



FIRST ANNUAL GLOBAL ALUMNI CONVENTION IN CAMBODIA

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REMARKS OF MS. SANDRA D'AMICO, MANAGING DIRECTOR, HRINC (CAMBODIA) CO., LTD ON

THE CHARACTERISTICS OF THE CAMBODIAN WORKFORCE: POSITIVES AND NEGATIVES.

Panel C2: 13h30, Ballroom 2

Thank you for the opportunity to speak here today. I will address the points of characteristics of the workforce from an HRINC perspective where, on a daily basis, we are working with multinational and local clients to find the right talent as well as from a policy perspective where I represent employers as the Vice President of the Cambodian Federation of Employers and Business Associations (CAMFEBA).

If we look at our general workforce, there is no question that we have a multitude of strengths. We have what is perceived as a surplus of labour, although the extent of the surplus is today being questioned. None the less, it is a workforce that is passionate about learning and wanting to achieve. We have a workforce that is dynamic in the sense of wanting to achieve, wanting to be qualified and accredited, wanting to climb the career ladder.... ***But importantly we must remember that the majority of the workforce and the majority of jobs, are skilled and semi-skilled and not requiring higher education...***

All of our positives must be viewed in the context of our economic environment and how it is changing.

There is a growing pressure on wages. There is a growing pressure on productivity needs and being more productive. There is a growing pressure on compliance and enforcing laws and regulations. There is also a growing pressure on our place, as Cambodian, within ASEAN. It is also important to mention that all countries within ASEAN are facing challenges in addressing the competitiveness of our workforce.

So where does Cambodia stand in terms of challenges or negatives. It has been discussed this morning at length, the challenges we face. Lack of technical and hard skills, lack of soft skills, lack of flexibility and innovative thinking, lack of how education systems are able to respond to the broader needs of the industrial and economic changes we are undergoing. But I think that what we call "challenges or the negatives of the workforce, needs to be reflected in how private sector, unions and government manage whatever is the challenge we face. *It is the ability to react to challenges, and quickly move into implementation that overcomes challenges and does not exasperate them.* I am not going to focus on the general challenges of the work force but highlight today, some particular challenges more broadly, that should addressed more broadly, to be able to address the actual workforce challenges.

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First is: managing a workforce expectations and perceptions. It is not only the expectations and perceptions of young people and the new entrants into the market that need to be managed, but given in our cultural context, the strong family influence on primary and secondary education, the need to manage the importance of completing secondary school. And here I stress in particular the need to manage not completing the compulsory levels required by government which has moved up from Grade 6 to Grade 9, but completely completing secondary school. And here, the economic environment plays a critical role. Allow me to provide you an example:

1. If a garment factory on the new minimum wages maintains its order levels providing the regular 2 hours over time and productivity incentives, our workforce survey of over 100,000 workers shows that a worker on the factory floor sewing can earn between 220 – 250 dollars a month¹. This amount of money is significant to a rural family who could possibly send 2 family members to work in a factory. The cost of staying and finishing school, vs. going out and earning an income for the family is clear – get into the workplace as soon as possible.
2. I am **not saying** that wages are too high, but the economic benefit for a family is clear. A year of work can bring home 2640 – 3000 dollars vs. no income and no guarantee of a good job in the future that multiplies earnings significantly if out of university, the decision is clear from a family perspective. Over a period of 7 years (completing 3 years of secondary and 4 years of university) a family would forego around 18, 500 – 21, 000 income to the household.
3. A final point on managing perceptions and expectations *is the incomes of university graduates after university*. Our studies show that large companies, who pay well above market averages are paying starting salaries of around 252 - 300² for a general university student after completing their studies. That is not the majority of young people. If the general and majority population is earning less than 250 – 300 after university, then it is clear that **the quality of education comes into question, as well as the quality of jobs** that we have in Cambodia. These challenges all need to be addressed at the same time and be given time to take effect – however at the heart is managing expectations of families to keep children in school so that we have a future generation of more highly skilled workers.
4. **The challenges related to managing perceptions and expectations cannot be underestimated.** If the economic benefits outweigh the education benefits, ***Cambodia risks having a workforce that will chase the highest minimum wages in the region and not be a qualified and skilled workforce.***

The second point I wish to address is that while we have a vast lack of skills, these are resulting from a **lack of diversified education opportunities, and arguably a great need to change the way we teach**. Skills will always be lacking because economies and industries keep changing. What Cambodia needs to focus on is a more ***robust primary and secondary education in “how we are teaching” and giving young people the critical soft and analytical skills of discipline, problem solving, communication, asking questions, being inquisitive.***

1. First, there was a long discussion this morning on TVET so I will not speak about this too much but there is a great need for TVET sector to take a great leap forward.

