

STITCHED UNDER STRAIN

Long-term wage
loss across the
Cambodian
garment industry



#PAYYOURWORKERS



Acknowledgements

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Data collection: C.CAWDU's field organising team and CATU organisers Morn Channa, Phal Chantha, Ek Sarun, Vet Tetodom, and Horl Chanrachana

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Acknowledgements: Sar Mora, Kong Athit, Khun Tharo, Chun Sotheary, Katherine Tu, Milly Atkinson Handley, Mark Channsitha, Kieu Gavin and Anne Bienias.

Published: September 2023

Cover Image: Workers and activists protest for brands to ensure workers are paid full wages and severance during the pandemic as part of the PayYourWorkers campaign.

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ORGANISATIONS

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ActionAid

ActionAid is a global women's rights organisation working in over 45 countries to expand the resources and opportunities for women to lead and drive change in their communities. The organisation provides resources, technology and training to support women to amplify their voices and campaign for local, regional and global change. ActionAid works with women garment workers in Cambodia and Bangladesh. ActionAid Australia launched the She Wears the Cost Campaign in 2021 in response to the persistent exploitation of women workers in the global garment industry and advocates for Australian and International brands to uphold the rights of the workers who make their clothes.



Coalition of Cambodian Apparel Workers' Democratic Union

The Coalition of Cambodian Apparel Workers' Democratic Union (C.CAWDU) is an independent and democratic union in Cambodia representing garment workers' rights and interests, working in affiliation with the Cambodian Labour Confederation (CLC). C.CAWDU was established in the year 2000 with the support of the Cambodia Labor Organization with the specific objective to defend the rights of garment workers and promote better working conditions. Everyday C.CAWDU provides services to their tens of thousands of members across Cambodia, including training, legal consultations, dispute resolution assistance, and collective bargaining in order to improve the working conditions for the workers.



Cambodian Alliance of Trade Unions

Founded in 2011, the Cambodian Alliance of Trade Unions (CATU) is the first independent union in Cambodia that is led by women and adheres to democratic principles at all levels of the union structure. CATU was formed through a collaboration between CATU union leaders and workers in the garment sector, and the union now represents workers in textile, garment, footwear, travel goods and bag producing factories across Cambodia. Since its formation, CATU has assisted tens of thousands of workers in receiving higher benefits, moving off short-term contracts and into permanent employment, and improving health and safety conditions in workplaces. During the pandemic, CATU provided crucial support to its members in the textile, garment, footwear, travel industries who have been impacted by Covid-19.



Center for Alliance of Labor and Human Rights

The Center for Alliance of Labor and Human Rights (CENTRAL) is a Cambodian founded, run, and operated non-governmental organisation based in Phnom Penh. Operating since 2016, CENTRAL's long-term strategic goal is to contribute to transparent and accountable governance for the fulfilment of workers' and human rights in Cambodia. To work towards this goal, CENTRAL organises and supports Cambodian working people through legal aid, capacity building and other appropriate means to demand transparent and accountable governance for labour and human rights. Through support from CENTRAL, more effective communication has been opened between unions, the government, and international buyers, resulting in an unprecedented development, where voices of workers in Cambodia can be and are being heard.

Workers and activists protest for brands to ensure workers are paid full wages and severance during the pandemic as part of the PayYourWorkers campaign focusing specifically on H&M, Nike and Primark.
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01

EXECUTIVE SUMMARY

In early 2020, the Covid-19 pandemic threw the global fashion industry into turmoil, as supply chain disruptions, store closures and lockdowns brought production to a standstill. With their profits under threat, fashion brands took swift action to cut costs. For garment workers across Cambodia, the consequences were catastrophic as mass suspensions and layoffs pushed workers further into financial precarity. But this was only the beginning of the story.

More than three years on, with the fashion industry well on its way to recovery, the situation for Cambodian garment workers remains dire. Through interviews with 308 garment workers employed at factories producing for brands such as Nike, Adidas, New Balance, Gap, Levi Strauss, and Puma, this study provides evidence of the daily reality for workers across Cambodia's garment industry in today's 'post-pandemic' climate.

What emerges is an alarming indictment of a global fashion industry that puts profit above the rights of garment workers in factories across Cambodia. While most of the brands covered by this research have returned to profitability, workers' financial precarity is worse than ever. At least a quarter of surveyed workers reported a decrease in monthly pay since 2020, even before accounting for drastic cuts in overtime work. Simultaneously, the cost of living has soared across Cambodia, trapping workers in a vicious cycle of poverty, insecurity and debt that spirals further with every paycheck that fails to cover their basic needs.

Despite decades of promises from brands to pay garment workers a living wage and uphold human rights across global supply chains, this research shows that many brands continue to the same old tricks to cut costs and protect profits. More than three years after the pandemic emerged, brands continue to cite volatile economic conditions when pulling orders, fuelling competition at the bottom of global supply chains, with workers' wages impacted the most.¹ In turn, factory owners are increasingly cutting costs wherever possible by limiting the overtime that workers rely on, increasing production targets, and continuing mass layoffs and suspensions when all else fails.

In the immediate aftermath of Covid-19, there was momentum towards rebuilding more equitably. This research shows that instead of recovering from the crisis together, the global fashion industry has once again pushed the costs onto the garment workers who make their clothes. With the situation for Cambodian garment workers going from bad to worse, their calls for reform of the global fashion industry could not be more urgent.

KEY RESEARCH FINDINGS



Decreased monthly wages

At least 25 percent of surveyed workers report a decrease in monthly take-home pay since 2020, excluding overtime. Despite a legal minimum wage increase of US\$10 between 2020 and 2023, a significant proportion of surveyed workers are earning less now than they were in 2020, before the Covid-19 crisis hit.



Systemic dependence on overtime pay

Overtime pay decreased by more than 60 percent for surveyed workers from 2020 to 2023. Workers have gone from earning, on average, an additional US\$36 before the pandemic hit, to an average US\$12 per month in 2023. In a country where garment workers were already overly reliant on overtime to supplement their minimum wage, they have had to cope by cutting back on daily food intake and educational expenses for their children.



Soaring Debt

91 percent of surveyed workers report holding at least one current loan, with 70 percent pointing to the pandemic as a direct link to increased debt. Amidst the growing cost of living crisis, workers are increasingly turning to informal loans that carry interest rates as high as 20 percent, with some workers reporting alarming new trends such as borrowing from factory supervisors directly.

RECOMMENDATIONS

Key recommendations to apparel and footwear brands:

- Publish and maintain a complete list of supplier factories they source from across all tiers of their supply chain, including subcontracted suppliers.
- Immediately resolve wage theft and severance disputes in supply chains so that garment workers receive full wages, severance payments and other legal entitlements as a matter of urgency.
- Publicly commit to developing policies and procedures to pay all workers in their supply chains a living wage, and release a detailed plan outlining the timeframe and steps that will be taken to ensure all the factories they work with are paying workers a living wage.
- Publish and enforce a responsible purchasing practices policy that is aligned with brands obligations under the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.
- Brands' purchasing practices should provide factory suppliers with order stability and adequate time for planning and implementation of orders. Payments should be timely, and the costing model used by companies should enable the payment of living wages and benefits, the provision of social protection and the implementation of worker safety protections.

RECOMMENDATIONS

Key recommendations to the Royal Government of Cambodia:

- Increase the minimum wage to ensure that base salaries across the garment industry are sufficient to cover basic needs such as food, housing, utilities and education, reducing the need for workers to take on debt to cover basic expenses.
- Consider re-examining the Labour Law in the context of factories reducing working hours to ensure that the Minimum Wage is guaranteed regardless of work hours or production targets.
- The Ministry of Labour and Vocational Training should reinforce their implementation mechanisms, such as workplace inspections, to ensure factories are not using production targets to pay workers below the minimum wage.
- The National Bank of Cambodia should consider reviewing and regulating interest rates for micro-finance institutions, banks, and informal lenders to align with international standards.
- Consider implementing a policy of rent controlled housing for garment workers to address price gouging practices.

Key recommendations to governments in Australia, the European Union and the United States:

- The EU and its Member States should finalise and implement ambitious legislation on corporate sustainability due diligence. Such legislation should include requirements that, in the context of their due diligence duty, companies shall adapt their business and purchasing practices and ensure workers in their value chains are paid a living wage.
- The EU should work on dedicated legislation to ban the use of Unfair Trading Practices in the textile and clothing sector. Practices such as prices below the cost of production, late payment or late order cancellation should be outlawed.
- The EU and US should maintain the lapse in preferential trade agreements with Cambodia, until concrete and sustainable improvements to human rights and labour rights in the country are made.
- Australia and the US should consider looking to the EU for guidance in creating their own legislation to ensure supply chain oversight. Both countries should adopt legislation that mandates that companies operating overseas undertake gender-responsive human rights due diligence. This legislation should establish an accessible redress mechanism that is independent, well-resourced, accountable, and transparent, which has powers to investigate, and provides effective, enforceable remedies.
- Australia should align its trade agreements with international human rights and gender equality obligations. Binding labour rights provisions should be included in all agreements, and provisions that undermine workers' rights, directly or indirectly in Australia or in partner countries, should be excluded. Trade agreements should include redress mechanisms that enable workers to access compensation in response to cases of human rights violations.

