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*Global Social Policy* 2010 10: 85

DOI: 10.1177/1468018109355036

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# *Improving Labour Standards in Clothing Factories*

Lessons from Stakeholder Views and Monitoring Results in Cambodia

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**ABSTRACT** This article studies the effects of the United States–Cambodia Textile Agreement (UCTA, 1999–2004) on labour standards in Cambodia. The authors find that the Agreement’s labour initiatives have led to relative improvements in the working conditions in garment factories. The study draws on extensive fieldwork conducted in Phnom Penh in 2006: in-depth interviews with dozens of respondents from all key stakeholders (labour, management, NGOs, governments and the trade agreement’s labour projects – Better Factories Cambodia and the Arbitration Council); and observations of these groups’ activities. The article also presents a systematic analysis of the reports produced by the UCTA-provided monitoring. Policy implications are discussed.

**KEYWORDS** *Cambodia, garment industry, labour standards, Southeast Asia, trade agreement*

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## *1. Introduction*

The large-scale processes of globalization are transforming myriad aspects of the day-to-day lives of individuals. This is particularly true of our labour conditions. What we do, how we do it, and how much we earn, are all largely determined by the imperatives of the global economic system. The economic crisis we are currently experiencing reminds us of the intimate connection between the local and the global. Yet this relationship is far from simple. It is mediated by a variety of regional and national forces, including the efforts of the private sector, civil society actors like unions and non-governmental organizations, and the social policies of the nation-state. In turn, these developments transform the processes of globalization themselves.

This case study provides insights into the effects of one policy initiative, the incorporation of labour standards into a trade agreement between Cambodia and the US, within the highly globalized clothing industry. This initiative required the cooperation of multiple stakeholders, including labour, local and global business interests, national governments, civil society actors, and global intergovernmental organizations. The driving question behind our analysis is to what extent and by what means this initiative improved working conditions in Cambodia's clothing industry. Drawing on diverse sources, we conclude that the United States–Cambodia Textile Agreement's (UCTA)<sup>1</sup> labour initiatives have created the conditions in which standards in the garment industry have begun to be improved.

Three related processes have been central to this achievement. First, the International Labour Organization (ILO) monitoring has led to improvements in several categories of working conditions. Second, the Arbitration Council has provided an independent space for the arbitration of labour disputes, which is unavailable in virtually any other forum in Cambodia. Third, workers have acquired valuable information and training through their interactions with the UCTA projects, which they have used to strengthen their own position. As a policy initiative, therefore, the UCTA model is worthwhile, though it still stands to improve in several ways.

## *2. Context*

Today, on the outskirts of Phnom Penh, hundreds of thousands of Cambodians are working in clothing factories. To reach the garment district, they walk, bicycle or share a scooter along the dusty roads, already hot just after sunrise. Beginning at 7 am, they work an average of 56 hours each week, cutting, sewing, ironing, and packing (National Institute of Statistics, 2001). Moments of leisure time are snatched over their lunch breaks at 11 am and when they return home in the evenings to the rooms they share with other garment workers (Poynton and Rith, 2006). Most of these workers are women

who grew up in small villages far from the capital (ILO, 2005). The workforce is very young, with a large majority of garment workers (74%) under the age of 25 (Asian Development Bank, 2004a). Over the course of a year, an average factory worker's salary is US\$540. Although the work is physically and mentally exhausting and the wages low, for these women it is likely the best form of employment currently available to them.

The labour of these young women is the driving force behind the transformation of Cambodia's economy. The clothing and textile industry, which was non-existent in the early 1990s, has grown to represent 80% of the nation's exports and 12.4% of its Gross Domestic Product (Asian Development Bank, 2004b; Foreign Investment Advisory Service, 2005b). The labour movement has undergone a similarly dramatic growth. In 1997 there were 20 unions, by 2002 there were 245, and at the end of 2003, there were 504 enterprise-level unions, 15 union federations, and 1 confederation (Sibbel, 2004). In 2006, there were nearly 1000 unions in the garment sector alone. Officially 350,000 people work in this sector, though thousands more labour in unregistered subcontracting factories. In addition, the apparel industry sustains a range of other businesses, such as food stalls, transportation services, and childcare centres. And garment employees themselves provide support to tens of thousands of families in the countryside, through remittances (Asian Development Bank, 2004b). With a national population of just under 14m, these are significant numbers. Clearly, the future of the country's textile industry will have tremendous ramifications for these workers, their families, and indeed Cambodian society as a whole.

The future and past of the garment sector are closely tied to a trade agreement between Cambodia and the US, which was in effect from 1999 until the end of 2004. The UCTA was a unique treaty that allowed Cambodia to expand exports to the US market if it demonstrated an improvement of working conditions in garment factories. Although the agreement expired in 2005, the labour programmes associated with it are continuing.

This study evaluates the ability of the UCTA's labour components to improve labour standards in the Cambodian clothing industry. Although the agreement has received valuable attention in both academic and non-academic publications, there has been limited writing on the perspectives of Cambodian factory workers and local non-governmental organizations (NGOs). In addition, there have not previously been systematic analyses of the monitoring data collected under the UCTA. We report on field research including in-depth interviews with management, local and international NGOs, government representatives, the staff of the UCTA-mandated labour projects, and unionized and non-unionized workers. Additionally, data collected under the UCTA during factory monitoring is analysed.

#### THE GLOBAL GARMENT INDUSTRY

Until 2005, a mechanism known as the Multi-Fibre Arrangement (MFA) set the rules for the trade of apparel products worldwide. Under the MFA,

buyers were compelled to purchase goods from the countries that had not exhausted their quotas. This mechanism's goal was to protect developed nations' domestic industries, because it allowed them to limit the developing world's access to their markets (Wells-Dang, 2002). In 1995, the MFA was replaced by the Agreement on Textiles and Clothing, which provided for the phasing out of all import quotas on textile and apparel, beginning in 2005.

In the long run, it is generally expected that China and India will benefit the most from the termination of the MFA regulatory mechanism. Since the quota regime expired, these nations have been able to compete based on scale efficiencies, thus crowding out other less competitive nations. In 2005 the World Bank and the World Trade Organization (WTO) predicted that China would soon double its share of global clothing exports, to 50% (Moberg, 2005). In mid-2005, safeguard measures were imposed on China until 2008 as part of its WTO-accession package (Abrami, 2004). The position of producers like Cambodia, and especially of the small factories within them, has been viewed as very weak (Better Factories Cambodia, n.d.). One study judged post-quota Cambodia to be 'extremely vulnerable', one of only two countries to be characterized in this way (AccountAbility, Business for Social Responsibility and the World Bank, n.d.).

