 people, which includes the interviewee (shown in Table 5). A response of 1 person means that the income of the worker is used for supporting only themselves.

Table 5: Household Size

Number of People	Frequency	Percent	Cumulative Percent
1.00	39	11.0	11.0
2.00	46	13.0	24.1
3.00	98	27.8	51.8
4.00	87	24.6	76.5
5.00	48	13.6	90.1
6.00	21	5.9	96.0
7.00	8	2.3	98.3
8.00	3	.8	99.2
9.00	1	.3	99.4
10.00	1	.3	99.7
11.00	1	.3	100.0
Total	353	100.0	

The number of income earners in the household is another important factor to consider. In this study, we define income earners as persons who earn at least US\$30 per month, or in other words, enough to support at least one person. Members earning less than US\$30 are not considered income earners because their earnings cannot support the living cost of 1 person. Based on this definition, there is an average of 2 income earners per household, including the interviewee (see Table 6). The other income earner is typically a farmer. While household members who earn less than US\$30 are not considered earners, we include their contributions when calculating the household income.

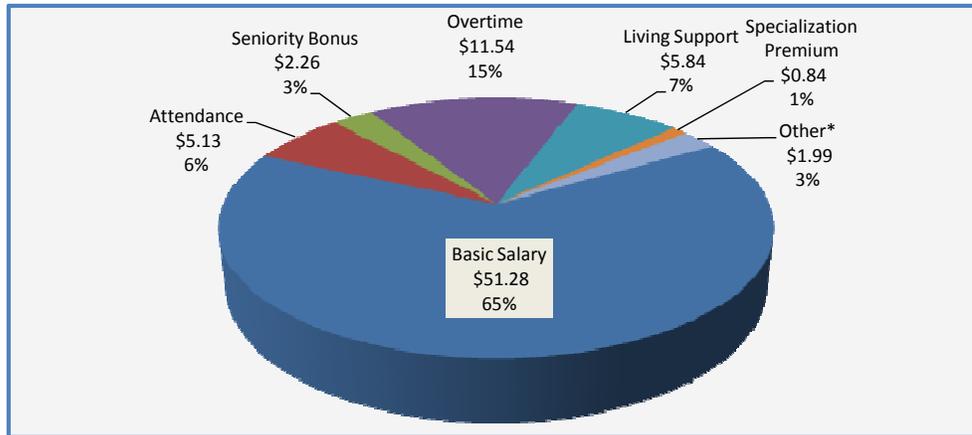
Table 6: Number of Income Earners

Number of Income Earners	Frequency	Percent	Cumulative Percent
1.00	189	53.5	53.5
2.00	131	37.1	90.7
3.00	28	7.9	98.6
4.00	5	1.4	100.0
Total	353	100.0	

5.2. Income

Interviewees earn an average of US\$79 per month from working at the factory, which includes their basic salary, attendance bonus, seniority bonus, overtime, living support allowance, specialization premium and other allowances (see Figure 1). If we were to exclude overtime, the average effective income is US\$67 per month. These figures are based on their situation over the last four months.

Figure 1: Average Income from Factory by Components (US\$ per Month)



Note: Total average income from factory is US\$79;
*Others include additional allowances such as for meals, incentive, etc.

Within the salary structure of garment workers, overtime is a crucial component (constituting 15% of income) because it can increase, while other components are fixed. This provides workers with an opportunity to earn additional income, if needed. Basic salary is also an important component, representing 65% of income. Basic salary refers to the minimum salary (or minimum wage) that a worker must be paid, as set by law, which is currently US\$50 per month. However, the basic salary can be higher than US\$50 and can vary by factory and within the factory based on collective bargaining agreements between the factory and trade unions. For some new workers (less than 3 months), their basic salary is US\$45 per month.

Interviewees informed that their normal working hours (according to their contract) is a 6-day, 48-hour working week. Among the workers interviewed, 302 interviewees said they currently have some overtime.

Only 19 of the 353 interviewees (or 5%) have a secondary activity to help supplement their income (see Table 7). This low figure does not imply that workers do not need supplementary income, rather that they have no extra time to conduct side activities.³

³ According to interviews with workers

Those with side activities can earn an additional US\$ 34 per month, typically by lending money to other garment workers on interest.