02

INTRODUCTION

When the Covid-19 pandemic hit in early 2020, the fashion industry was brought to a standstill as supply chain disruptions and lockdowns wreaked havoc at both ends of the sector. With brick-and-mortar stores closed and sales plummeting, the world's biggest fashion brands took swift action to protect their profits – cancelling and delaying billions of dollars in orders globally. At the other end of the supply chain, mass layoffs pushed garment workers into crisis as poverty and hunger grew.

By mid-2021, after the initial chaos of lockdown eased across much of the world, the global apparel and footwear industry was already well on the road to recovery. Two years later, despite rising geopolitical tensions, inflation, and the anticipation of an economic downturn, profits are on the rise and the outlook for fashion brands is positive.² For the more than 700,000³ mainly women workers employed in garment factories across Cambodia, the situation could not be more different.

Most Cambodian garment workers were already earning well below the living wage when the pandemic emerged. When manufacturing ground to a halt in March 2020, over 100,000 workers either temporarily or permanently lost their jobs as garment factories across the country were suspended or permanently closed.⁴ The immediate impacts of factory closures were widely reported,⁵ with estimates suggesting that Cambodian workers lost up to US\$342.5 million in unpaid wages and severance in 2020–2021 alone.⁶

This research explores the lived experience of Cambodian garment workers in today's 'post-pandemic' climate. What emerges is a picture of overlapping crises. From the precarity of pre-Covid poverty wages, to the devastation of pandemic-era wage theft, through to the long shadow of Covid-19 on wages and working conditions. For Cambodian garment workers, the story of the first three years of the pandemic is one of poverty on top of poverty; financial insecurity on top of financial insecurity.

In 2023, garment workers are continuing to be put out of work across Cambodia, with more than 20,000 workers impacted by the suspension or closure of as many as 1,000 garment factories.⁷ While the world may be returning to normal as the immediate impacts of the pandemic finally subside, for the one in five households across Cambodia that rely on the garment industry for their livelihoods, the crisis is far from over.⁸

“There is no room to breathe. In the past there were only a few days when we didn't have room to breathe at the end of the month, but now it's half the month.”

– Berry Apparel worker

03

BACKGROUND

The exploitation at the centre of the global fashion industry

The global fashion industry has a human rights problem. Well before Covid-19 hit, human rights violations were endemic across an industry that was built off the back of low-paid, mostly women garment workers in low-income countries across the world. From poverty wages and insecure work to violence, harassment and the repression of trade unions, the workers making our clothes are locked into working poverty while fashion brands pocket billions in profit.

While international brands increasingly make commitments to pay the workers that make their clothes a living wage,⁹ the structure of the global fashion industry, and the exploitation at its core, remains unchanged. The web of global supply chains, often spanning multiple factories and countries, continues to create an enabling environment for global brands to source cheap and flexible labour. This is compounded by poor transparency - despite brands increasingly publishing their list of first tier suppliers¹⁰, most of their supply chains remain hidden¹¹ - and a system of indirect employment and short-term contracting, all of which provide brands with the flexibility to quickly move production between factories, and even countries, if production costs rise. The result is a race to the bottom on wages and conditions, as garment producing countries and garment factories compete for business.¹²

Time and again fashion brands have pushed the responsibility for wage suppression and poor working conditions onto their suppliers. With production spread across a range of factories, brands claim that they are just one of many buyers and have little responsibility for, or leverage to, address human rights concerns.¹³ Yet, brands' purchasing practices, and the amount they are willing to pay for their clothes to be made, can make it difficult for factories to pay workers a fair wage, provide long-term and secure contracts and maintain good working conditions.¹⁴

From widespread wage theft, to growing insecurity and rampant trade union repression, Covid-19 has intensified an already unjust industry. Once again, as this research shows, it is the garment workers making our clothes that are left wearing the cost.



A snapshot of the Cambodian garment industry

The garment and footwear sector is Cambodia's biggest export industry and the backbone of the national economy since the mid-2000s. According to the National Bank of Cambodia, in 2018 the total exported value exceeded US\$10 billion, accounting for 74 percent of Cambodia's export earnings. The rapid growth of the sector in Cambodia has been largely attributed to its strategic location in the Greater Mekong Subregion combined with early enjoyment of preferential trade agreements, including the EU's Everything But Arms scheme (EBA) and the US Generalised System of Preference (GSP) status.

In January 2020 the Cambodian Ministry of Commerce's annual report revealed that the number of factories in the sector had grown by 24 percent in 2019, employing more than 800,000 workers across at least 1,000 factories. But by the end of the year, hundreds of factories had closed unexpectedly or suspended operations, leaving an estimated 100,000 workers out of work and contributing to a 10 percent drop in exports.¹⁵ Conditions continued to worsen in 2021, reflecting the effects of not only the pandemic, but also Cambodia's loss of preferential trade status due to the termination of the EBA and expiry of the GSP. Both changes were reported as largely due to serious and systemic concerns related to human rights.¹⁶ Despite this, the EU and US continue to be the largest export regions for Cambodian-made garments and footwear.

Today, factory closures and suspensions continue to impact workers across the country, even as the Government insists the industry is safe from volatility. The Cambodian Labour Confederation reported that 490 factories closed or suspended operations in 2022, directly affecting more than 40,000 workers.¹⁷ Factory suspensions and closures have continued into 2023,¹⁸ raising critical questions about the future of the garment industry across the country, and concerns for the more than 700,000 workers that rely on garment factories for their livelihoods.

The global brands owing Cambodian workers millions in Covid-19 era wage theft

When the pandemic hit in early 2020, the inequities of the garment industry were in full view. Rather than fulfilling their responsibilities to garment workers across their supply chains, the world's biggest brands took swift action to protect their profits.¹⁹ As brands delayed and cancelled orders, Cambodian garment workers experienced mass layoffs and suspensions, often without their legally entitled severance pay and with financial support falling well below the minimum wage. In research released in 2021 and 2022, the Clean Clothes Campaign estimated that Cambodian workers were owed US\$342.5 million in wages²⁰ and severance²¹ for factory suspensions and permanent closures between February 2020 and April 2021.

As garment workers and labour rights organisations continue to call on international brands to pay up the millions in wages and severance that they owe, brands continue to use the loopholes of complex supply chains and indirect employment to deny responsibility for the workers making their clothes. The result is that three years after the pandemic, global fashion giants including Adidas, Nike, Target USA, Puma and Levi's, still owe millions to Cambodian garment workers after failing to address pandemic-era wage theft across the country.

Estimated wage theft at selected Cambodian factories between February 2020 and May 2021²²

Brand	Estimated wage theft
Adidas	US\$11.7 million
Nike	US\$7.5 million
Target USA	US\$7.6 million
GAP	US\$6.7 million
Puma	US\$5.9 million
Levi Strauss	US\$3.9 million

Published by Public Eye

Workers from at least five of the factories covered in this research experienced either wage or severance theft during the pandemic.²³ For many workers, this wage theft was a key contributor to the debt and insecurity that they experience today. Compounding an already devastating situation, this research shows that the Cambodian workers that were abandoned at the onset of the pandemic, are now bearing the biggest costs of Covid-19 recovery.

04

RESEARCH FINDINGS

Methodology

- A survey of 308 garment workers, 65 percent of whom were women, consisting of interviews conducted by CATU and CCAWDU field organisers between December 2022 and January 2023.
- A series of focus group discussions with previously surveyed workers and union representatives to validate key findings and conduct follow-up inquiries.
- A desk review of factory-issued payslips, shipping and export data, and all relevant and existing literature.

Survey data was collected at a total of 15 factories. However, data from only 7 factories produced a significant enough number of respondents from which to draw individualised conclusions for factory-based case studies. The remaining factories (representing 25 workers of the total 308 sample) have been put into an 'other' category in the table below, and are removed from factory-specific figures throughout the report, but are included in the overarching findings. It should also be noted that one of the factories, Violet Apparel, closed in July 2020. Data from previous employees was collected, but is not included in factory-specific comparative data.

The survey asked workers to compare their current financial status (largely encompassing wages and debt) to that of the pre-pandemic period (defined in the questionnaire as 2020). The survey controlled for those who have moved factories during that time, with most results reflecting a change in income and debt even without a change in employment.²⁴ A desk review was also conducted of select factory-issued payslips from between 2020 and 2023 and shipping and export data from between 2019 and 2023.

Limitations include a necessary reliance on trade unions to collect data, a relatively small sample of workers outside of Phnom Penh, and limited scope for ensuring worker understanding of the most complex financial topics. Factories and participants were chosen based on accessibility for the union data collectors, which led to uneven sample sizes across the factories.

Factories (worked at during Covid-19)	No. of workers surveyed	Brands	Owner
Apple Apparel (Cambodia) Co. Ltd.	49	 	Ramatex Group
Berry Apparel (Cambodia) Co. Ltd.	58		Ramatex Group
Violet Apparel Co. Ltd.	26	 	Ramatex Group
Can Sports Shoes Co. Ltd.	26		Sports Gear Co. Ltd. Taiwan Branch
Meng Da Footwear Industrial Co. Ltd.	51		Evervan International Limited
Trax Apparel (Cambodia) Co. Ltd.	17	 	Wellcorp Holdings Trading HK Limited
Yi Da Manufacturer Co. Ltd.	56	 	Crystal International Group Limited
Other	25	  and others	

Sophea's story

Sophea* has been working at the Berry Apparel garment factory in Phnom Penh since before the onset of Covid-19, where she produces clothes for Nike and other international brands. Sophea said her job as a garment worker is difficult, but it is important to her because her family is reliant on the income that she makes.