The MFA, initially designed to protect the domestic garment industries of wealthy nations, incidentally multiplied the number of countries involved in the industry, since they were protected from having to compete for access to global markets (Foreign Investment Advisory Service, 2005b). This is precisely what occurred in Cambodia. During the 1990s, a period that witnessed the re-establishment of peace after decades of foreign aggression and civil war, garment exports grew from zero to 50% of Cambodia's exports, with most (90%) destined for the US (Sok et al., 2001). By 1998, approximately 80,000 people were working in the industry (Polaski, 2006). Because of this rapid growth of the country's clothing industry and exports to the US, American textile and clothing manufacturers requested import restraints on Cambodia. In response, the US government negotiated to put the country under its quota system (Polaski, 2006).

#### UNITED STATES-CAMBODIA TEXTILE AGREEMENT

The result of these American-Cambodian negotiations was the UCTA, first signed in 1999. The agreement (renewed in 2001 until the end of 2004) not only inserted Cambodia into the quota system, guaranteeing it an automatic quota growth rate of 6%, but it also allowed the country to further increase its quota annually, based on how well it complied with internationally recognized labour standards.

Although labour clauses can be found in a number of bilateral and regional agreements, these are *punitive* provisions that allow for fines or the withdrawal of trade privileges if certain standards have been violated. For instance, under the 2004 US-Central American Free Trade Agreement, signatory countries

must uphold workers' fundamental rights. Chapter XVI of the agreement ensures the right to collective bargaining, the elimination of forced labour, and the eradication of workplace discrimination. This chapter also provides for methods of sanctioning a failure to fulfil these obligations, including a fine of US \$15m (Abrahamson, 2007). Research has demonstrated the serious limitations in the design and effectiveness of these types of punitive mechanisms (Scheuerman, 2001).

The UCTA was the first, and as of 2009 only, trade agreement in the world to *reward* a signatory for improving labour standards. The text of the UCTA's labour section reads as follows:

10. (A) The Parties seek to create new employment opportunities and improve living standards and working conditions through an enhanced trading relationship; affirm respect for each Party's legal system and seeking to ensure that labor laws and regulations provide for high quality and productive workplaces; and seek to foster transparency in the administration of labor law, promote compliance with, and effective enforcement of, existing labor law, and promote the general labor rights embodied in the Cambodian labor code.

(B) The Royal Government of Cambodia shall support the implementation of a program to improve working conditions in the textile and apparel sector, including internationally recognized core labor standards, through the application of Cambodian labor law.

(C) The Government of the United States and the Royal Government of Cambodia shall conduct not less than two consultations during each Agreement Year to discuss labor standards, specific benchmarks, and the implementation of this program.

(D) Based on these consultations and other information regarding the implementation of this program and its results, the Government of the United States will make a determination by December 1 of each Agreement Period, beginning on December 1, 1999, whether working conditions in the Cambodia textile and apparel sector substantially comply with such labor law and standards (1999).

As a result of these conditions, the bonus quota awarded to Cambodia was 9% each year between 2000 and 2002, 12% in 2003, and 18% in 2004 (Polaski, 2006). Although the MFA and the UCTA's quota system have expired, the two labour initiatives to emerge from the UCTA have been maintained.

#### BETTER FACTORIES CAMBODIA

The first labour component of the UCTA is Better Factories Cambodia (BFC). The signing of the United States–Cambodia Textile Agreement was followed by 18 months of meetings and negotiations between several international unions, the ILO and the American and Cambodian governments, regarding the best way to monitor conditions in garment factories (Abrami, 2004). Originally the ILO was reluctant to run a monitoring programme, but it consented when the US government committed to providing (in addition to

US\$1.4m for the three-year monitoring programme) another US\$500,000 for a training and technical assistance programme to the Cambodian Ministry of Labor (Elliott and Freeman, 2003).

The factory monitoring programme, currently known as BFC, began in June 2001 (Kolben, 2004). Factories are not obliged to register with the ILO project, but a Cambodian Ministry of Commerce decree stipulates that only those factories registered with the project could use or purchase quota for exporting garments to the USA. By June 2005, all exporting factories had registered (BFC, 2005b). However, factories subcontracting to exporting firms were not required to register (Foreign Investment Advisory Service, 2005b). The project's funding sources were divided in the following way for a total of \$1.4m between 2001 and 2003: US Department of Labor 71%, Government of Cambodia 14%, Garment Manufacturers Association in Cambodia (GMAC) 14%. The subsequent two years cost \$1.5m, funded by the same stakeholders but in different proportions: US Department of Labor 67%, Government of Cambodia 27%, GMAC 6% (Foreign Investment Advisory Service, 2005a). In 2006, the monitoring cost about US\$2.80 per worker per year (BFC, 2006a). Between 2004 and 2009, the planned annual budget for the monitoring and reporting programme was set at US\$600,000 (Foreign Investment Advisory Service, 2005a).

BFC undertakes a number of activities. It leads training and capacity-building programmes for government staff, as well as year-long training programmes for union leaders and factory managers. BFC's principal role is to inspect factories (BFC, 2006a). Monitors, who visit factories in pairs, review each firm's compliance with a checklist of up to 500 items. The monitors inspect factories and speak with both employers and employees. The preliminary findings, with a list of areas that need improvement, are given to managers. At this point, management has time to follow-up on these suggestions, after which the monitors return to verify how much progress has been made. These follow-up findings are made public (available in English, Khmer and Chinese) in the programme's online Synthesis Reports, which are comprised of the compiled findings from one group of factories, all identified by name.<sup>2</sup> Before the Synthesis Reports are published, they are reviewed and approved by a committee comprised of union, management and government representatives, a US Embassy employee, and chaired by the Secretary of State from the Cambodian Ministry of Labor.