Table 7: Other Income Sources

Activity	Frequency	Income (US\$)
Run small business	1	15
Rent house	2	30, 140
Acting on TV show	1	3
Lend money	5	34
Sell beauty products	1	10, 100
Security guard	1	30
Hair Dressing	2	15, 46
Sewing	4	41
Sell dessert	1	30
Total	19	

5.3. Expenditure

Expenditure is the key foundation for calculating the living wage. **Total expenditure** includes spending on the interviewee’s **basic needs** plus their **financial commitments**, which are to help support the basic needs of their household members. We look at these two components of expenditure in the following sections.

5.3.1 Basic Needs of Interviewee

Basic needs consist of a basket of goods and services including food, clothing, housing, personal & medical, fuel & electricity, education, transport & communication and others that the interviewee needs for a basic standard of living, which is in line with the definition of the National Institute of Cambodia (NIS).

Survey results show that the average spending on basic needs among the 353 workers is US\$57 per month, about US\$1.84 per day (see Figure 2), which is far lower than the NIS figure for the average person living in Phnom Penh of US\$ 3 per day. Of this amount, garment workers spend US\$0.97 daily on food and US\$0.87 on non-food items such as housing, transport & communication, electricity & fuel, personal care and health, clothing, education and other. This low spending is the result of extreme budgeting and thrifty spending by workers. Survey findings reveal that the way workers keep spending on basic needs low is by: 1) eating in groups, and 2) living in groups (i.e. 12m2 room shared by 4 people). Some of the workers minimize food expense by bringing rice, meat and fish from their village.

Figure 2: Average Expenditure of Interviewees on Basic Needs (US\$ per month)



Note: Average expenditure on basic needs of interviewee is US\$57 per month.



Left: A typical room (12m²) rented by garment workers; usually shared by 4 garment workers. The rent is around \$25-\$30 per month.

Right: Garment workers sharing a meal. To reduce food expense, workers typically eat together.



5.3.2 Financial Commitments

As previously mentioned, financial commitments refer to the interviewee’s obligations to help cover the household’s expenses. Since almost all of the interviewees are migrant workers from rural areas, their financial commitments are in the form of remittances back home. This money is used primarily to cover food and living expenses, which are the basic needs of their household members. The amount of remittance depends on the number of household members and disposal income of the interviewee. According to the survey findings, three-fourths of the interviewees (269 workers) send remittances home. The average amount of remittances is US\$15 each month.

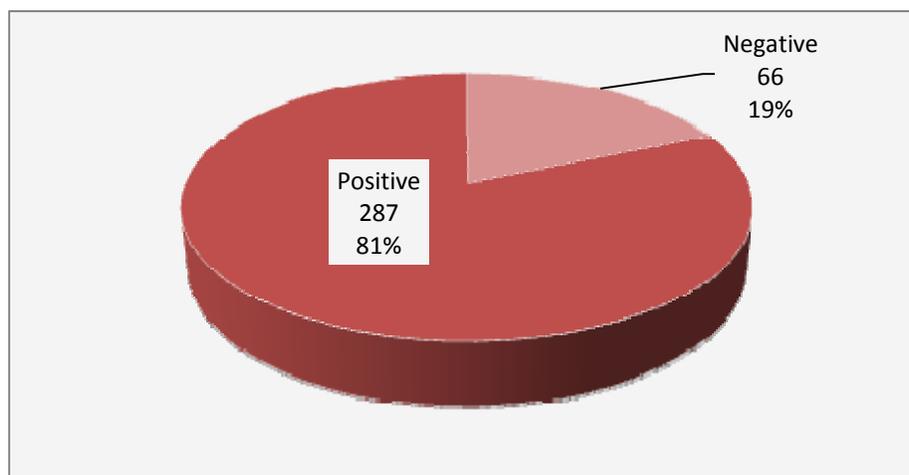
The total expenditure of the interviewee is the sum of their personal basic needs and financial commitments to help support household members. On average, interviewees spend a total of US\$72 per month, of which US\$57 is on personal expenses for food, clothing, housing and etc., and US\$15 is on financial commitments to the household.

In sum, the average total expenditure of garment workers is US\$72 per month, with an average income from working at the factory of US\$79 per month.

5.4. Savings

In this study, savings is defined as the factory income of the interviewee that is left over after making all expenses on basic needs and financial commitments. Overall, the survey finds that interviewees have a positive savings of around US\$7 per month. Among the 353 workers surveyed, 81% (287 people) have positive savings, while 19% (66 people) have negative savings (see Figure 3). Those with positive savings have around US\$10 left each month, while those with negative savings are short US\$8 per month.