When the pandemic hit Cambodia, many garment factories were suspended or closed down, including Berry Apparel, which suspended operations during lockdown periods. During factory closures Sophea and other garment workers only received USD\$70 per month, less than half of the legal minimum wage. Sophea experienced a lot of challenges during this time, and she also saw the impact that the crisis had on other garment workers across Cambodia:

“There are many workers who have lost their jobs since the Covid-19 pandemic. Some factories have closed, some relocated far away...from 2021 to 2023, the Berry Factory itself laid off about 2,000 workers. When the factory was dismissed, some workers were all old, and when they went to test for a new job at another factory, they were not accepted to work, and if the worker joined the union at the old factory and came to test at the new factory, the company did not accept.”

Berry Apparel has now reopened but Sophea continues to face challenges because there is less work available, and the working conditions in the factory are deteriorating. Salary cuts and soaring living costs are also pushing workers like Sophea further into debt and insecurity.

“I feel very stressed, I can't think of anything, I don't have a lot of work, I have a lot of debt and I have to support my family. What is difficult with the company [Berry Apparel] is that the company has set a higher production rate, but the salary is still low, while the team leader blames the workers with harsh words.”

Sophea knows that the conditions in her factory could be improved, and she is calling on the government and factories owners to better support garment workers. Sophea's demands are clear:

“Employers should find extra work for workers and overtime work, and the government should raise the minimum wage for workers to at least US\$300 per month. Based on the current salary, I cannot afford enough.”

International brands also have an important role to play in upholding the rights of the workers who make their clothes. Sophea called on Nike to take action to improve wages and working conditions for Cambodian garment workers.

“My last message is that we want Nike to order more clothes from Cambodia, in order to have higher salaries, more jobs to do, more overtime jobs...[also] do not restrict workers' rights, but give full freedom to the independent federation [the Union CATU] and respect the law in Cambodia.”

**Name changed to protect her identity*

FINDING 1

Systemic wage loss across the Cambodian garment and footwear sector

KEY FINDINGS

- Among surveyed workers, at least a quarter report a decrease in monthly pay since 2020.
- 65 percent of workers reported that their salary is insufficient to support them until the end of the month.
- All surveyed workers are earning well below Asia Floor Wage Alliance (AFWA) estimated US\$701 living wage.
- Systemic wage loss across the Cambodian garment industry comes as the cost of living skyrockets.
- Cambodia's minimum wage of US\$200 is just 28.5% of the living wage, representing a chronic failure of minimum wage to keep up with inflation and curb worsening poverty.

The growing gap between the minimum and living wage

Cambodia's minimum wage, which is only legally applicable to those in the garment and footwear industry, has risen by US\$10 over the last three years.²⁵ These increases have occurred despite considerable pressure from employer groups who advocated for a decreased minimum wage in 2020 due to the pandemic-induced economic crisis.²⁶ The most significant increase came into effect January 1, 2023, after Cambodian Prime Minister Hun Sen used an executive order to set the minimum wage for 2023 at US\$200 per month, an increase of US\$6 and US\$2 above the amount agreed to by the National Minimum Wage Council.²⁷

However, these increases were made in the context of the global cost of living crisis reaching Cambodia, with workers and labour rights organisations expressing

“I have lived a very difficult life so my dream is for my children to have a better life. We don’t want the children to go through this difficulty as well. I also dream that when we get older we don’t have any debt and also have a decent life in our own home in the countryside. We want to have a comfortable life and travel easily just like foreigners do. When we are 60 we want the Government to support us so we can retire. Other countries can travel and live comfortably, we also have the same dream.”

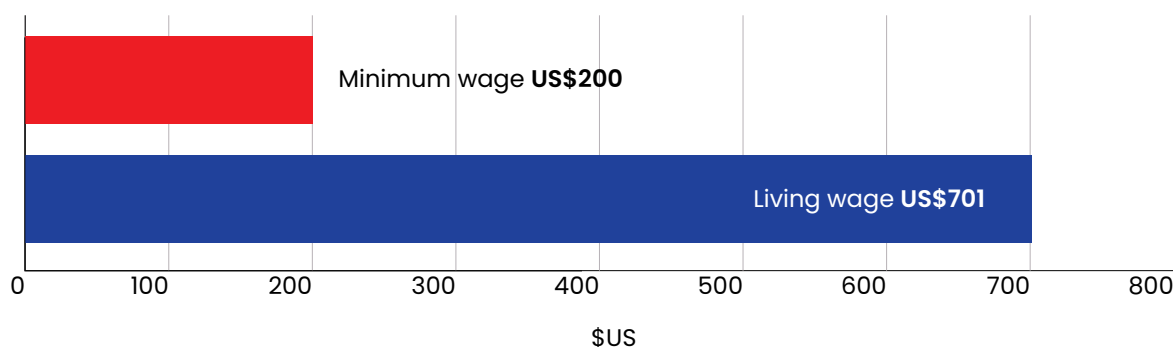
- Berry Apparel worker

concerns about rising rent, food and fuel expenses. This has been verified by the Asia Floor Wage Alliance’s 2022 Household Consumption Expenditure Survey, which found that, on average, workers were consuming less than the 3,000 calories a day that is required to carry out physical labour.²⁸ In response to the rising cost of living, the survey found that the living wage in Cambodia rose from US\$588 in 2020 to US\$701 in 2022.²⁹ Even still, this figure is likely not representative of inflation’s full impact in the year since the survey was conducted.

In Cambodia the minimum wage is only 28.5 percent of the living wage, meaning that the garment workers making our clothes, and whose labour earns billions for big fashion brands, are locked into working poverty because the wages they earn are not enough to cover their basic living costs.

Throughout this research, workers echoed concerns about the rising cost of living, with the biggest expense change reportedly linked to rising rents. In some cases, rents have more than doubled over the last two years. For example, one worker described how her monthly rent for her ground-floor, one-room apartment doubled from US\$30 to US\$70 overnight. With a salary of little more than US\$200, she was forced to move with her family to a smaller apartment to cut costs. Yet, she still pays US\$55 per month in rent - over a quarter of her wage.

The Living Wage Gap, 2023



What is a living wage?

All workers should earn enough to be able to provide for themselves and their families' basic needs, but in the garment industry many workers do not earn enough to cover the cost of housing, food, education and healthcare. The Asia Floor Wage Alliance (AFWA), a labour and social alliance, tracks the cost of living in garment producing countries across Asia in order to determine how much workers need to earn to live above the poverty line. They use a methodology based on detailed price surveys to calculate the lowest wage needed for a garment worker to live in dignity; i.e., a 'living wage'.³⁰

AFWA defines a living wage as a wage that is sufficient to meet the basic needs of workers and their families and to provide some discretionary income.

Principles of the AFWA living wage:

- Must be enough to cover the basic needs of a family of four (two adults, two children), including the cost of housing, food, education and healthcare.
- Must account for emergencies by including an additional 10 percent of the costs for basic needs as discretionary income.
- Must be applicable for all workers, meaning that salaries must not fall below the living wage level for any worker.
- Calculated based on a work week of a maximum of 48 hours; bonuses, allowances, overtime and benefits must come in addition to this salary.

Evidence of decreasing wages

Despite modest increases in the minimum wage, the escalating cost of living crisis has accentuated the gap between monthly take home pay and expenses experienced by the average worker. Adding to this struggle, this research points to an even more concerning problem: an alarming number of workers report that their monthly wages, not including overtime pay or bonuses, have actually fallen since the start of the pandemic. These accounts suggest a rise in the proportion of workers that are earning no more than the minimum wage.

Nearly half of all surveyed workers reported that prior to the pandemic, they were earning a monthly wage above US\$200, even before the inclusion of overtime pay.³¹ In comparison, only 23 percent reported earning a current monthly salary above US\$200. This correlates to a more than a 50 percent decrease in the number of surveyed workers earning above US\$200 and means that more than 25 percent of all surveyed workers experienced a salary decrease between 2020 and 2023.³² 77 percent of surveyed workers now report a monthly wage of US\$200 or less, excluding overtime pay or bonuses. This decrease in monthly salaries is particularly alarming given the legal minimum wage increased by US\$10 across the same time period.³³

Reported monthly wage decreases are particularly pronounced in some factories. For example, at Berry Apparel – a factory currently producing for Nike – out of a

sample of 58 workers, only 16 percent reported a monthly wage of US\$200 or below before the onset of Covid-19, while 69 percent reported a current monthly wage of US\$200 or below. Similarly, at Adidas supplier *Meng Da Footwear*, 63 percent of the 51 workers surveyed reported earning a monthly wage of US\$200 or below before the pandemic, while 100 percent reported a current monthly wage at or below US\$200.

Lost wages due to factory closures and suspensions have been widely reported in Cambodia and other garment producing countries in the region.³⁴ However, evidence of a systematic decrease in monthly wages for those that have not lost their jobs is significant and has yet to be widely discussed. Outside of factory closures or suspensions, decreasing take-home pay for workers has thus far been an assumed consequence of the decreasing availability of overtime hours due to a decline in purchase orders, which is supported by the findings of this study.³⁵ Yet, over 25 percent of workers in this survey also reported a significant decrease in their monthly pay even before the inclusion of overtime wages. This is important to note because even after accounting for the loss of overtime benefits, surveyed workers have experienced substantial wage losses. This is significant not only because of its obvious financial impact on the workers, but also because this finding is not connected to widespread employment changes, contract revisions or other simple explanations.

