



# **How are wage levels of the workforce changing in Cambodia? What are the realities of living in Phnom Penh?**

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**3 MARCH 2016, PHNOM PENH HOTEL**

**SANDRA D'AMICO, MANAGING DIRECTOR**

**WWW.HRINC.ASIA**

# Agenda

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## **Brief Economic Context**

### **Employers Survey**

- *Starting Salaries*
- *Wages Today*
- *Labour force perspectives and HR Challenges*
- *Are minimum wages in the garment sector impacting other sectors?*
- *HRINC Insights on compensation strategy (extra)*

### **Workers Survey**

- *Workers profile*
- *Workers earnings*
- *Workers expenses*



**HRINC Vision:**

To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

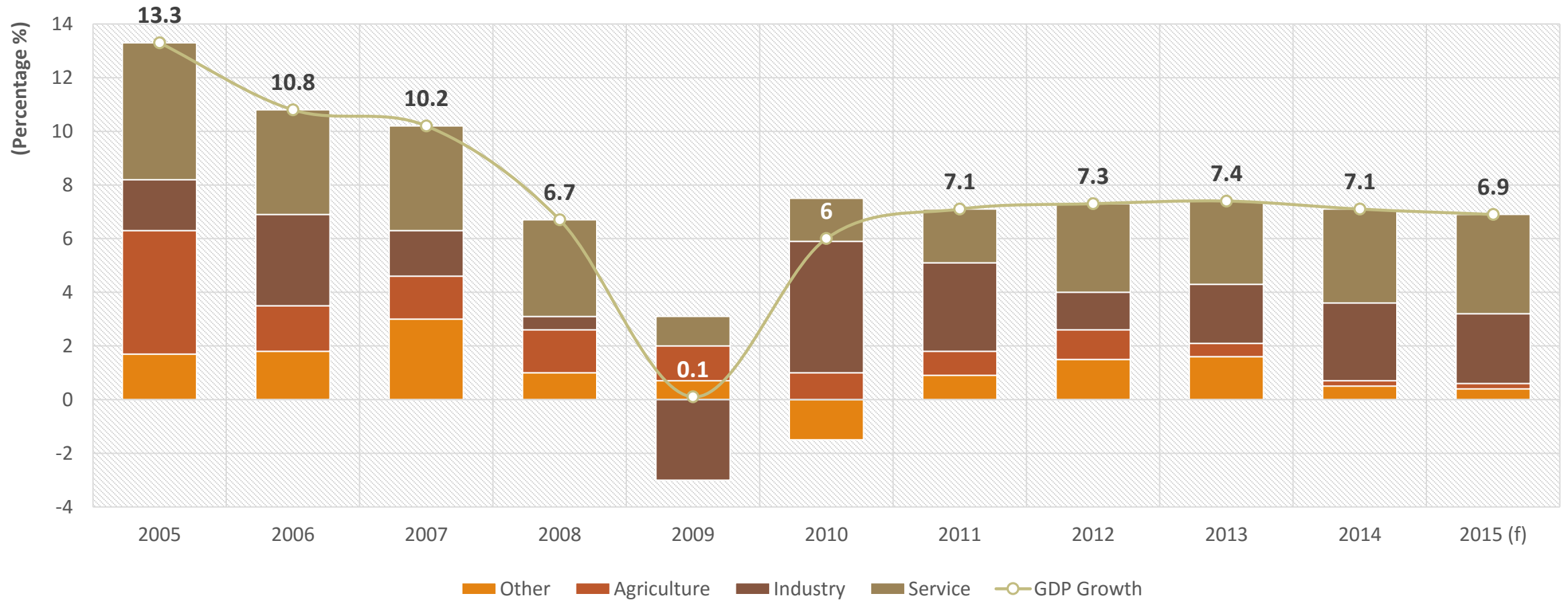
# Economic Context

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**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE  
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