Figure 3: Savings of Interviewee (% of 353 Workers Surveyed)



We take a closer look at the situation by comparing the profile of those with the highest savings (US\$20 or more per month), lowest savings (-US\$10 or less per month) and average. As shown in Table 8, workers with negative savings tend to have lower income than the average worker because of less overtime and specialization, and higher expenses because they are required to send home more remittances.

Table 8: Profile of Highest and Lowest Savings

	Highest Savings (US\$20 and more)	Lowest Savings (-US\$10 and less)	Average
# of Interviewees	36.00	20.00	353.00
Income	\$94.43	\$72.33	\$78.89
Overtime	\$15.78	\$7.85	\$11.41
Specialization	\$3.53	0.40	\$ 0.84
Expense	\$63.42	\$90.79	\$72.00
Remittances	\$8.33	\$27.93	\$15.14
HH Size	3.69	3.95	3.50
Married	33%	50%	20%

During the interviews, workers reported that overtime has been reduced over the last few months of 2008, resulting in their negative savings, which did not happen before. Their first response to deal with this period of negative savings is to use their past savings, ask parents to send food items, and reduce remittances home. In the event that these options are exhausted or impossible, they borrow money with the expectation that they can work overtime later, find a higher paying job, or find supplementary income. If this does not occur, they will reduce their personal expenses to make repayments.

The common sources of financing their deficit is borrowing money from a money lender with interest (22% of 166 respondents), acquaintances and friends (17%), parents (10%) and relatives (8%), see Table 9.

Table 9: Sources of Financing Deficit

Sources of Financing	Percent*
Borrow money lender with interest	22%
Borrow from acquaintances	17%
Borrow from parents	10%
Borrow from relatives	8%
Parents send rice and fish to reduce food expense	3%
Find supplementary income source	1%
Reduce expenditure on food	1%

*Out of 166 respondents

5.5. Satisfaction with Current Wage

In synthesizing the current situation of the the 353 interviewees, we find that:

- *Daily expenditure on basic needs by garment workers is not sufficient, as it is less than the expenditure of an average person living in Phnom Penh (US\$1.84 compared with US\$3).*

Table 10 compares the results of CIDS survey of garment workers and NIS data on the average person in Phnom Penh. Garment workers spend less than the average person on food, \$0.97 per day compared to \$1.15. Likewise, garment workers spend far less than the average person on non-food items such as rent, clothing, and health care, \$0.87 per day compared to \$1.86.

Table 10: Comparison of Average Daily Expenditure per Person

Average Daily Expenditure	Food	Non-Food	Total
NIS, Urban Phnom Penh	\$ 1.15	\$ 1.86	\$ 3.01
CIDS Survey	\$ 0.97	\$ 0.87	\$1.84

Source: Cambodia Socio-Economic Survey 2003-2004, Updated by CIDS based on NIS CPI data

- *Current financial commitments fall short of the required commitments.*

The current level of remittances (US\$ 15 per month) does not necessarily reflect the amount needed to ensure a decent living standard for household members because it is based on the disposal income of the interviewees. As previously mentioned, it may be impossible for other income earners to increase their earnings to fill the gap because of the nature of their economic activity. The burden thus falls on the interviewee.

In order to get a more accurate picture of the real financial needs of the household, we calculated the interviewee's *required remittances*, that is, the money needed to cover the basic needs of other household members by the interviewee. The required remittance is calculated by subtracting the income of other household members from the basic needs of the household (see Equation 3).

Equation 3: Required Remittances

$$\text{Required Remittances} = \text{Basic Needs of Household}^* - \text{Other Household Income}^*$$

*Not including interviewee

The results show that the current level of remittances does not meet the required amount, and does not ensure a minimum living standard for interviewee's household members.

On average, interviewees need to send home US\$46 per month to cover the income gap; however, they can afford to send only US\$15 per month with their given wages, leaving the household short US\$31, see Table 11.