#### ARBITRATION COUNCIL

The Labour Dispute Resolution Project (LDRP) was the second labour initiative to emerge from the UCTA. It was established in 2002 after the ILO requested a dispute resolution component to complement the monitoring programme. The LDRP's main accomplishment was the establishment of the Arbitration Council, which is a national institution whose mission is to resolve collective labour disputes (Sibbel, 2005). The Arbitration Council began

operations in May 2003 under a cooperative agreement among the LDRP, the Cambodian Ministry of Labor, employer organizations, and unions.

When a collective labour dispute occurs, the Ministry of Labor attempts to conciliate the parties. If this is unsuccessful, the parties are legally required to participate in a hearing at the AC (Arbitration Council, 2004). The Arbitration Council is tripartite, meaning it is comprised of members nominated by unions, employer associations, and the Ministry of Labor. When a dispute is referred to the Council, the disputing parties each choose one arbitrator from their respective list of appointed arbitrators. The two arbitrators from the union and employer lists then choose a third arbitrator from the Ministry-appointed list, who chairs the panel. Although the arbitrators are placed into these three categories, they are not the parties' respective representatives (Community Legal Education Center, 2003).

Before the actual arbitration begins, the panel will attempt to conciliate the parties. If this process is unsuccessful, they move to arbitration. At this point, the parties have an opportunity to decide whether the arbitral award will be binding or non-binding. For binding arbitration to take place, both parties must be in favour of it. After the award is issued, either party can object by filing a written statement to that effect (Community Legal Education Center, 2003). The entire process happens quickly, with the arbitral award being issued within 15 working days of the arbitrators being chosen. Arbitration is provided to the parties free of charge (Sibbel, 2005).

### *3. Methods*

#### FIELDWORK: INTERVIEWS AND OBSERVATIONS

Our principal source of data consisted of interviews with all stakeholders and observations of core activities. The stakeholder groups interviewed included factory workers, management, government officials, and representatives of BFC and the Arbitration Council. We selected our respondents with the aim of obtaining an illustrative sample of a wide variety of perspectives. But because the study's fundamental question was how the UCTA affected working conditions, we prioritized interviews with workers and organizations representing factory employees. This was crucial because their perspective is missing from most studies of the UCTA.

Of the individual workers we met, virtually all were young women and most were union members, although we also interviewed several non-unionized workers. Some of our respondents had recently been dismissed from their factory employment. Labour respondents included a representative from a union federation associated with the government (the Cambodian Laborers Union Federation), as well as officials from two of the three federations that are the most active and independent from the ruling party: the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC) and

the Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) (United States Department of Labor, 2003). Most respondents from the labour sector spoke only Khmer. Our translator was skilled, knowledgeable, and trusted in labour circles.

Leaders and workers from a wide range of relevant NGOs were also interviewed: local and international, those focused on labour standards and those concerned principally with the condition of women, as well as service-providers and research-oriented groups. The management stakeholders consisted of a factory owner and a representative from the national Garment Manufacturers Association in Cambodia. Government officials included those from both Cambodia and the US. The UCTA labour project employees interviewed ranged from expatriate managers to Cambodian staff members.

Every interview, which lasted a minimum of one hour, consisted of a semi-structured conversation about two principal issues. The first was the respondents' views of the initiatives sponsored by the UCTA – we asked them to identify the projects' strengths and weaknesses with regards to labour standards. Additionally, we sought details on the respondents' concrete experiences with either or both of these programmes. Interviews were conducted in English or in Khmer with English translation, depending on the respondents' linguistic knowledge and preference.

The other type of fieldwork consisted of observing a variety of relevant activities. Observations were made of the operation of both UCTA-sponsored labour programmes, including an Arbitration Council hearing and a factory visit with ILO staff; a training programme in labour law for low-wage workers, mandated by the Jones New York company and run by the American Center for International Labor Solidarity (ACILS); the operation of the Cambodian justice system at the criminal trial of three garment workers; a strategy meeting conducted by a group of factory employees who had been laid-off; and the two-day founding congress of the Cambodian Women's Movement Organization.

Table 1 compiles the numbers of interviews and observations with each stakeholder group, as well as details on the types of organizations and activities. Fieldwork took place in August 2006.

#### DATA ANALYSIS

The information obtained through fieldwork was supplemented by analysing the data produced by the UCTA's labour monitoring component.<sup>3</sup> BFC publishes reports on its monitoring activities in its Synthesis Reports, of which 16 had been produced by mid-2006. Each report contains information for only a subset of factories, and not the entire industry. Thus there are several cohorts of factories – five in total – each covered by several non-consecutive Synthesis Reports. The first step in analysing the data was to organize these

TABLE I *Interviews and observations by stakeholder group*

<i>Stakeholder</i>	<i>Interviews</i>		<i>Observations</i>
	<i>Organization</i>	<i>No. of respondents</i>	
Labour	1. BWI: Building and Wood-workers International	42	1. City New Factory workers' home
	2. CCAWDU: Coalition of Cambodian Apparel Workers Democratic Union		2. Worker strategy meeting
	3. CFITU: Cambodian Federation of Independent Trade Unions		3. Founding two-day congress of Cambodian Women's Movement Organization
	4. CLUF: Cambodian Laborers Union Federation		
	5. CWMO: Cambodian Women's Movement Organization		
	6. FTUWKC: Free Trade Union of Workers of the Kingdom of Cambodia		
	7. Garment Factory Workers		
UCTA Labour Projects	1. Arbitration Council	4	1. Arbitration Council hearing
	2. Better Factories Cambodia		2. Better Factories Cambodia – factory visit follow-up 3. ILO Seminar
Management	1. Garment Manufacturers Association in Cambodia	2	1. Jones New York training at S.H. International Garment Factory
	2. S.H. International Garment Factory		
Government	1. Cambodian official (anonymity requested)	3	1. Trial of Genuine Factory workers
	2. Mu Sochua, Sam Rainsy Party		
	3. Jennifer Spande, US Embassy in Phnom Penh		

*(Continued)*

TABLE 1 (Continued)

Stakeholder	Interviews		
	Organization	No. of respondents	Observations
NGOs	1. ACILS: American Center for International Labor Solidarity	21	
	2. CARE International		
	3. CDRI: Cambodian Development Resource Institute		
	4. CLEC: Community Legal Education Center		
	5. LAC: Legal Aid of Cambodia		
	6. LSCW: Legal Support for Children and Women		
	7. Star Kampuchea		
	8. WAC: Womyn's Agenda for Change		
	9. WRC: Worker Rights Consortium		
TOTALS	23	72	8

TABLE 2 *Synthesis reports by cohort*

	Cohort name				
	A	B	C	D	E
Synthesis report number	1 3 6 12	2 5 10 15	4 8 13	7 9 14	11 16

documents by cohort. For the sake of clarity, the groups were named as outlined in Table 2.