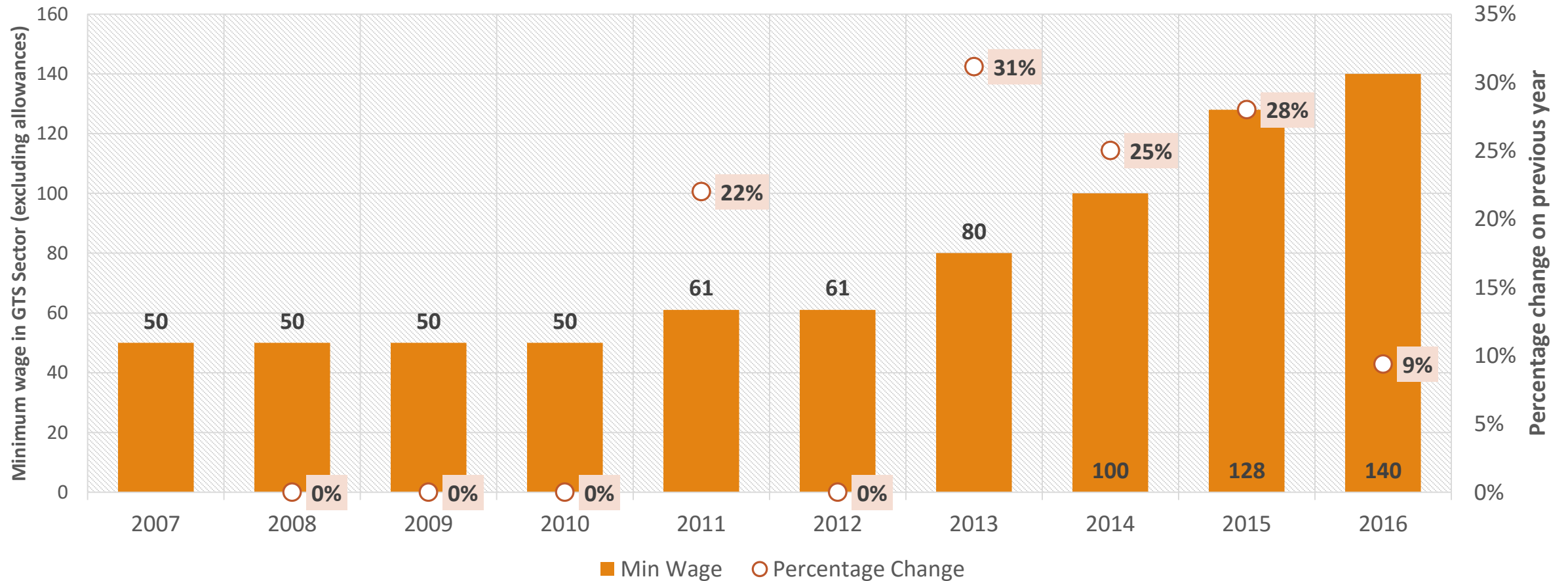
**AN INTERESTING GLOBAL PERIOD THAT IS NOT PREDICTABLE**

# Cambodia Growth: Slowing but in the global context, steady



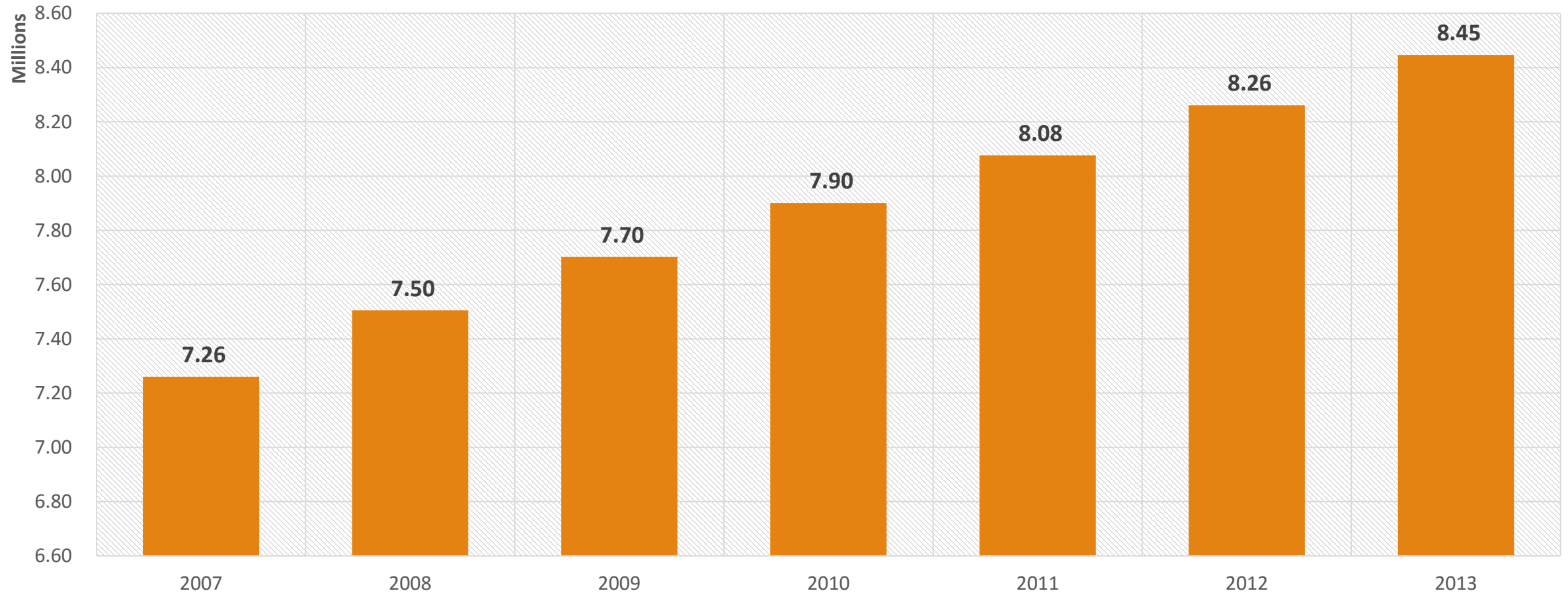
Source: NBC

# Minimum wages in the Garment, Textile and Shoe sector have changed rapidly in recent years



Source: Various Government Notifications

The Cambodian workforce is more than 50% of population today of around 15 million. A young, dynamic labour force, however rapid aging will be experienced...



# Where do we think minimum wages will go in the future?

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**Minimum wages will continue to adjust in line with market inflation and will be negotiated annually.**

- *Current minimum wages are “high” but allow also to incentivize Cambodian workforce to work in Cambodia.*