Table 11: Comparison of Current and Required Remittances

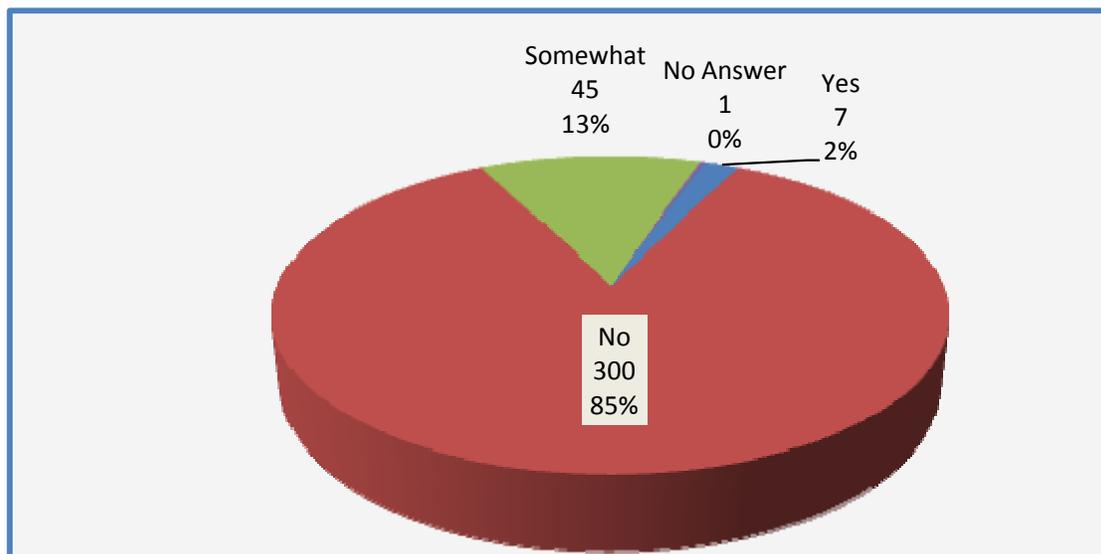
Current	Required	Shortage
US\$15	US\$46	US\$31

- *Savings fall short of the 10% of income standard.*

A living wage should be sufficient to cover all the basic needs of a worker and their household members, and allow for some savings for precautionary and future purposes. As mentioned above, a typical garment worker can save US\$7 per month, usually as a result of thrifty spending on basic needs and not sending remittances home. It was obvious during our interviews that garment workers are not yet aware that their wages should enable them to have some savings.

This situation justifies why the majority of interviewees (85%) are not satisfied with their current salary (Figure 4). Among the 353 interviewees, 13% said they are somewhat satisfied, while only 3% said they are satisfied.

Figure 4: Are you satisfied with your present salary?



6. Living Wage

In this section we quantify a living wage for the garment sector. We make two living wage calculations: minimum and maximum. The **minimum living wage** is calculated using method 1 as described in Chapter 4, and is the living wage if all income earners of the household are assumed to contribute equally to the household expenses. The living wage for garment workers should not be lower than this minimum level because this would mean that the shortage must be fulfilled by other income earners of the household. The **maximum living wage** is calculated using method 2, and assumes that the household income shortage is placed solely on the interviewee because other income earners are unable to increase their earnings, an assumption that fits with the situation of garment workers in Cambodia. We explain the results of our calculations in the subsequent sections.

6.1. Minimum Living Wage

➤ A) If Using Current Food Expenditures of Garment Workers

The minimum living wage is calculated using equation 1 and is based on data on the average household size, basic needs of each household member, number of income earners, and savings (10% of income). According to the survey, the average household size is 4 people (including the interviewee), basic needs per person in rural areas in US\$1.13 per day⁴, and the average number of income earners is 2 people (including the interviewee).

In our case, we separate the household basic needs into two components: interviewee and other household members, because of their different living costs (interviewees live in urban Phnom Penh while their household members live in rural areas). Currently, interviewees spend about US\$57 per month on their basic needs. Plugging the data into the equation, we find that the minimum living wage for garment workers is US\$90, as following:

$$\begin{aligned} \text{Min LW}_A &= \frac{(\text{Household Size} \times \text{Basic Needs per Person}) * (10\% \text{ of Income})}{\text{Number of Income Earners}} \\ &= \frac{(\text{Household Basic Needs}) + \text{Basic Needs Interviewee} * (10\% \text{ of Income})}{\text{Number of Income Earners}} \\ &= \frac{(3 \times 35.03) + (56.84)}{2} * \frac{1}{0.9} \\ &= \frac{80.97}{0.9} \\ &= \mathbf{\$90 \text{ per month}} \end{aligned}$$

⁴ According to NIS Socio-Economic Survey 2004 and updated by CIDS using 2008 CPI data.

Minimum living wage_A of US\$90 is the wage that would help garment workers maintain their current living standards (in which food expense is insufficient), but increase their capabilities to support the basic needs of other household members (\$24 per month, up from the current \$15) and have some savings remaining for the future (\$9 per month, up from the current \$7). The breakdown of the minimum living wage is shown in Figure 5.