Passing on the burden of cost cuts

It is important to note that most Cambodian garment factory payslips are extremely complicated, and likely difficult for many workers to understand. There is no national standardised format, union leaders have cited a lack of transparency in some cases, and it is often unclear how calculations are made. As a result, it is plausible that workers may not always be aware of the direct cause of a decrease in monthly pay. There are however several factors that were reported by unions that may explain systemic monthly wage decreases.

Since 2020, many factories have adjusted to the decrease in purchase orders by shifting workers to a rotational schedule and/or decreasing hours for workers across the board. In focus group discussions, many workers reported a slow return to normal schedules following pandemic-related suspensions in 2021, providing evidence that many factories may have kept workers on limited hours with decreased pay for several months. In Cambodia, the minimum wage is based on a 48-hour work week (8 hours per day, 6 days per week). The law provides no formula or instruction to appropriately adjust wages to account for an individual factory's decision to decrease hours. Workers from at least one factory (*Meng Da Footwear*) reported a near 100 percent shift down to 5 days a week beginning in late 2022, which has remained in effect as of August 2023. This has enabled the factory to pay workers below the minimum wage, with workers coerced into taking 1 day per week as unpaid 'personal leave.'

Meng Da Footwear

Brands:



Owner: Evervan International Limited

Number of workers:

5208



Percentage of female workers:

72%



- All surveyed workers from Meng Da Footwear reported that they currently earn US\$200 or less, with payslips indicating that workers are taking home a base salary below the minimum wage.
- 94% of workers reported a drop in their work days from 6 days per week pre-pandemic to 5 days a week. Workers reported being coerced into taking one day of unpaid 'personal leave' a week.
- Overtime pay has dropped from a monthly average of US\$31 to less than US\$1.
- 78% of workers are in debt and 54% have seen their debt increase since the pandemic hit.

Approximately 5208 garment workers are employed at Meng Da Footwear, which has been producing for Adidas since at least 2018. Fifty-one Meng Da workers participated in this research, which has found evidence of alarming wage loss at the factory. Almost all surveyed workers reported their workdays have been cut from the standard 6-day work week to 5 days and both workers and Independent Union leaders reported that workers were being coerced into taking one day of unpaid leave per week.

“Adidas have reduced their order ... that’s why their days have been reduced. Workers have been forced to request leave on Saturdays ... they are signing saying it’s voluntary, but it’s forced.”

– Independent Union Leader

All surveyed workers now report earning a base salary of US\$200 or less, up from 63 percent before the pandemic. While workers’ contracts have not been adjusted, payslips show that the factory is deducting US\$7.69 for each day of personal leave taken, with workers now earning a base wage that sits below the minimum wage, at US\$169.23 per month. Interestingly, the workers have continued to receive ‘perfect attendance’ monthly bonuses, but at a reduced rate of US\$8.46 per month – reduced down from US\$10 per month by US\$0.38 per day of leave taken.

“[international brands] should not cancel or stop orders...this causes employers to use the excuse of dismissing workers and depriving workers of other benefits...[I] request to have more orders so that workers do not lose income and employment.”

In addition to wage cuts, overtime has also plummeted, with almost all surveyed workers (94 percent) reporting that they are not working any overtime compared to 6 percent before the pandemic hit. The average monthly overtime pay has dropped from US\$31 before the pandemic to less than US\$1.

Poverty and financial insecurity has intensified for workers in the factory. Only 4 percent of workers said that their salary was sufficient to support themselves and their family. This has led to increasing debt distress, with over two thirds of workers (76 percent) in debt and 70 percent reporting that their loans have increased since the pandemic. Concerningly, 15 percent of workers with debt reported having 2 or more loans.

“As a worker at the Meng Da Factory for 13 years, during my tenure, I had nothing left to prepare for when I grew old and could no longer work. But all that is left for me now is debt and illness.”



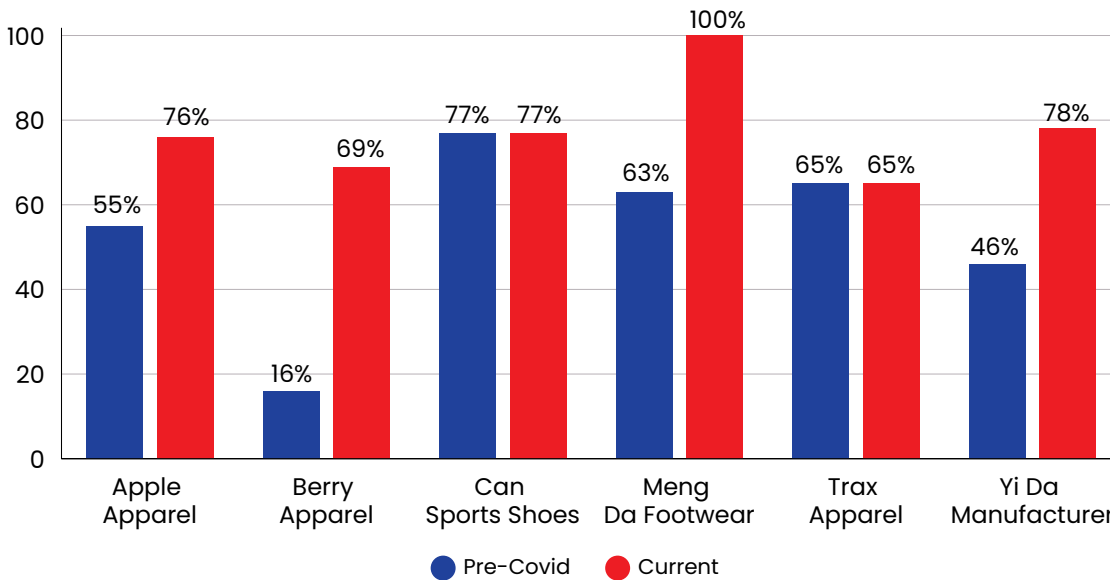
Housing complexes for workers near factories in Phnom Penh
© Nicole Kathleen, 2023

Reported pay decreases may also be due to the increasing use of production targets, despite the illegality of using targets to ‘punish’ workers.³⁶ Using production targets and productivity incentives in an attempt to improve profit margins is not new in the garment industry.³⁷ However, since 2020, many workers have reported consistent increases in daily targets, with many experiencing intense pressure, unreasonable demands and even threats if they fail to meet the targets. Anecdotal evidence from surveyed workers suggests that prior to 2020, when orders and targets were high, ample overtime hours were usually available and bonuses were attached to normal working hour targets. Now, surveyed workers report that they are being threatened with pay deductions, suspensions or terminations when unable to meet production demands.

“There was a quota on the board for sewing work...failure to meet the quota would result in job termination without any compensation.”

– Berry Apparel Worker

Proportion of workers earning US\$200 or less per month



As international purchase orders have decreased, factory owners have begun to follow in the footsteps of the brands they supply for, cutting costs by shifting the burden to those below them. Even before the pandemic, Cambodian garment workers were extremely vulnerable to crisis, regularly relying on bonus pay to supplement a minimum wage not high enough to cover their basic needs. Now, for the vast majority of workers, their only guaranteed monthly wage is the legal minimum; bonus pay, subject to change without notice and at the mercy of international companies shifting as much risk to the supplier as possible, has rapidly dwindled. Without drastically improving the legal minimum to align with a living wage, workers are unlikely to be free from this vulnerability anytime in the near future, regardless of purchase orders, the global market or inflation.

“US\$200 is the minimum wage, but ... they have to hit the target to get the minimum wage. (Before) if they achieved higher targets within the standard working hours they would get a higher salary, and if they worked OT [overtime] they would get that on top. Now, because there is not enough work, they only get the minimum wage ... they don't get paid above the quota because there isn't enough work to do.”

– Independent Union Leader

Violet Apparel Severance Case

In May 2020, Violet Apparel, which was producing for international brands including Nike and Matalan, suspended all operations in response to the Covid-19 crisis. When the factory then abruptly closed on 1 July, 1,284 garment workers were dismissed with only 24 hours' notice.

The factory refused to pay its workers all the severance, leave and holiday pay they were entitled to under Cambodian Labour Law. Although some workers received a settlement, many claimed it to be far below what they were owed. Collectively, workers are still owed a total of US\$1.4 million in compensation.

“We received US\$40 a month during suspension time, but then it closed, and we got nothing. They made us happy at first – they said the factory is closing down and we will provide compensation according to local law, but this is not the reality.”

With the factory refusing to pay them what they were owed, many of the workers went on strike. With the support of CATU, the workers then raised a collective dispute before the Ministry of Labour and Vocational Training demanding that the factory owner – the Singaporean and Malaysian-owned Ramatex Group – pay them the outstanding compensation.

The case was referred to Cambodia's Arbitration Council, the country's only labour-specific alternative dispute settlement body. However, in November 2020, the Council refused to rule on the case saying that it lacked jurisdiction. International human rights organisations, including Human Rights Watch and the Worker Rights Consortium, have challenged the Council's decision³⁸ and industry associations have raised concerns about labour rights in the Cambodian garment industry.³⁹

“When the factory closed down, they sent out a Ministry representative ... they calculated the compensation incorrectly. They only listened to the factory concerns; they did not listen to the interests of the worker... they didn't even let us know about it.”