- *Availability of labour force, is an important investment attraction need.*


**Discussion on country wide minimum wages? Are employers and industries ready?**

**Social security will add additional pressure on the budget line. Target implementation 1 May 2016.**

- *Estimated rate 2.6% shared equally between employer and worker contributions. 1.3% each.*
- *In patient and outpatient treatment including maternity benefits*

**Skills and productivity challenges remain pertinent**





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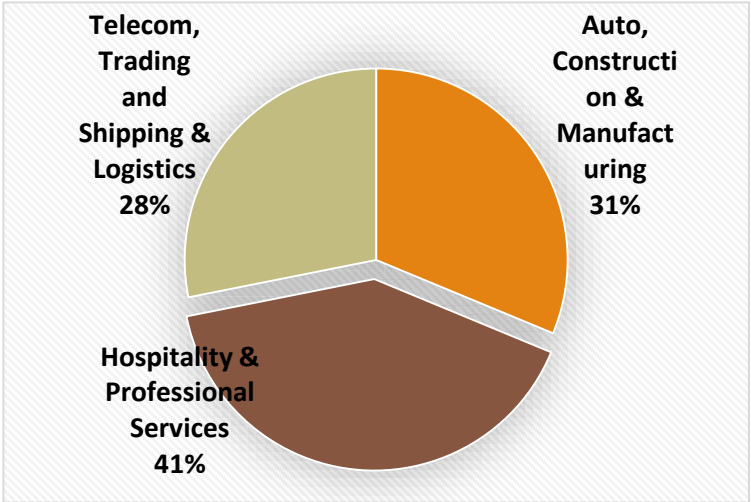
# **The necessity for research and understanding trends: **Employer Survey****

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

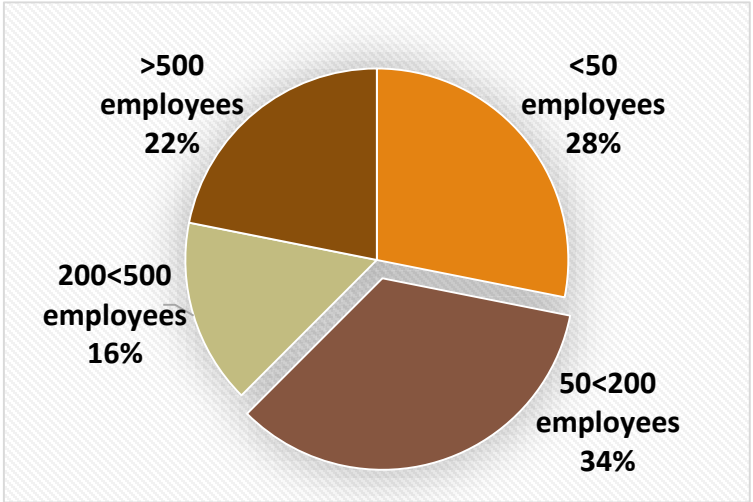


Local leading and international companies participating in the survey, represent key economic sectors, an even distribution of employee size.