Figure 5: Breakdown of Minimum Living Wage A



➤ **B) If Using NIS Figures on Average Food Expense**

As mentioned in previous sections, garment workers currently spend less on food than the average person living in Phnom Penh (\$0.97 per day compared to \$1.15). If we use the NIS figure on average food expense, with all other variables constant such as household size, number of income earners and basic needs of household members, then the minimum living wage is \$93 per month, as following:

$$\begin{aligned}
 \text{Min LW}_B &= \frac{(\text{Household Size} \times \text{Basic Needs per Person}) * (10\% \text{ of Income})}{\text{Number of Income Earners}} \\
 &= \frac{(\text{Household Basic Needs}) + \text{Basic Needs Interviewee} * (10\% \text{ of Income})}{\text{Number of Income Earners}} \\
 &= \frac{(3 \times 35.03) + (62.47)}{2} * \frac{1}{0.9} \\
 &= \frac{83.78}{0.9} \\
 &= \mathbf{\$93 \text{ per month}}
 \end{aligned}$$

Minimum living wage_B of US\$93 is the wage that would enable garment workers to have food consumption comparable to the average person in Phnom Penh (\$36 per month, up from the current \$30), increase remittances to cover the basic needs of other household members (\$21 per month compared to current \$15 per month) and have some savings for the future (see Figure 6).

Figure 6: Breakdown of Minimum Living Wage B



6.2. Maximum Living Wage

➤ A) If Using Current Food Expenditures of Garment Workers

The maximum living wage is calculated using equation 2 and takes into account the personal expenditure of interviewees (or their basic needs), their required financial commitments to the household, and savings. Our survey shows that the personal expenditure of interviewees is about US\$57 per month and required financial commitment is US\$46. Thus, the maximum living wage is US\$114 per month, as following:

$$\begin{aligned}
 \text{Max LW}_A &= (\text{Basic Needs of Interviewee} + \text{Fin Commitments}) * (10\% \text{ of Income}) \\
 &= (\$56.82 + \$45.85) * \frac{1}{0.9} \\
 &= \mathbf{\$114 \text{ per month}}
 \end{aligned}$$

Maximum living wage_A of US\$ 114 is the wage that would allow garment workers to maintain their current living standards (in which food expense is insufficient), while significantly easing the household’s financial burdens and improving the living standards of other household members (\$46 per month, compared to the current financial commitments of \$15). The breakdown of this maximum living wage by items is illustrated in Figure 7.

Figure 7: Breakdown of Maximum Living Wage A



➤ **B) If Using NIS Figures on Average Food Expense**

If we were to use the NIS figures on average food expenditure (\$1.15 per day) instead of the current expenditure of garment workers (\$0.97 per day), and the required financial commitment of \$46 per month, the maximum living wage is \$120 per month, as following:

$$\begin{aligned}
 \text{Max LW}_B &= (\text{Basic Needs of Interviewee} + \text{Fin Commitments}) * (10\% \text{ of Income}) \\
 &= (\$62.47 + \$45.85) * \frac{1}{0.9} \\
 &= \mathbf{\$120 \text{ per month}}
 \end{aligned}$$

Maximum living wage_B of US\$ 120 is the wage that would make it possible for garment workers to have food consumption comparable to the average person living in Phnom Penh, improve the living standards of their household members, and have some savings to plan for the future. It is the living wage that would make both the worker and his/her household members significantly better off. The breakdown is shown in Figure 8.

Figure 8: Breakdown of Maximum Living Wage B



Note: Total may not add up to \$120 due to rounding of individual items

7. Conclusion

The current effective wage in the garment industry of US\$79 per month, which includes overtime and other allowances, is not a living wage (as shown in Figure 9). If we exclude overtime, which is currently being reduced by factories at the moment because of the economic crisis, the average effective wage is US\$67 per month. Overtime has played a very important role in enabling workers to cover their basic expenses and maintain a minimum living standard. This practice means that the living standard of garment workers is highly dependent on the economic situation. If the economy is in a good state, they get overtime, and their living standards improve; if the economy is in a bad state, overtime is reduced and the living standards of workers deteriorate even if they are employed. This set up provides no security for a decent living standard, which undermines industrial relations and the stability of the garment industry. To make the environment conducive for both employers and workers, there is an urgency to institutionalize the living wage, which should not be dependent on overtime.

According to our survey and calculations, the living wage of garment workers should range from at least US\$90 per month to US\$120 per month.

Figure 9: Comparison of Living Wage with Effective Wage