In the wake of the Arbitration Council's decision, the Ramatex Group, a multi-million-dollar textile and garment company with 20 factories across Asia, has refused to pay any further compensation to Violet Apparel workers. Nike has also consistently refused to take responsibility for the case, claiming that it ended its relationship with the factory in 2006, despite strong evidence that the factory had been producing Nike clothes as a subcontractor for many years.⁴⁰ Nike has also consistently failed to use its longstanding business partnership with the Ramatex Group as leverage to bring a resolution to this case.⁴¹



Former Violet Apparel
Worker at home
preparing food
© Nicole Kathleen, 2023

Unemployment is widespread

Three years after the Violet Apparel closure, the lives of the garment workers at the centre of this case have gone from bad to worse. 26 former Violet Apparel workers participated in this study. Almost a third of these workers reported that they no longer have a secure income, with some unemployed and others working on an hourly or daily basis when work is available. In some cases, workers reported that their union activities in response to the Violet Apparel closure have led to them being blacklisted from other Ramatex-owned factories – or from the garment industry as a whole.

“I have faced a lot of difficulties, and I am still unemployed. It’s very difficult for a union leader because many places discriminate and refuse to accept me to work. When we apply for a job, we have to provide our ID card and my ID card has been blacklisted.”

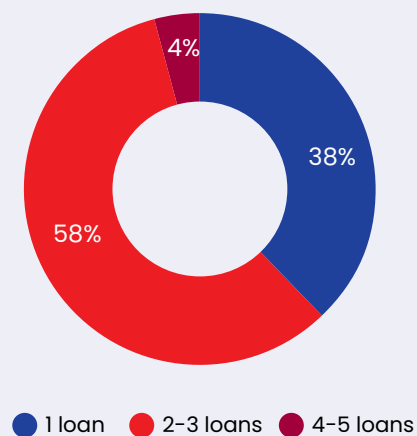
An additional 19 percent of surveyed Violet Apparel workers reported earning well below the US\$200 minimum wage. Many were pushed into controversial and unregulated subcontracting factories, infamous for low pay and poor conditions. Several of the workers claim they cannot find work outside of the subcontracting industry due to being blacklisted by Ramatex.

Debt distress is universal

Three years of escalating financial insecurity has pushed all surveyed Violet Apparel workers into extreme debt distress. Over 60 percent have more than one loan and 27 percent reported having three or more loans. Violet Apparel workers are also prone to holding informal loans with high interest rates, with 42 percent of surveyed workers indicating that they have a loan from a loan shark and 62 percent having a loan from friends or family. With interest repayments and financial insecurity on the rise, 85 percent of Violet Apparel workers reported that they often struggle to make loan repayments, and many said they were only able to make the monthly interest payments.

“I am in a lot of debt – before that [the closure of Violet Apparel] I was debt free but now it’s everywhere. I’m the breadwinner of the family, I have to raise my younger sibling and my parents as well, so when I lost the job, I was in debt. I had to pawn my jewellery and house title. I am still paying the debt and don’t have the house title back yet.”

Loans held by Violet Apparel workers



Three years after the Violet Apparel closure, workers’ demands for compensation are only becoming more urgent. US\$1.4 million is pocket change for fashion giants like Nike and Ramatex but it would change the lives of former Violet Apparel workers.

“I wish that the brand would send someone down here to speak to us and learn about the difficulty – the factory earned a lot from our sweat and blood. I worked there a lot of years; they earned a lot from me. But they gave me nothing.”

ចូរគិតសំណល់ ដូនកម្មករតាមច្បាប់ការងារ
Brands Must Pay Your Workers
NIKE # PayYourWorkers
RespectLabourRights

FINDING 2

Overtime plummets as brands and factories take steps to recoup Covid-19 losses

KEY FINDINGS

- On average, overtime pay for surveyed workers decreased by more than 60 percent, from an average of US\$36 before the pandemic hit to a current average of US\$12 per month.
- Only 4 percent of workers said that there was enough overtime for those that wanted it.
- Workers attributed the decline in overtime work to decreasing orders from international brands and increased pressure from factory owners for workers to meet higher production targets during normal working hours.

In Cambodia, any hours worked beyond the 48-hour week are legally categorised as overtime and paid at a minimum of 150 percent x payment of normal work (per hour).⁴² Given the chronic inadequacy of the minimum wage in meeting garment workers' basic needs, most workers depend substantially on overtime pay. For years workers have almost universally reported an inability to make ends meet without it.⁴³ According to independent unions, since 2020, overtime hours have been slashed across the Cambodian garment industry in response to the sustained reduction in orders from international brands.

The majority of surveyed workers reported working a significant amount of overtime hours prior to the pandemic, with only 21 percent reporting working no overtime. 24 percent of workers reported working up to 10 hours of overtime per week and 53 percent reported working between 10-20 hours per week.⁴⁴ On average, workers reported earning an additional US\$36 per month from overtime – nearly 20 percent of the US\$190 minimum wage in 2020.

“Before Covid, there was so much work and overtime. There was money to meet the cost of expenses and to pay the bank.”

– Joint Force Worker

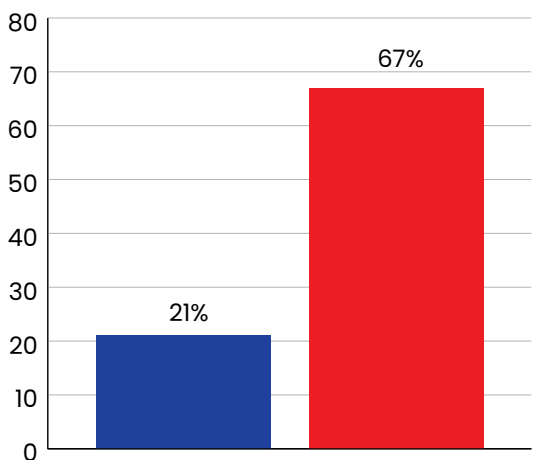
The reduction in overtime hours since Covid-19 is one of the biggest concerns garment workers raised through this research. Only 4 percent of those surveyed reported that there was enough overtime available for those that wanted it. Overtime availability was severely reduced across all factories covered in this research and 67 percent of surveyed workers reported that they are not currently working any overtime at all. Of the 27 percent who are working some additional hours, almost all (85 percent) reported working less than 10 hours of overtime per week, with only 15 percent reportedly working between 10 and 20 hours. On average, surveyed workers reported currently earning an additional US\$12 per month in overtime, a more than 60 percent reduction compared to before the pandemic hit.

“The biggest problem was that there was no overtime work (during Covid-19) and no money to pay the bank.”

– Can Sports Shoes Worker

What has emerged from this research is a clear picture of how garment workers’ reliance on production bonuses and overtime pay has increased their vulnerability to economic fluctuations and reduced their resilience to crises. It is alarming that many of the workers that participated in this research called for an increase in overtime work. The standard work week in Cambodia is already 6 days per week – garment workers should not have to work additional hours in order to make enough money to meet their basic expenses. Indeed, even when including overtime pay, all surveyed workers were earning below the living wage. The crux of the problem is that wage suppression is built into the global garment industry. With the global race to the bottom in full swing, garment producing countries are pitted against each other, and frequently cite regional competition when resisting calls for minimum wage hikes.⁴⁵ It is only through an industry wide commitment to living wages that garment workers will be guaranteed a salary that meets the needs of themselves and their families.