Next the contents of each report were assessed for comparability. Better Factories divides the results of each of the 16 reports into 3 categories: 'Working Conditions', 'Safety and Health', and 'Labour Relations'. Each category is comprised of several sub-categories. For each sub-category, ILO monitors make recommendations for improvement, which are called suggestions in the reports. Although the number of sub-categories stays

constant, the number of suggestions fluctuates substantially (ranging from 135 to 262) across the 16 reports.

We determined that it was not only the number of suggestions that changed over time; their content – both in wording and substance – varied significantly. Some appeared in only one report, whereas other suggestions surfaced consistently but were phrased differently across reports. For example, a suggestion in the Wages sub-category in the 9th report reads: ‘Pay workers the correct wages for night work’ (BFC, 2005a) while the same suggestion in the same sub-category gained specificity in the 14th report: ‘Pay workers double their normal pay for work at night (between 22:00 and 05:00)’ (BFC, 2005c).

In order to identify the reports that were consistent enough to be compared, we used a database to track the categories that remained identical or nearly unchanged within cohorts. For manageability, we limited ourselves to all suggestions found within 11 key sub-categories, listed in the Table 3. They contained a total of 74 suggestions.

For these sub-categories, Synthesis Reports 10 and 15 of Cohort B provided the greatest consistency in their evaluation methods. These two reports cover a significant percentage of the entire industry’s factories (approximately 9%) and workers (approximately 12%). This outcome also has the benefit of containing a report produced after the MFA and UCTA had expired. Although, as we discuss later, our respondents identified several shortcomings in the monitoring process that produces these reports, we believe that the reports are worth analysing. They contain a large quantity of information, provide a valuable snapshot of labour standards in the industry, and an analysis of this data can inform future policy makers on the concrete areas in which improvement is necessary.

TABLE 3 *Sub-categories and suggestions*

<i>Category</i>	<i>Sub-category</i>	<i>No. of suggestions</i>
Working conditions	Wages	27
	Hours of work	11
	Leave	12
	Maternity leave	3
	Breast-feeding	2
	Nursing room/day care centre	2
	First aid	4
Safety and health	Protective measures	3
	Machine safety	3
	Drinking water	6
	Anti-union discrimination	1
Labour relations		74

TABLE 4 *Least implemented suggestions*

<i>Sub-category</i>	<i>Suggestion</i>	<i>No. of Factories in Report 10</i>	<i>No. of Factories in Report 15</i>
Hours of work	Ensure overtime work is exceptional	18	13
	Ensure overtime work does not exceed two hours/day	15	–
Nursing room/day care	Set up a functioning and accessible nursing room	21	21
	Set up a day care centre at or near the workplace, or pay the childcare costs of women employees	20	17
Drinking water	Provide cups or other sanitary means for drinking water	14	12

#### 4. Results

##### BETTER FACTORIES CAMBODIA

We tracked the areas with the greatest labour violations, which we defined as those that at least half of the factories in the selected cohort did not follow. The results are provided in Table 4.

According to the analysis, the major problems facing Cambodian garment workers are forced overtime, a lack of facilities for workers' young children, and a need for potable water facilities. The slight improvement across the two reports suggests that even among the least implemented suggestions, conditions in factories were moving in the right direction.

At the same time as suggesting improvement in conditions, our study of the reports brought to light several shortcomings in the monitoring process. The Better Factories monitors only record a firm's failure to follow a suggestion, which introduces uncertainty into the analysis. The absence of a factory from the list of non-implemented suggestions could mean that the suggestion was made and the factory followed it or the suggestion was never made because the firm was in compliance with that recommendation. Synthesis Report 17 notes that 'when a factory does not have a suggestion for a particular item, the factory is in compliance with that requirement' (BFC, 2006b) whereas Synthesis Report 15 states: 'Indications made with regard to new suggestions reflect changes in situations where previously no suggestion was made, changes to an initial suggestion based on new developments, or a situation where refinements in the interpretation of the checklist warranted offering new suggestions' (BFC, 2005d). Furthermore, because improvements in factories might have occurred early in the monitoring programme, in order to measure all positive changes in factories it would have been necessary to assess progress in the earliest reports. However, because of the comparability problems we described earlier, only reports 10 and 15 could be compared.

We will now discuss the results from our principal source of information, the interviews and observations. These all took place independently and without prior knowledge of the report analysis. The general conclusion to emerge from the qualitative data is that BFC has achieved progress, while remaining limited in several ways.

Respondents from a range of perspectives praised the BFC programme. For example, Ros Kann of the Cambodian Women's Movement Organization observed a number of improvements that have occurred in firms since the ILO began monitoring. For instance, factories used to be dangerously hot, but now many are equipped with fans and high ceilings. According to her, the unions appreciate the publicly available reports published by the ILO, since they contain 'the facts from the workers'.

Other respondents tempered their praise. Union leader Meas Morokath said that:

the recommendations that the ILO monitors make are good, but they have not happened inside the factories. When the monitoring first began, the workers were eager to speak to monitors to discuss labour conditions. But when the monitors returned, the employees felt more reluctant to speak because nothing had changed. They said to the monitors: why do you keep asking us, if nothing is changing?

She reported that at one factory, the monitors informed management that they needed to provide masks for their employees and a hygienic cover for the drinking water. Although the employer agreed to this at the time, he only followed through with the latter recommendation.

Many respondents, particularly from the labour sector, argued that Better Factories was a good initiative, but required the active efforts of unions. Som Srey Mom, Vice-President of the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC) called the ILO 'a very good international organization. Before, we didn't know the ILO very well. Now that we know them, we always call the ILO monitor'. She has observed an improvement in working conditions in the decade since she began labour organizing in 1995, particularly with regards to health and safety. She reported, however, that 'results of Better Factories Cambodia have not been widespread; just a few factories have improved'. Ath Thorn, President of CCAWU, stated: 'Better Factories Cambodia is good, but not perfect. If we want more improvements, we need unions. It is the factories with independent unions that have better working conditions'. And as Som Srey Mom of FTUWKC contended, 'the Better Factories Cambodia programme will not be able to effect improvements in the factories if we do not demand them'. As an example, former garment worker Preap Veata explained that only when a factory employee is a union member and aware of her rights will she receive her legally mandated maternity leave; otherwise, she will quit after becoming pregnant and not return to paid employment. Sim Socheata of local NGO Womyn's Agenda for Change put the situation in these terms: 'We must

empower workers to know and demand their rights. Their best weapon is knowledge'. She went further, asserting that, 'Just having unions is not a solution in and of itself; some workers do not even know the name of their union. Some workers think that if they pay their union dues, the union should solve all their problems without them getting involved. But workers must be involved'.