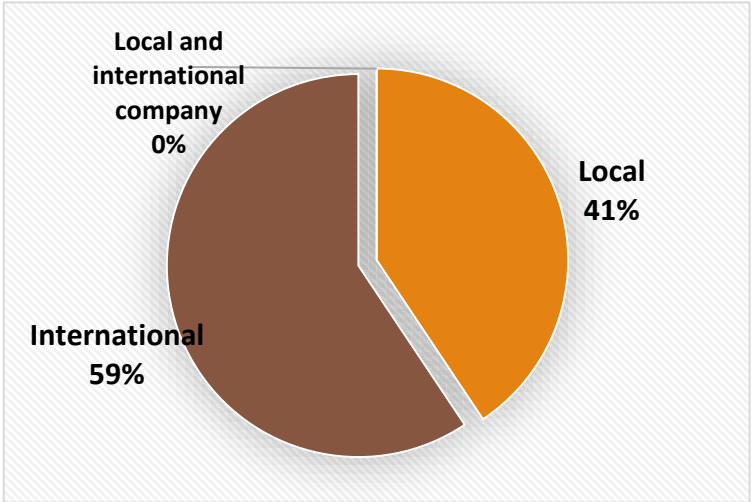
### SECTORS REPRESENTED



### EMPLOYEE SIZE

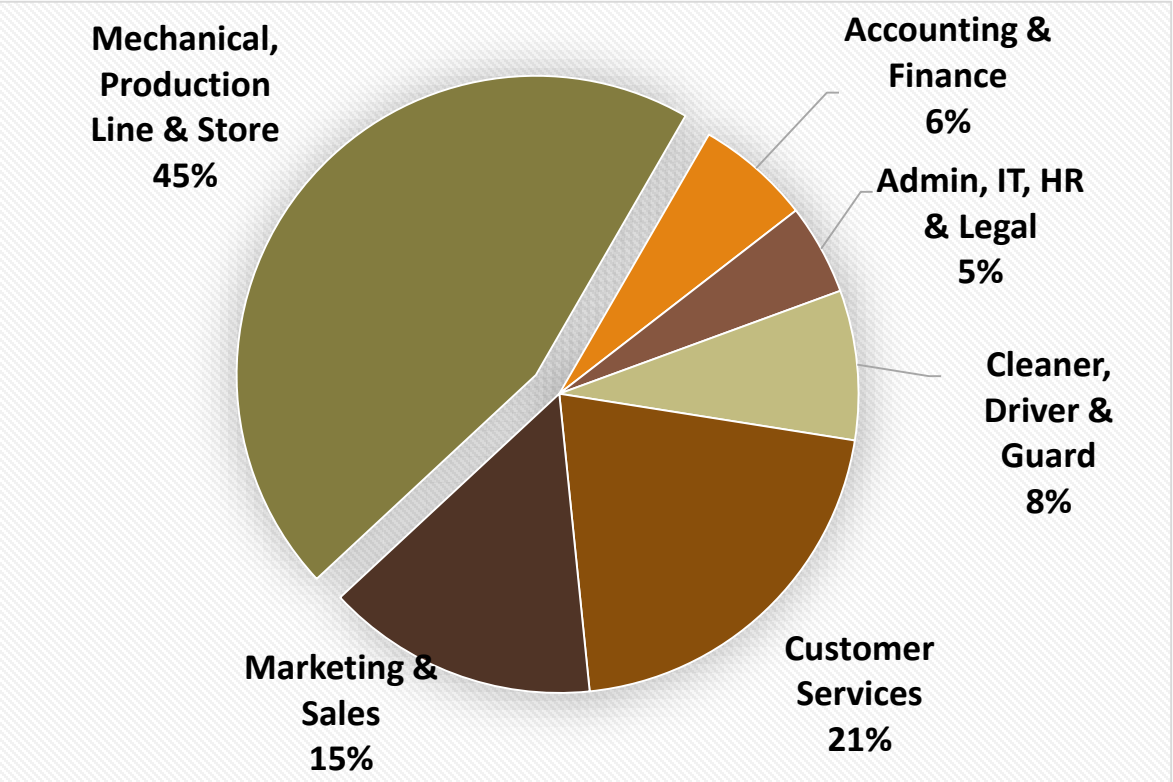


### TYPE OF COMPANY

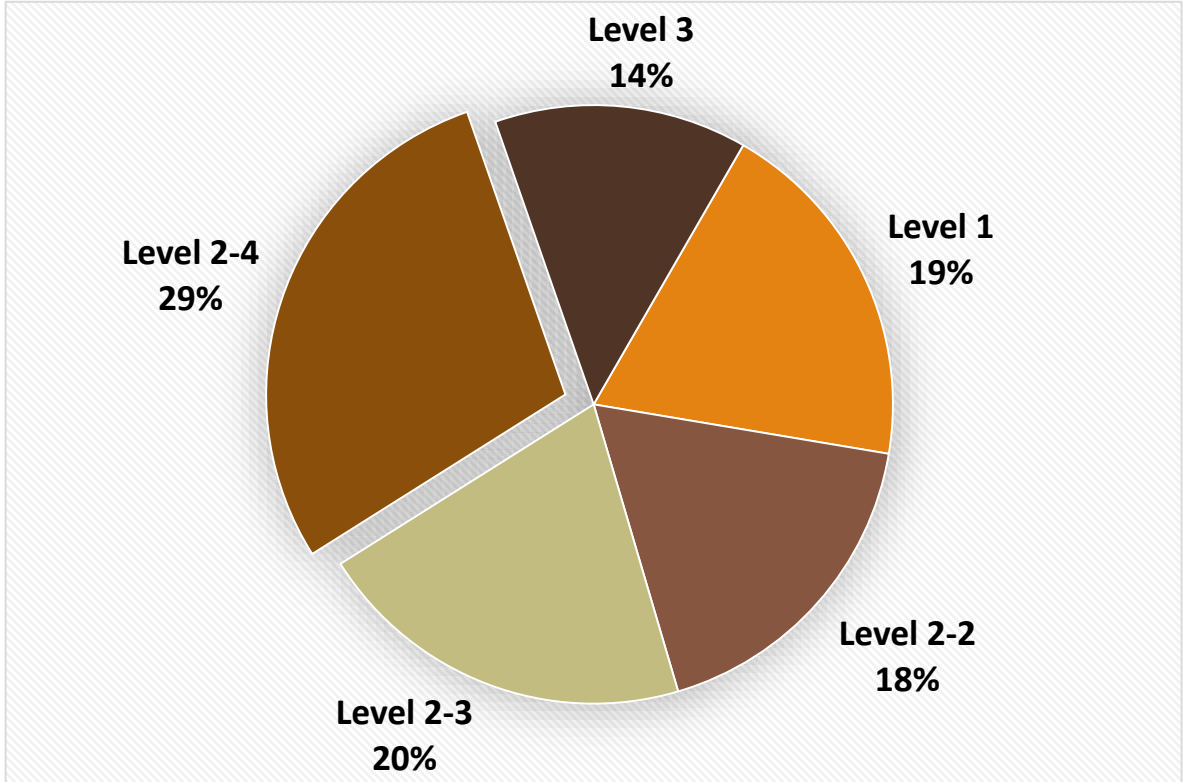



The employers survey represents around 5,500 employees working in 6 job functions and 5 job levels

### SIX JOB FUNCTIONS



### FIVE JOB LEVELS





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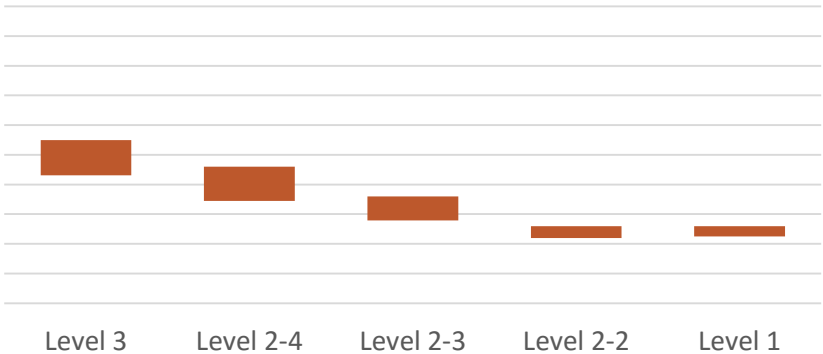
# Starting salaries