Overtime Availability



Percentage of workers not working overtime

● Pre-Covid ● Current

Overtime Pay

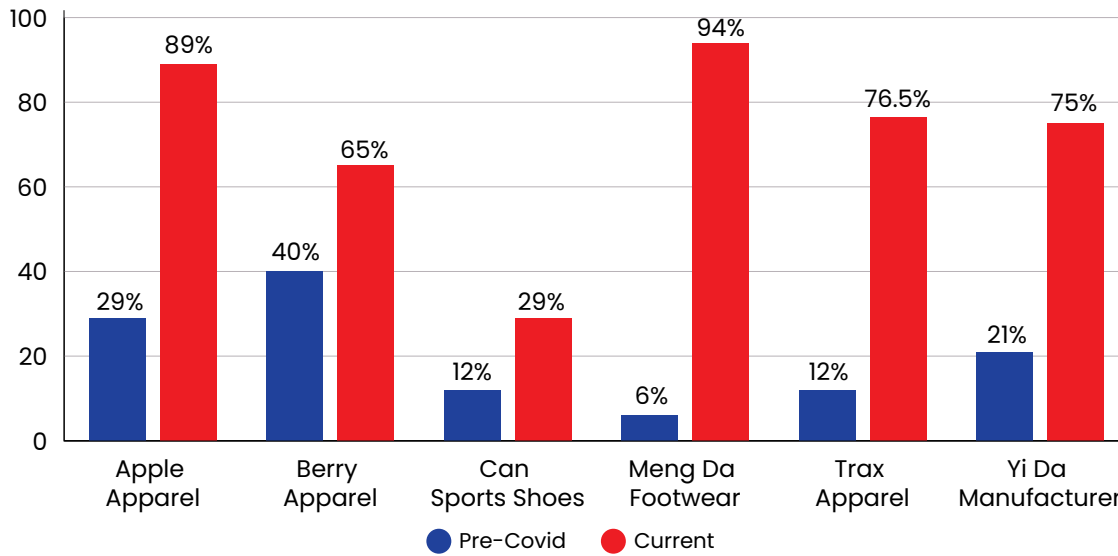


Average overtime pay per month

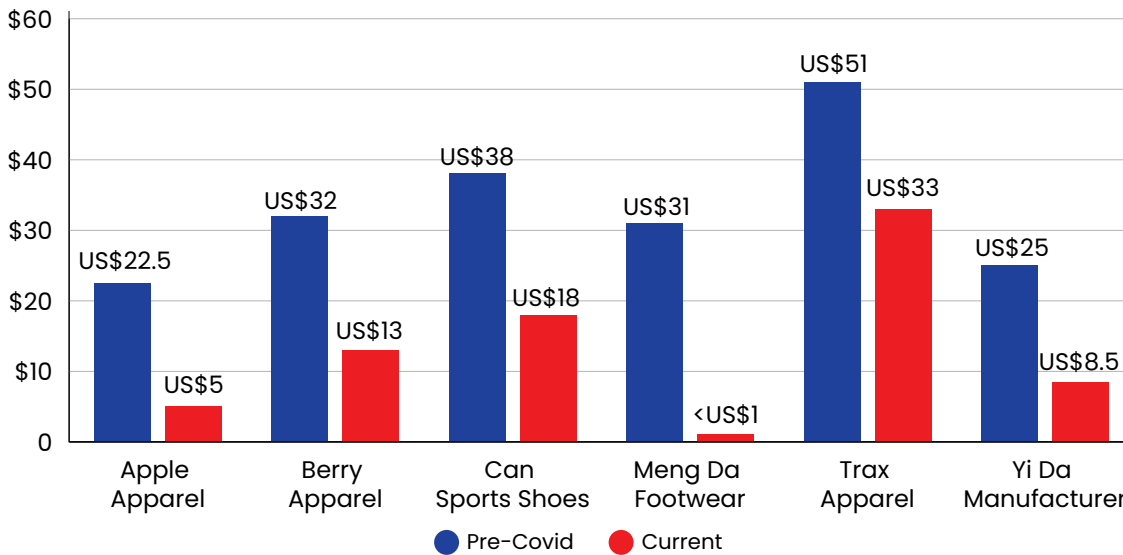
● Pre-Covid ● Current

Overtime availability across garment factories

Percentage of workers not working overtime



Average overtime pay per month (US\$)



Berry Apparel

Brands:



Owner: Ramatex Group

Number of workers:

3217



Percentage of female workers:

89%



- 69 percent of surveyed Berry Apparel workers report earning US\$200 or less.
- Overtime pay has dropped from a monthly average of US\$32 to US\$13.
- 91 percent of workers are in debt and 53 percent have seen their debt increase since the pandemic.

“The factory work is my rice pot – I don’t have a high education and can’t find a job easily and I don’t have a lot of capital to start a business, so factory work is important to me. I don’t know how I could survive without the factory work.”

Approximately 3217 garment workers are employed at Berry Apparel and fifty-eight workers from the factory participated in this research. Evidence from the Worker Rights Consortium found that in the aftermath of the closure of Berry Apparel’s sister factory Violet Apparel in July 2020, Berry Apparel’s workforce expanded and the company began to produce for Nike.⁴⁶

This research suggests that by the end of 2022 the situation had changed considerably, with evidence pointing to a significant reduction in wages across the factory. Before the pandemic, most workers were earning a base salary above the minimum wage, with only 16 percent of workers reporting earning US\$200 or less. Now 69 percent of workers report that they are only earning a base salary of US\$ 200 or less. In focus group discussions held in 2023, workers reported that in addition to wage cuts, many workers have been laid off as the factory grapples with a reduction in orders.

“Before, we had the right to make a request to the company, but now there is not enough safety at work because the company has ended many of the workers’ contracts.”

In addition to the reduction in base salaries, overtime hours have also been slashed. 64 percent of workers reported that they are not working any overtime, compared to 40 percent before the pandemic, and overtime pay has reduced by more than half – from US\$32 in early 2020 to US\$13 now. 53 percent of workers reported that the loss of income was the biggest challenge during Covid-19 and 45 percent said that their salary is insufficient to support them until the end of the month.

With salaries and overtime pay plummeting, workers are being pushed into insecurity and debt. Almost all workers at Berry Apparel reported having debt (91 percent) and 53 percent reported that their debt has grown since 2020. While most workers that had debt reported having one loan (87 percent), 13 percent have two or three loans. Many workers reported being unable to pay back their debt, which is leading to severe impacts on their mental and physical health.

“It’s my concern now that they dismiss workers continually so I am afraid that I may lose my job, or the factory will be closed. I am worried because I have increased debt and my salary is small. I am concerned about what will happen if I lose my job.”

FINDING 3

Poverty wages are locking garment workers into spiralling insecurity, hunger and debt

Key findings

- Almost half of surveyed workers (49 percent) said they often go to work without eating enough.
- 91 percent of workers reported being in debt and 70 percent said their debt has increased since the pandemic started.
- Almost 40 percent of workers with debt reported having more than one loan, with almost 10 percent having to repay 3 or more loans.
- 54 percent of workers with debt reported often being unable to pay their loans.
- Amidst the growing cost of living crisis, workers are increasingly turning to informal loans with interest rates as high as 20 percent, which is fueling a household debt crisis with no end in sight.

“Since Covid workers have more debt. The situation now is that workers are having to borrow money in order to pay back other loans. When there is no more money to pay back the loans, workers sometimes have to sell their parents’ land in order to pay back their debt.”

– Garment Worker, Factory Unknown

With the cost of living skyrocketing and salaries falling, workers across the Cambodian garment industry have experienced a rapid decline in their wellbeing. Research by ActionAid and CATU in 2021 found that 70 percent of surveyed workers experienced hunger in the immediate aftermath of the pandemic as international brands slashed orders and workers were suspended en masse. In 2023, the situation is not much better: almost half of surveyed workers (49 percent) said that they often go to work without eating enough. It is alarming that three years after the pandemic began, with the global fashion industry largely returned to profitability, almost 50 percent of workers still report that they frequently experience hunger.

This research also reveals that workers' increasing financial precarity is leading to a shocking intensification in household debt. 91 percent of survey respondents reported being in debt, with only eight percent of respondents reporting not having any loans. 70 percent of workers reported that their debt has increased since the pandemic started. Workers attributed this increase to factory suspensions during Covid-19 lockdown periods, salary and overtime reductions since 2020, and the mounting cost of living crisis.

*"Before Covid, there was no debt. But when Covid came, the income was not enough to support the livelihood, so there was a need to borrow money to make ends meet."
– Berry Apparel Worker*

Most workers did not report the amount of debt they owe. However, the survey responses and focus group discussions point to alarming levels of debt across the industry. Of the 98 workers who reported their current debt, 46 percent reported having between US\$1,000–8,000 in debt and 47 percent reported debts of at least US\$10,000, with some owing up to US\$35,000.

Of particular concern is the growing number of workers who have more than one loan, which is compounding insecurity for workers across the industry. Of the 281 workers that reported having debt, 30 percent reported having two loans and 7 percent reported having three or more loans. This means that almost 40 percent of surveyed workers with debt are now having to pay off multiple loans on a dwindling salary and in the context of soaring inflation and living costs. In many cases, workers reported having to take on new loans in order to cover repayments on their existing loans, leading to spiralling debt burden. This is compounded when workers' salaries are only sufficient to cover the interest payments, leaving them unable to pay down the principal.

"Everyone has debt and keeps thinking a lot about debt. You spend a lot of emotional effort thinking about how you can get money to pay the interest, so you don't have the full concentration for work. You think about how you can reduce costs to pay the debt – children's schooling, food. But if you don't have enough food you can't concentrate at work."

– Berry Apparel Worker

Rising informal loans leading to spiralling debt distress

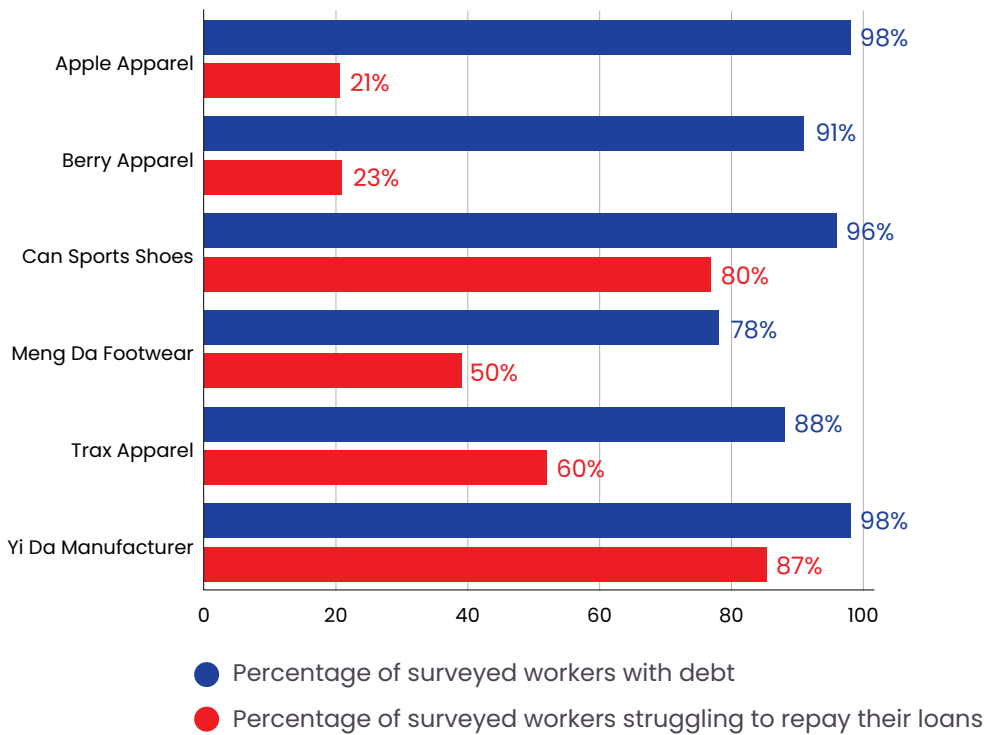
Covid-19 has also led to a shift in the types of loans that workers are taking on, which is compounding the impact of debt on the workers' wellbeing and living standards. Most garment workers reported having a formal loan with either a bank (60 percent) or microfinance institution (32 percent). However, since 2020, an increasing number of workers are resorting to taking loans from informal loan providers to cover their basic needs. 27 percent of workers reported having a loan from a loan shark and 18 percent reported having a loan from friends or family.