In effect, an integral part of BFC's mandate is to inform workers and union leaders of their rights under Cambodian law. Union leaders, as well as management, attend the BFC-run training programmes in labour law. Moreover, in order to reach factory employees who may not be literate, BFC has produced a series of comic books, as well as soap-opera style videos with well-known Cambodian actors. The half-hour videos are shown in factories over lunch breaks to groups of 200 to 500 workers, after which the comic books are distributed. The topics dealt with include dispute resolution, occupational health and safety, working mothers and breastfeeding (BFC, 2008).

Regarding procedural aspects of the monitoring component, our respondents identified several key areas where they believed that improvement was necessary. Although the monitors' visits are meant to happen without warning, several interviewees claimed that factory managers know when to expect these visits. GMAC asserts that 80–90% of the inspections are conducted without prior notice, but the regularity of the visits (every six months) would presumably allow factory owners to gauge when the monitors will return. Being aware of the inspections would allow management to prepare the factory for inspection. Tol Phann Meurng, President of the National Union Federation Cambodian Workers (NUFCW), contended that the employers are always given time to set up for the monitoring. Union leader Ros Kann explained as an example that in some factories staff bathrooms are fully stocked for ILO inspections and then cleared out afterwards.

Advance notice, as many interviewees informed us, would also give factory management the chance to choose the employees who meet the monitors. A former garment worker, Uy Champei, said that although BFC has led to improvement in some factories, 'when the factory knows about the ILO visits, they make an announcement over the PA system instructing the workers not to look around and not to say anything bad about the factory when they speak to ILO monitors'. Union leader Meas Morokath affirmed that when the monitors arrive, the factory management is already prepared and has told workers to 'say good things about the factory'. Likewise, Tola Moeun from the Building and Wood-workers International union asserted that the garment workers who are permitted to speak with the monitors are instructed by factory management not to say anything negative. Workers placed in this position face a difficult dilemma: be candid and risk dismissal, or continue working in poor conditions. Womyn's Agenda for Change staff reported having received anonymous calls from workers, placed in precisely that position, who were seeking advice.

Emerging from the interviews were two substantive areas of concern, which also paralleled the results from the monitoring reports. First, this qualitative data showed that excessive overtime was a major issue. This is undoubtedly linked to the low wages earned by garment workers. Because of inflation, the US\$45 a month that the unions negotiated in 2000 has shrunk to a salary barely sufficient to survive in Phnom Penh. For instance, CARE International's survey of garment workers found that in 1999 the minimum cost of rent, food and utilities was US\$20 per month (Maclean, 1999). By 2006, workers and NGO staff were estimating a living wage to be between US\$80 and US\$100 per month. Moreover, 89.5% of garment workers send home a large portion of their wages to their families, ranging, according to the Asian Development Bank, from US\$10 to US\$30 every month (Asian Development Bank, 2004a).

If the low wages are not incentive enough for the workers to voluntarily work extra hours, there is evidence that some employers make overtime mandatory. One tactic used by management to force employees to work overtime, as explained by Tol Phann Meurng of NUFCW, is to lower the piece rate to the point where it is impossible to reach the monthly wage of US\$45. The company then supplements the salary in order to reach the minimum wage, but after this happens three times the employee is fired. Tep Kimvannary from the CFITU asserted: 'Employers usually ask the worker to work overtime. If one time the worker doesn't feel well and says no, the employer will not give them any more overtime'. Similarly, former garment worker Chim Sonisay spoke of being compelled to work late,<sup>4</sup> from 6 pm to 9 pm. At her factory, if employees refused overtime more than twice, they lost their jobs. Given that the pay they make from occasional overtime work is what allows these workers to survive and support their families, permanently losing this option is a serious penalty. Working overtime can be dangerous to one's health: as Tep Kimvannary explains, occupational hazards increase when employees are tired. Moreover, according to Ann Vireak of the Community Legal Education Center (CLEC), when they return home along the unlit roads that lead away from the garment district, workers are at higher risk of being robbed or raped after the night shift.

It could be difficult for BFC monitoring to always detect forced overtime. Union leader Ros Kann reported that some firm managers use a dual punch card system. Workers each have two punch cards that track their hours, with only one, which is the document presented to ILO monitors, in line with labour regulations. With time and experience, some monitors improved their methods. For instance, according to former factory worker Uy Champei, in order to find out if overtime rules were being followed, they began asking the food vendors outside the factory at what time the employees usually left work.

The second principal area of concern for workers was the balancing of work and family. Workers reported inconsistent implementation of the construction

of childcare facilities at places of employment with over 100 female workers, which is required by Article 186 of the Labour Code. Tep Kimvannary from the CFITU stated that virtually no factory managers provide these facilities. At times, the centres are built 'for show' but remain locked: at one factory, management did not allow employees with infants (of which there were about 1000 in a workforce of 5250) to use the facilities. Factory workers are clearly aware of this trend; Yim Serey Vathanak of ACILS affirmed that most women would rather accept the cash payment offered by some managers rather than be promised a childcare centre. This may help explain the results of a study of nearly 1000 workers at 40 factories, which found that 88% of women preferred a cash payment over a childcare facility at the factory (BFC, 2006c).

There are problems with the implementation of other Cambodian laws designed to assist in work-family balance. According to union leader Meas Morokath, women who have ill dependents are not permitted to take leave to care for them, although Article 171 of the Labour Code guarantees special leave for events directly affecting a worker's immediate family. The implementation of maternity leave (Article 182) is also inconsistent. In an extreme example, we were told by a former worker of the case of a woman who did not dare to ask for leave until the day of delivery, and she and the child both died. Ann Vireak of CLEC and Prum Socheat of Star Kampuchea both cited cases of workers who used their lunch breaks to return home and nurse their infants.