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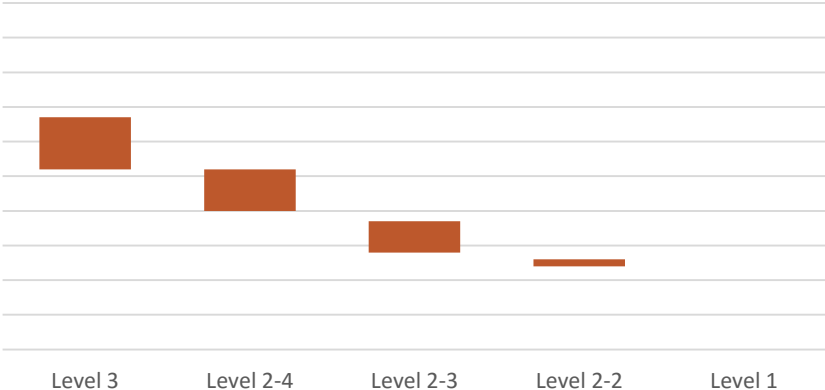
**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE  
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

# Starting min and max median salaries by relevant years of experience

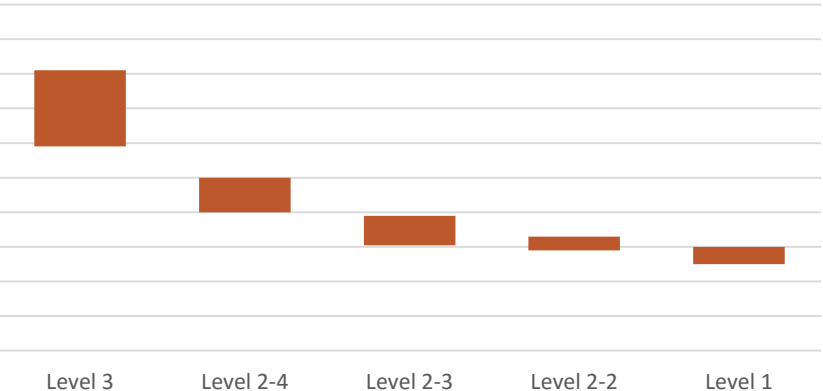
Starting Salaries by Level: Entry Level (no relevant or Experience)



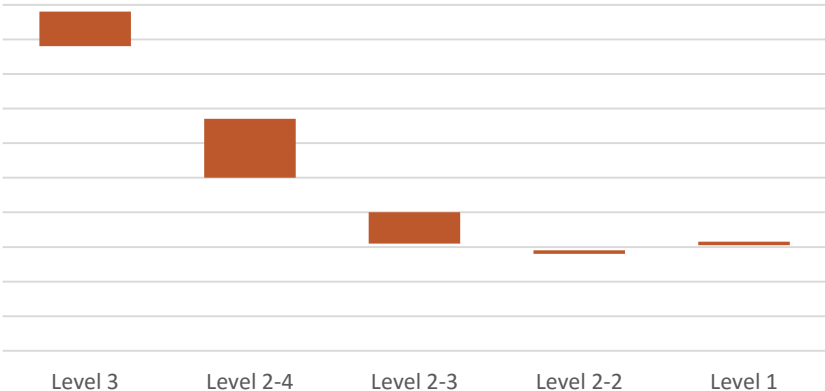
Starting Salaries by Level: 1<2 Years Experience