It was widely reported in focus group discussions that informal loans – which could be from a friend, neighbour, co-worker, or community acquaintance – have interest rates of 20 percent, well beyond the standard rate for banks and microfinance institutions of 1.5-2 percent. This has further intensified the challenges garment workers face in paying down their debt, with 54 percent of respondents reporting that they were often unable to make their monthly debt repayments. Many also expressed concern that high interest payments mean that they will never be able to pay off their loans. While concerns relating to over-indebtedness due to microfinance and bank loans have been prominent in recent years, this points to a serious need for the government to examine informal and unregulated lending in Cambodia as well.⁴⁷

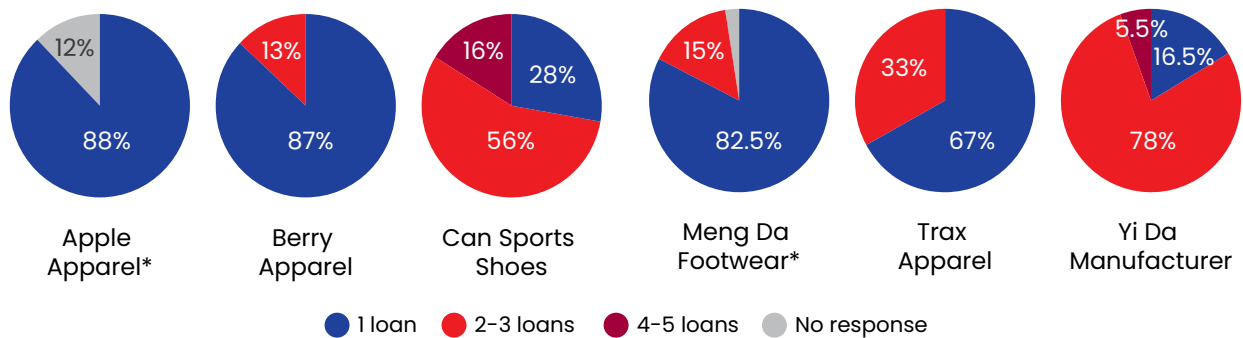


Garment worker with sign saying we are workers to have a decent living wage 2024 © central

Experience of debt across the Cambodian garment industry



Number of loans held by workers



“With the informal loans the interest is so high that some workers can only afford to pay back the interest – even after a 10-year period their loan will never be paid off because they can’t pay the principal.”

- Garment Worker, Unnamed Factory

A factory worker
having dinner
with her family
© Nicole Kathleen,
2023



Rising insecurity increasing the risk of modern slavery across the Cambodian Garment Industry

In an alarming development that raises concerns about experiences of modern slavery across the Cambodian Garment Industry, several garment workers and union representatives reported in focus group discussions that factory supervisors were commonly providing loans to garment workers under their management. Workers at multiple factories reported that not only were supervisors providing loans, but that they were then keeping workers' bank cards as collateral for the loan. In some cases, supervisors would then withdraw the money they were owed on pay day before returning the bank card to the worker. This represents a form of debt bondage and is illegal under both Cambodian and international human trafficking and labour legislation.⁴⁸

“The supervisor has more salary so they have more money left over that they can lend. If the worker borrows a higher amount ie. US\$50. If the worker is paid their factory salary into the bank the supervisor will take the bank card and the pin as collateral, and they will go and take the money they owe plus interest from the bank on pay day.”

Separately, unions provided anecdotal evidence that a growing number of workers are being forced to provide compromising images and videos as collateral for loans, facing threats that the images would be released if debts were not paid. It is unclear how widespread these practices are across the industry, but it points to the need for further investigation of garment workers' experience of debt and how growing financial precarity and poverty is putting workers at greater risk of exploitation.

“First they sell or pawn their motorbike and land title, then they sell their jewellery, now workers have nothing so then they have to use the photos as collateral as they have nothing else.”

– Independent Union Leader

Yi Da Manufacturer

Brands:

GAP



Owner: Crystal International Group Limited

Number of workers:

4030



Percentage of female workers:

74%



- 79 percent of surveyed Yi Da Manufacturer workers are earning US\$200 or less.
- Overtime pay has dropped from a monthly average of US\$25 to US\$8.5.
- 84% of workers reported that they frequently experience hunger.
- 98% of workers are in debt and 87 percent are often unable to make their loan repayments.

“The factory job is like the vein – it supports your whole system... It’s difficult without factory work.”

Approximately 4030 garment workers are employed at Yi Da Manufacturer, which produces for Gap and Levi Strauss. Sixty-six workers from Yi Da Manufacturer participated in this research and workers reported significant wage loss since the pandemic hit. 79 percent of workers are currently earning a base salary of only US\$200 or less. This has risen from 46 percent before the pandemic, when more than half of workers were earning above the minimum wage. In addition, 73 percent of workers report that they are not working any overtime compared to 21 percent in early 2020, with average monthly overtime pay plunging from US\$25 to less than US\$8.5.

With cost of living escalating, 82 percent of workers said that their salary was not sufficient to support them and their family until the end of the month; 84 percent reported frequently going to work without eating enough.

“The market price has increased, rent has increased, food items have gone up. In the past a woman and her husband could spend 5000 riel (US\$1.2) on food per day but now it has gone up to 10,000 riel (US\$2.40), but it could go up as high as 15,000–25,000 riel (US\$3.6–6).”

In a sign of growing financial insecurity, workers from the Yi Da factory reported that they are no longer able to send money home to their family, which was common prior to the pandemic. In contrast, some workers are now having to receive support from their family to get by.

“We used to send the money home, but now the situation is difficult because we don’t have money to send. Now in some cases they [the workers] ask people in the village to send vegetables and rice.”

Debt distress is widespread amongst Yi Da workers; almost all surveyed workers (98 percent) reported having debt. 84 percent of workers with debt reported having more than one loan. However, alarmingly, almost 10 percent indicated that they have between three and five loans. For 83 percent of people with debt, their loans have increased since the pandemic hit. This is making it more difficult for workers to make monthly repayments and 87 percent reported that they were often unable to make monthly debt payments.

“Everyone dreams for prosperity, even myself, but the dream may be different from reality.”



05

CONCLUSION

As has been frequently reported, the Covid-19 pandemic had catastrophic impacts for the more than 700,000 garment workers employed in garment factories across Cambodia. In early 2020, workers were already earning below the living wage and were relying on overtime pay to meet their basic needs. By the end of the year, hundreds of factory closures and suspensions had pushed thousands of workers further into poverty and hunger, forcing workers to cut household food and education expenses and incur additional debt at an increasingly distressing cost.

Three years later, while the global fashion industry is well on the road to recovery, any suggestion of building back better for the garment workers that make our clothes is long gone. In the post-pandemic reality of increasingly unreliable international purchase orders and cost cutting at both ends of global supply chains, garment workers are once again being left wearing the cost of an industry focused on profit maximisation. Across Cambodia, garment factories are continuing to close or suspend operations well into 2023 and workers are reporting wage cuts, negligible opportunities for overtime, and increasing pressure to hit high production targets during normal working hours.

Indeed, as this research has shown, the world's biggest fashion brands have pushed the costs of Covid-19 recovery entirely onto supplier countries, which has resulted in disastrous effects for the workers at the bottom of their supply chains. Cambodians have long relied on the garment industry for employment, but with wages falling and the cost of living surging, garment workers across Cambodia are experiencing increasing financial precarity and a rapidly intensifying household debt crisis. For many, the risk no longer seems worth it.

Garment workers around the world have long demanded reform of an industry built on their exploitation; the pandemic has only hardened their calls. Three years after the pandemic emerged, the future looks bleak for Cambodian garment workers as, half a world away, the brands making billions off their labour seem intent on abandoning them once again.