Not only does factory work make it extremely difficult to care for children, there is suggestive evidence that women with dependents experience discrimination at work. Womyn's Agenda for Change staff asserted that employers do not want to hire women with families. Union leader Meas Morokath explained that women are often fired after they give birth. She claimed that if they are rehired it is often under a new contract, meaning they lose their seniority and the pay bonus that goes with it. Tep Kimvannary of CFITU echoed this statement, saying that women with children have a harder time securing employment because the employer thinks their family life will adversely affect their productivity. She estimated that when women who work in the factory have children, only about 30% are allowed to return to their jobs. In fact, according to an Asian Development survey (2004a), 78.5% of the workforce in the garment industry is childless.

In sum, it is nearly impossible for Cambodian women to work at a factory and care for a family. We spoke with Oung Theary, a 27-year-old garment worker who could not afford to bring her children to live with her in Phnom Penh. Originally from Prey Veng Province, she has two children: a five-year old girl and a seven-year old boy. She came to work in a Phnom Penh factory in 2003, leaving her children to be cared for by her parents in the countryside. When she wants to return home, her employer must first approve a leave permission form. She does not see her children more than once a year. With her factory wages, she supports herself, her parents and her children. When we

spoke with her, she had been dismissed from her factory and was undertaking casual work at another establishment, where she received US\$2.00 for 12 hours of labour.

In summary, the monitoring and training have had positive effects on working conditions overall. But the impact of Better Factories, according to interviewees, is limited by its lack of enforcement capabilities and mediated by how well unions are able to lobby for improved standards.

#### ARBITRATION COUNCIL

The second half of the UCTA labour programme is the Arbitration Council. Before evaluating the Arbitration Council, it is crucial to discuss Cambodia's justice system, which is currently the only alternative method of resolving labour disputes. We witnessed the operation of this system first-hand at an August 2006 trial of three workers fired from the Genuine Garment Factory for allegedly locking a group of employers in the factory. In the courtroom, the electricity was not working, which made it dark and stifling hot. The trial began an hour late. None of the witnesses had been instructed in court procedure. The prosecutor intimidated both the witnesses and the accused, ordering them where to stand and where to look, and reducing one who was ill with typhoid fever to tears. None of the 24 Chinese employers who claimed to be victims of the workers' alleged actions attended the trial.

During our interviews, respondents from a wide range of perspectives had a higher opinion of the Arbitration Council than the court system. Yeng Virak, Executive Director of the Community Legal Education Center, feels that many Cambodians trust the Arbitration Council more than the courts. Ath Thorn, President of CCAWDU, believes that 'the court system treats people differently; if the employer complains, they will hold a hearing within two days. But if a worker complains about the employer to the court, this will take five years'. However, management does not entirely trust the courts either. Ken Loo, Secretary General of GMAC, dismissed them as corrupt.

In addition to our respondents, other sources have offered persuasive critiques of the court system. The Asian Development Bank reports that Cambodia's judiciary does not meet acceptable standards regarding such crucial qualities as independence, capacity and transparency (Asian Development Bank, 2001). The judiciary is routinely interfered with by other branches of government and by 2001 only 33% of judges and prosecutors had received any formal legal training (Asian Development Bank, 2001). Moreover, since they are civil servants, they make an average of US\$28 per month, which is far below even a garment worker's wage (International Monetary Fund, 2003). The combination of an extremely low salary and the impunity guaranteed to them by Article 51 of the Civil Service Code evidently encourages corruption (Hall, 2000). As legal scholar John Hall (2000) reported, 'the single greatest barrier to guaranteeing the rights of workers in Cambodia is the culture of impunity and corruption, which makes enforcement of existing legislation

virtually impossible'. Six years later, it did not appear that this situation had significantly improved. Corruption in the private sector in 2005, according to the Economic Institute of Cambodia, totalled US\$330m, which represents approximately 50% of the total government budget revenue in that year (Economic Institute of Cambodia, 2006). Prime Minister Hun Sen's reaction to this report compelled the Institute's director to flee the country.

It is within this context that we must consider the praise of the Arbitration Council from many respondents across a range of perspectives. Union leader Tol Phann Meurng observed: 'The AC [Arbitration Council] is very good; it is good at resolving issues, it is neutral'. Yeng Virak of the Community Legal Education Center asserted that people trust the Arbitration Council because the arbitrators '... are doing a good job. They learn the facts, refer to the law, and undertake a proper legal analysis'. Tep Kimvannary of CFITU cited an example of an arbitral award regarding a shop steward who had been unfairly dismissed. The employer followed the ruling, reinstating him at his job and paying him the two months of wages he had been owed. Moreover, as the Arbitration Council Foundation's Michael Lerner pointed out, the compilation of all the arbitral awards that are issued, available in English and Khmer, online and in hard copy, is Cambodia's first series of publicly recorded cases. Since the courts do not publish their cases, the Council is the country's first institution to build a body of jurisprudence.

The high regard in which the Arbitration Council is held is demonstrated by the possibility that all its rulings will become binding. According to Jennifer Spande of the US Embassy, there have been discussions about a sector-wide collective bargaining agreement that would institute mandatory binding arbitration across the garment industry. There is no consensus, however, on moving to a uniformly binding process. Ken Loo, GMAC's Secretary General, explained the view of employers: 'the AC was created as non-binding from the beginning because all parties were sceptical of the AC. Now there is more trust from the manufacturers and more consistency in the cases. But the AC is still very young and it is too early to discuss binding'.

Despite the Arbitration Council's achievements, it does have limitations. For instance, its principal task is to resolve labour disputes, but there are mixed reports on its success in this area. According to Arbitration Council sources, the Council has settled a significant majority of the cases that it has heard. Between its founding in May 2003 and February 2005, the Council quotes a 68% success rate. Yet the definition of a case that was successfully concluded is one in which any of the following situation applies: the parties are conciliated before the award is issued; the award (even if it was opposed) was fully or substantially implemented; or the award (even if it was opposed) formed the foundation of a post-award settlement that resolved the dispute.