¹ HRINC Consulting Insights: Data Source: HRINC Garment Sector Salary Survey extrapolated and recalculated to forecast. consulting@hrinc.com.kh

² HRINC Consulting Division: Annual HRINC Compensation Surveys and various labour market and education surveys as well as HRINC recruitment division experience.

2. Second there is a need for **private sector to participate and collaborate within industries**, to address the challenges for industry and for Cambodia³. We see a lot of development, but to date, we still do not see facilities and curriculum which are educating the masses with credible qualifications. Consolidation of a lot of the education sector could be an option to pursue rather than a proliferation of haphazard suppliers which are not producing qualified graduates.
3. Third, there is a need to **start being stringent on education facilities** – whatever kind of facilities, public or private, to ensure that there is a better quality of education. This means better access to information, teaching methodologies, case studies work etc. so that young people are getting real skills and real qualifications that can be applied in the workplace and beyond. The Accreditation Committee of Cambodia (ACC) needs to be more active, needs to be well resourced and play a more critical role in monitoring quality of education.
4. Forth, we need to **accredited and qualify the masses with qualifications that are meaningful and respected in industry**⁴. This is particular important for those sectors which employ the majority such as the garment sector to enable workers to have a skills qualification that they can build on.
5. Finally, I think there needs to be greater focus on making sure that education provides young people with a **robust foundation of analytical, problem solving and communication skills** where they are taught how to apply their skills to different situations⁵. A strong foundation will allow all young people to better adapt to more sophisticated and dynamic economic environment by adapting themselves more quickly.

I close my remarks by stating that workforce challenges or negatives, as well as their positives, **are a greater reflection of how we in general are able to come together as private sector employers, workers, civil society and government, to really make a difference**. Vietnam has an incredible education story which everyone refers to as the “silent education revolution”.

Building skills is not a task, it is a very long process which we all here sitting in the room today, will only see the impact of in the mid to long term future.

Cambodia has a vibrant, dynamic and incredibly talented workforce that has no different challenges to other countries – but we need to address our challenges today, by **moving into action** and ensuring that we are a dynamic and leading economy in ASEAN, and that our workforce is viewed as the preferred and most skilled workforce in ASEAN.

³ Note: There are already several development of Private Interventions but to date little PPP. Garments, Hotels, Culinary institute, ACELDA bank training center for MFIs, Bank Association Training center, Prudential Cambodia focused on accredited actuarial training etc. Contact consulting@hrinc.com.kh for more information on what is happening related to private sector education developments.

⁴ HRINC Consulting Insights: HRINC Garment Sector Salary Survey and other HRINC studies have noted that most Garment sector employees have not completed primary or secondary school. With today more than 10 – 20 years of experience, this “mass labour force” has no qualification – other industries include construction where no construction schools exist, no garment sector schools exist etc. Countries such as KOREA where we have several thousands of workers working are developing an accreditation system for foreign labour so they can return to their country with a qualification and accreditation of the skills they have gained in the country. KOREA is an important market as the Prime Minister in late 2014 signed and lobbied for another 50 – 100 thousand to go and work in KOREA.

⁵ HRINC & BDLINK Studies: Various papers. The majority of what is lacking are the foundation skills in new entrants to the workforce but these come from the poor primary and secondary education. It is essential to improve the primary and secondary education quality to ensure a high quality workforce all around.

WE can do it! We MUST do IT!

Thank you.

About the speaker and the speech

Sandra D'Amico is the founder and Managing Director of HRINC (Cambodia) Co., Ltd (www.hrinc.com.kh) as well as the Vice President of the Cambodian Federation of Employers and Business Associations (CAMFEBA) (www.camfeba.com). She has been working and living in Cambodia since 2001 and works extensively and speaks regularly on labour, employment, education and economic themes in Cambodia, and within ASEAN.

Other professional services companies that were founded by Ms. D'Amico and her team at HRINC, and renowned for their superior execution of complex research and superior data quality and management, include BDLINK (Cambodia) Co., Ltd, Cambodia's leading market research and consulting firm (www.bdlink.com.kh) and The Society of Human Resource Management and Productivity (SHRM&P) which specializes in HRM and productivity training (www.shrmp.com.kh).

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