Endnotes

- 1 [UK Exports decline 15% Jan-July as orders drop | Phnom Penh Post](#)
- 2 New Balance reported a 21 percent growth to a total US\$5.3 billion revenue for 2022. See [New Balance reports 2022 revenue of \\$5.3 billion | Fashion Network](#); Nike reported a 10 percent revenue increase year over year in June and in July. See [NIKE, Inc. Reports Fiscal 2023 Fourth Quarter and Full Year Results | Nike](#); Puma reported an 11 percent currency-adjusted sales increase. See [PUMA well on track to achieve full-year outlook after Q2](#). Even for brands faring worse, the net result has been apparently positive: Adidas reported an operating profit of € 176 million for the second quarter of 2023, with the CEO stating the figure to be “substantially higher than our initial plans.” See [Adidas’ revenues declined 3% to €10.61bn in H1 FY23 | Retail Insight Network](#)
- 3 The total number of garment workers in Cambodia is thought to have dropped into the 700,000s as of August 2023 due to mass closures and suspensions since the start of the COVID-19 pandemic. See [Thousands of Garment Workers Struggling to Survive Following Mass Factory Closures | Cambodian Journalists Alliance Association](#)
- 4 On 2 June 2020, the Garment Manufacturers Association in Cambodia reported that at least 250 factories had suspended their operations, affecting more than 130,000 garment workers. See [Brands Say They are Not Abandoning Garment Factory Workers in Asia as Pandemic Leaves Millions Jobless](#)
- 5 [Casualties of Fashion: How garment workers in Bangladesh and Cambodia are wearing the cost of Covid-19 | ActionAid and CATU](#)
- 6 [Still Un\(der\)paid in the Pandemic: How the garment industry failed to pay its workers during the pandemic | Clean Clothes Campaign](#)
- 7 [Ten Thousand Garment Workers Suspended Since July | Cambodian Journalists Alliance Association](#)
- 8 [Living conditions of garment and footwear sector workers in Cambodia | ILO](#)
- 9 [Poverty wages – Clean Clothes Campaign; Fashion Transparency Index 2023 - Fashion Revolution](#)
- 10 Tier 1 suppliers are the factories that cut, sew, package, and prepare a finished garment.
- 11 For more information on transparency across different tiers of the supply chain see [Have we seen an increase in brands publishing supplier lists? | Fashion Revolution](#)
- 12 Berik, G (2017) Revisiting the Feminist Debates on International Labor Standards in the Aftermath of Rana Plaza, Studies in Comparative International Development (Vol. 52, Issue 2).
- 13 [Constructing deniability - Mind the Gap](#)
- 14 [Shopping For a Bargain: How the purchasing practices of clothing brands in Australia impact the women who make our clothes | Oxfam](#); see also [“Paying for a Bus Ticket and Expecting to Fly”: How Apparel Brand Purchasing Practices Drive Labor Abuses | HRW](#)
- 15 [Cambodia’s Economy: 2020 Summary and 2021 Predictions | Business to Business](#)
- 16 Cambodia lost access to the EBA scheme in August 2020. See [Cambodia loses duty-free access to the EU market over human rights concerns | European Commission](#). Cambodia’s GSP agreement expired on 31 December 2020, along with more than 100 other countries. See [GMAC’s notice on expiration of US GSP program to all travel goods factories in Cambodia | Open Development Cambodia](#)
- 17 [Thousands of Garment Workers Struggling to Survive Following Mass Factory Closures | Cambodian Journalists Alliance Association](#); See also [Cambodia’s garment manufacturers group worries over drop in purchase orders from West | Khmer Times](#)
- 18 [Ten Thousand Garment Workers Suspended Since July | Cambodian Journalists Alliance Association](#)
- 19 [Still Un\(der\)paid in the Pandemic | Clean Clothes Campaign](#)
- 20 Estimates of wage theft in the first three months of the pandemic total US\$123.59 million. Between May 2020 and February 2021, there was an estimated US\$100 million in wage loss. When all factories in lockdown areas were temporarily closed at the end of April 2021, it is estimated that half of the country’s garment workers faced suspension, resulting in a wage gap of US\$41 million. See [Un\(der\) paid in the pandemic. An estimate of what the garment industry owes its workers | Clean Clothes Campaign](#); [Still Un\(der\)paid in the Pandemic | Clean Clothes Campaign](#)
- 21 In January 2021, the Ministry of Labour announced that 129 factories had permanently closed in 2020, leading to 71,000 workers losing their jobs. Reports of unpaid severance were widespread and the Clean Clothes Campaign estimates that US\$78 million in unpaid severance pay is owed to workers in relation to closures during this period. [Still Un\(der\)paid in the Pandemic | Clean Clothes Campaign](#)
- 22 [Fashion brands fail to address pandemic-era wage theft in Cambodia: Garment workers deprived of \\$109 million | Public Eye](#)
- 23 [Fashion brands fail to address pandemic-era wage theft in Cambodia | Public Eye](#)
- 24 All 26 Violet Apparel workers moved employment due to closure. Outside of Violet Apparel only one factory experienced employment changes (Can Sports Shoes; 1 worker).
- 25 [Cambodia Raises Textiles Minimum Wage by \\$2 | VOA Cambodia](#)

- 26 [Hun Sen's labor sop will cost Cambodian industry | Asia Times](#)
- 27 [2023 minimum wage set at \\$200 | Khmer Times](#)
- 28 [Living wage calculation | Asia Floor Wage Alliance](#)
- 29 Although the official currency in Cambodia is the riel, US\$ is used as a standard currency throughout the country, with most workers quoting wages, benefits, and cost of living figures in US\$. See [Living Wage | Asia Floor Wage Alliance](#)
- 30 [Living Wage | Asia Floor Wage Alliance](#)
- 31 Some workers may be unable to differentiate between their base wage and the monthly benefits that they are entitled to receive under the Cambodian Labour law, which includes US\$10 for perfect attendance, US\$7 for travel and accommodation, US\$0.50 per day food allowance for those working overtime, and a seniority bonus of between US\$2-11 depending on their length of employment. However, it is unlikely that any given worker would have made this error in their calculation of pre-pandemic wages but not in their calculation of current wages. Meaning, any confusion related to wage calculations is unlikely to have led to inaccuracies in the overall survey findings.
- 32 Current is defined as 'at the time of surveying,' which occurred between late December 2022 and January 2023.
- 33 Current is defined as 'at the time of surveying,' which occurred between late December 2022 and January 2023.
- 34 See [Building Forward Worse How COVID-19 has accelerated the race to the bottom in the global garment industry | ReFashion, Casualties of Fashion | ActionAid and CATU, Worked to Debt: Over-Indebtedness in Cambodia's Garment Sector | CATU, CENTRAL and LICADHO](#).
- 35 There were widespread media reports in Cambodia of reduced orders throughout the pandemic, with periods of increased intensity in mid-2021 and mid-2022. See, [Cambodia's garment industry on standstill due to lack of orders! | Trade Data News Cambodia](#)
- 36 Piece-rate pay and targets are legal under the labour law, but it is specifically stated that contracts should state the distinction and that pay may not go under the minimum even in the case of poor quality (for piece rate) or not meeting a target. See [Cambodia - Prakas on the Determination of the Minimum Wage for Workers/ Employees in the Textile, Garment, Footwear, Industries for 2021 | ILO](#)
- 37 While abuses of the piece rate quota system were reported prior to the pandemic, it appears that managers seeking to recoup lost profits have been increasingly working to extract higher outputs from each worker during their normal workday.
- Some workers have reported daily quotas to have doubled in certain factories since 2020. See [How is COVID-19 impacting food security for workers in Cambodia's garment industry? | ReFashion](#).
- 38 [Only "Instant Noodle" Unions Survive: Union Busting in Cambodia's Garment and Tourism Sectors | HRW; Failure to Pay Terminal Benefits at Violet Apparel \(Cambodia\) Co., Ltd. | Worker Rights Consortium](#)
- 39 Industry Body letter with Suggested Labor Reforms for Cambodia https://media.business-humanrights.org/media/documents/files/documents/2018-11-01_Thank_you_to_Minister_of_Labor-2.pdf
- 40 <https://www.nikesteals.com/ramatex>
- 41 For more information see [Nike Steals](#)
- 42 [Overtime under Cambodian labour law | Nitesastra](#)
- 43 According to at least one analysis of working hours, Cambodian garment workers were working an average of 27 hours of overtime per month in 2017. In 2018, a study by Fashion Revolution and C&A Foundation showed that Cambodian garment workers were systematically supplementing their income with as much overtime as possible. See [Overtime up in line with garment worker pay in Cambodia | Just Style; Garment worker diaries reveal wages and conditions | Just Style](#)
- 44 According to the labour law, overtime hours must not exceed 10 hours per day. [Overtime under Cambodian labour law | Nitesastra](#)
- 45 In response to the US\$6 minimum wage increase negotiated in September 2022: "Kaing Monika, deputy secretary-general of the Garment Manufacturers Association in Cambodia, said the minimum wage increase would affect companies' profits while firms were unable to pass on rising production costs to buyers due to competition with other countries." See [Garment Sector Minimum Wage to Rise to \\$200 a Month in 2023 | Cambodian Journalists Alliance Association](#)
- 46 [Failure to Pay Terminal Benefits at Violet Apparel \(Cambodia\) Co., Ltd. | Worker Rights Consortium](#)
- 47 In August 2023 it was announced that the Compliance Advisor Ombudsman of the International Finance Corporation will carry out a compliance investigation of six microfinance lenders in Cambodia accused of predatory lending. [Flash Info: Investigation of IFC Investments in MFIs to Move Forward | Cambodia | LICADHO](#)
- 48 [Forced labour, Bonded Labour and the law in Cambodia | Prake.org](#)

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