According to most respondents, the Arbitration Council's principal challenge lies in its limited ability to enforce its rulings. As explained earlier, for an award to become binding, both parties must agree on this point before the

hearing begins. But even if a party rejects a binding award, the Arbitration Council does not have the ability to sanction the rejection and enforce compliance. According to Nhek Sarin, Executive Director of Star Kampuchea, workers worry that a ruling is less likely to be followed if it favours labourers. Tol Phann Meurng of the NUFCW observed that the Arbitration Council arbitrators 'do not have the right to enforce their position'. He went on to contend that 'Whenever they rule in favour of the worker, the management ignores the award'. Likewise, Som Aun of the Cambodian Laborers Union Federation (CLUF) claimed that 'there is no power in the decision of the AC'. And as Sim Socheata from Womyn's Agenda for Change (WAC) phrased it, 'the employers do not abide by the AC ruling. If the decision is in favour of the employer, end of story. If the decision is in favour of the worker, the story is longer'.

One point of leverage, according to An Nan from the Worker Rights Consortium, is that many buyers put pressure on employers to follow the Arbitration Council rulings. Michael Lerner, of the Arbitration Council Foundation, echoed this assertion. He affirmed that some buyers tell their producing factories: 'We trust the Arbitration Council decision, so you need to follow it if you want to keep our contracts.' Buyers' confidence in the Arbitration Council is also evident in the fact that Levi Strauss has provided the Arbitration Council Foundation with a US\$10,000 seed grant (Frost and Ho, 2006).

Some people believe that managers are becoming increasingly prone to objecting to an AC award. Jennifer Spande of the US Embassy said in August 2006 that 'over the past five or six months, there has been increasing frustration in the labour sector. Although this isn't specifically related to the AC, there is a sense of frustration that the arbitral awards are not binding, particularly since increasing numbers of employers are objecting to the awards and then not implementing them'. Som Srey Mom of the FTUWKC was more critical, dismissing the Arbitration Council as 'a system to prevent workers from going on strike; during the proceeding of a hearing, workers will lose the momentum and energy to strike. When the AC decides in favour of the workers, the employer will simply reject the decision and complain to the court'. Staff members at the Arbitration Council Foundation were worried about the rate at which the employers accept the arbitral awards, which they said has remained steady since the Council's inception. The way in which many employers see this situation, as Ken Loo of GMAC explained, is that just as it is the right of the union to strike, it is the right of the employer to object to an Arbitration Council award.

#### SUSTAINABILITY

Respondents' perspectives on the UCTA's labour component were often tied to how they thought it might provide Cambodia with a comparative advantage in the post-MFA environment. US Embassy labour representative

Jennifer Spande said that, 'even if Cambodia faces some challenges in terms of higher costs and more limited skills, the garment industry is going to do pretty well. A huge part of that is its reputation for good labour standards'. According to Hing Vutha, Research Manager at the Cambodian Development Resource Institute, Cambodia's garment industry actually grew by 10% in the 18 months following the expiration of the MFA. Likewise, Conor Boyle from BFC affirmed that many factories are expanding in size and investing in infrastructure, a move he interprets not as a stop-gap measure, but as a vision for the future. A Foreign Investment Advisory Service (2004) survey supports the idea of Cambodia having a market niche for labour standards, with 79% of interviewed buyers asserting that the monitoring of labour conditions in the country remains crucial to their presence after the MFA phase-out. Nike's Vice President for Corporate Responsibility Compliance asserted that Nike 'wouldn't be manufacturing in Cambodia if there weren't an ILO programme there' (Sibbel, 2004). When we spoke with Som Aun, President of the Cambodian Labour Union Federation, he affirmed that since the MFA expired, employment in the industry has increased partly because of the low-tax policy adopted by the Cambodian government. But, he claimed, 'The principal thing that keeps the buyers here is the image of the labour standards in Cambodia'.

Other respondents were less sanguine about the future of Cambodian labour standards. The fact that Cambodia, a small producer on the world market, is now in direct competition with China and India, has created an environment in which labour has less bargaining power. Some workers and labour NGO representatives reported a worsening in conditions since the expiration of the MFA. Yim Serey Vathanak of the American Center for International Labor Solidarity asserted that forced overtime has increased, as has the proportion of short-term contracts. Likewise, former garment worker Preap Veata claimed that day-long contracts were becoming more common, and that tasks set by managers were more difficult. WAC's Sim Socheata observed that since the MFA expired, some managers force employees to take their annual leave during the low season when the factory is not producing, even though the workers are entitled to their pay during this period. Carina Carlstrom from Star Kampuchea said that since the end of the quota system, unions have not dared begin negotiations about a minimum wage increase. Whether the perceived threat of Cambodia's global competitors is real or imagined is perhaps irrelevant; as Sim Socheata summed up, it is 'highly effective propaganda'.

Both BFC and the Arbitration Council are making efforts to ensure their relevance in the post-MFA environment. The Mekong Private Sector Development Facility (an initiative set up by the World Bank Group) will transform BFC into a private-sector, non-profit organization after 2008. The ILO, which will continue to provide a Chief Technical Advisor, plans on making the programme self-supporting by 2009 (BFC, 2006a). The Arbitration Council has also taken important steps in this direction. Because the

Arbitration Council is not actually a legal entity but merely a group of 30 arbitrators, the Arbitration Council Foundation was founded in September 2004. The Foundation will gradually take over the activities currently performed by a local non-governmental organization (the Community Legal Education Center), such as administrative functions, legal support, fundraising, institutional development, and capacity-building for arbitrators.

## 5. Discussion

In the highly globalized industry of garment manufacturing, guaranteeing international labour standards has frequently seemed out of reach to countries competing to attract foreign investment. Yet, to some valuable degree, Cambodia has succeeded. This is due in large part to the incentives put in place by the UCTA for improving labour standards. According to our analysis, the UCTA's labour initiatives led to three related developments, which together have prevented the deterioration of conditions in the country's garment industry.

First, BFC's monitoring has provided a useful check on labour practices in the industry. While the working conditions in many clothing factories are still poor, overall improvements have been made. Today the most serious challenges in labour standards, according to garment workers, are forced overtime and workers' inability to remain employed and care for their families. These observations were supported by our analysis of BFC data; the suggestions made by ILO monitors that were the least implemented by factories were reducing excessive overtime, providing childcare services, and ensuring access to drinking water. This correlation between the results obtained through candid interviews by a group of independent researchers and the data made publicly available by the ILO is important. It suggests that the monitors, either through discussions with employees or their own observations, are able to identify the problems that workers find most serious. Moreover, the very fact that ILO monitors are permitted to enter and inspect the factories and publish reports in an accessible format is highly significant. Managers willing to implement good working conditions are encouraged to pursue these policies, since they will not become less competitive upon doing so. In fact, the availability of information could provide a way for factories to be more competitive, even after the positive incentive of the bonus quota has been eliminated.

Second, the Arbitration Council has been helpful in its provision of an independent space for the arbitration of labour disputes. The lack of enforcement mechanisms has limited the impact of many decisions. However, the council has effectively provided a neutral space, unique in Cambodia, in which labour and management can engage in dialogue and potentially resolve their disputes, mediated by skilled and independent arbitrators.

Finally, these two labour initiatives have strengthened the position of workers seeking to improve their own labour conditions. BFC undertakes training

programmes for workers and union leaders. And for workers involved in a case at the Arbitration Council, regardless of the outcome of the process, the experience provides valuable training in labour law, negotiating, and dispute resolution. Furthermore, the very presence of these initiatives and their international stakeholders, such as the ILO, would likely provide the Cambodian labour sector with an important degree of confidence in their negotiations.

Despite these policy initiatives' limitations, overall they have benefited workers and allowed the industry to survive in the post-quota world. Other countries would do well to emulate Cambodia by using improved labour standards as their comparative advantage. In fact, the ILO and the private-sector financing part of the World Bank are currently undertaking a 'Better Work' programme modelled on the structure of the Cambodian initiative. This will potentially encompass the clothing industry as well as plantations, electronic equipment and manufacturing (International Finance Corporation, 2006). Better Work's first step was to design pilot projects for the garment sectors of Jordan, Lesotho and Vietnam (Better Work, 2007). Although no details about these projects have yet been released, recent documentation produced by Better Work suggests that the argument being made for these initiatives is based primarily on enterprise competitiveness (Better Work, 2008).

Future policy initiatives could be strengthened in both procedural and substantive ways. In terms of monitoring procedure, for instance, it should always take place without the factory owners being forewarned of the precise date and time. Furthermore, the reports produced by the monitoring need to be more clear, consistent and comparable. They should clearly delineate cases of compliance and non-compliance, and these findings should be made accessible to workers, as well as international buyers and consumers. Regarding substantive issues, these programmes could be improved if more workers were trained in labour law and in dispute resolution skills. Moreover, the arbitration would have more clout if the awards were binding. Finally, future initiatives could focus on identifying the most problematic labour standards, followed by targeted efforts to improve those specific areas.

Looking to the future, reports on the viability of the Cambodian clothing sector are mixed. According to government figures, in 2008 garment exports rose by 7% to US\$3.15bn (Hor and Chun, 2009). Yet its long-term prospects are less certain, particularly in today's depressed economic climate. Union leaders have reported that rapidly increasing inflation is driving thousands of Cambodians to quit their clothing factory jobs, in order to seek better-paid employment or to leave Phnom Penh and its unaffordable cost of living (Associated Press, 2008). What happens next is of vital importance to the lives and livelihoods of hundreds of thousands of workers and the families they support. Individuals like Oung Theary, whose labour is enabling their country to reap the economic benefits of global trade, should not be faced with an impossible choice between living with their children and earning a wage to support their families.

## ACKNOWLEDGMENTS

The authors would like to express their gratitude to a number of people: all those we interviewed for their openness and generosity with their time; Yim Serey Vathanak for allowing us to benefit from his expertise and translation skills; An Nan, Alonzo Suson, Chea Somalina, and So Somalay for their support in Phnom Penh; Jeff Hayes for his assistance in data analysis; and, *Global Social Policy's* three anonymous reviewers for their detailed comments and suggestions. Anna Shea would like to additionally thank Sean Mills for insight and inspiration.

## NOTES

1. Full title: Agreement Relating to Trade in Cotton, Wool, Man-made Fiber, Non-Cotton Vegetable Fiber and Silk Blend Textiles and Textile Products Between the Government of the United States of America and the Royal Government of Cambodia.
2. Except for Synthesis Reports 1, 2, 3, 4 and 7.
3. Unfortunately, it was not possible to analyse Arbitration Council data, because although it summarizes the results of its arbitral awards, it does not track their implementation.
4. All workers' names have been changed to protect their confidentiality.

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#### RÉSUMÉ

### *L'amélioration des conditions de travail dans les usines de confection: Les leçons à tirer des points de vue des parties prenantes, et des évaluations menées au Cambodge*

Cet article étudie les effets de l'Accord sur les Textiles entre les États-Unis et le Cambodge (UCTA; 1999–2004) sur les conditions de travail au Cambodge. Les auteurs constatent que les initiatives de travail de l'accord ont mené à des améliorations relatives dans les conditions de travail dans les usines de confection. L'étude s'appuie sur des recherches approfondies menées à Phnom Penh en 2006: des entretiens en profondeur auprès d'une douzaine de personnes représentant les différentes parties prenantes (la main-d'œuvre, la direction, les ONG, les gouvernements et les groupes de travail de l'accord commercial – «Meilleures Usines Cambodge» et le «Conseil d'Arbitrage»); et des observations des activités de ces groupes. L'article présente aussi une analyse systématique des rapports produits par les évaluations faites dans le cadre de l'accord. L'article discute également les implications politiques de cet accord.

## RESUMEN

*Mejorando las Condiciones Laborales en las Fábricas de Confección: Lecciones Aprendidas de las Opiniones de las Partes Interesadas y de los Resultados de la Observación en Camboya*

El presente documento examina los efectos del Acuerdo Textil Estados Unidos-Camboya (1999–2004) sobre las condiciones laborales en Camboya. Los autores encuentran que las iniciativas laborales del Acuerdo han conducido a mejoras relativas en las condiciones laborales en las fábricas de confección. El estudio utiliza el extenso trabajo de campo realizado en Phnom Penh en 2006: entrevistas a fondo con docenas de respondientes de todas las principales partes interesadas (la mano de obra, la gerencia, las ONG, los gobiernos y los proyectos laborales del acuerdo comercial – Mejores Fábricas para Camboya y el Consejo de Arbitración); y las observaciones de las actividades de estos grupos. El documento también presenta un análisis sistemático de los reportajes producidos por la observación.

## BIOGRAPHICAL NOTES

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