Starting Salaries by Level: 2<3 Years Experience



Starting Salaries by Level: 3<5 Years Experience



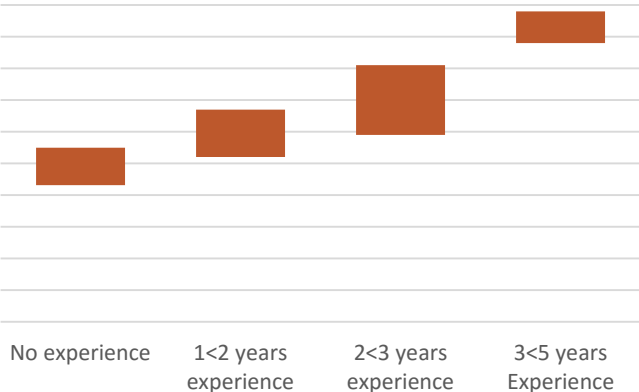
**What the data tells us**

**Within years of relevant experience, there is a clear progression of salary by level...**

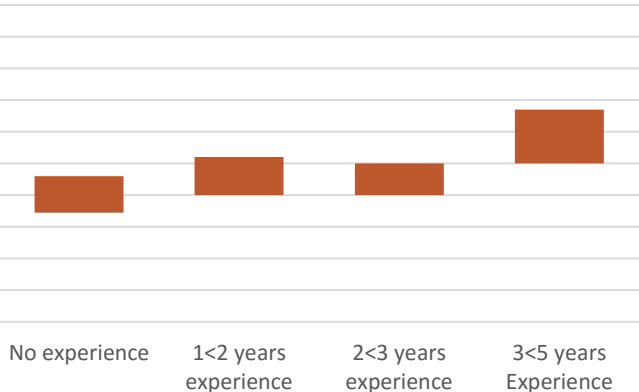
**A review by Level and years of experience is required to fully understand the data...**

# Starting Salaries by Level and years of experience

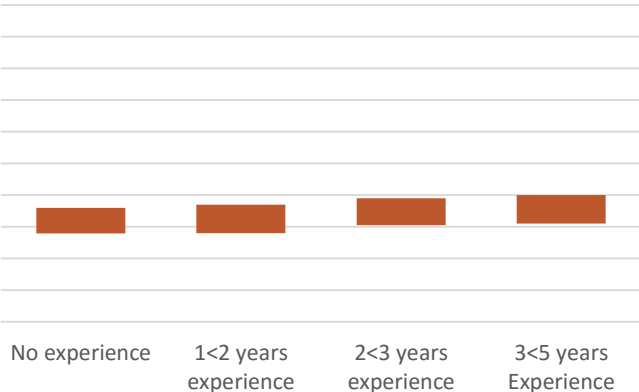
Starting Salaries Level 3



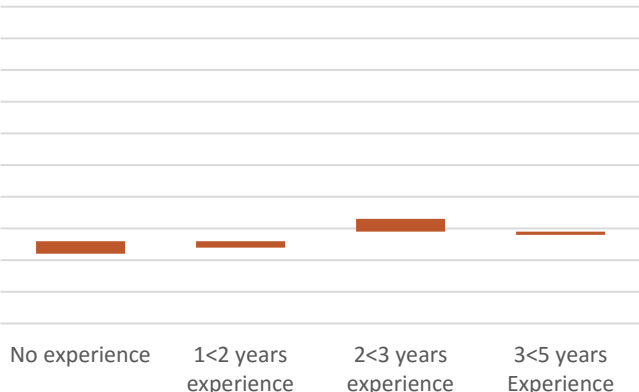
Starting Salaries Level 2-4



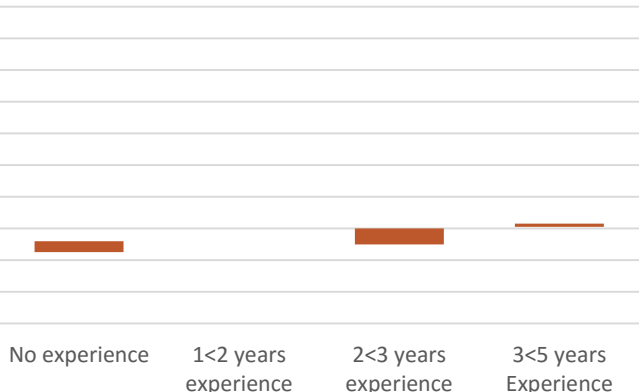
Starting Salaries Level 2-3



Starting Salaries Level 2-2



Starting Salaries Level 1




**What the data tells us**

**The lower the level, the less “opportunity” to earn more, regardless of experience**

- *Flat progression of wages*

**A need to maintain overhead cost, but create opportunities for earnings, in particular for lower level workforce**

**Training, skills development and recognition incentives are important**



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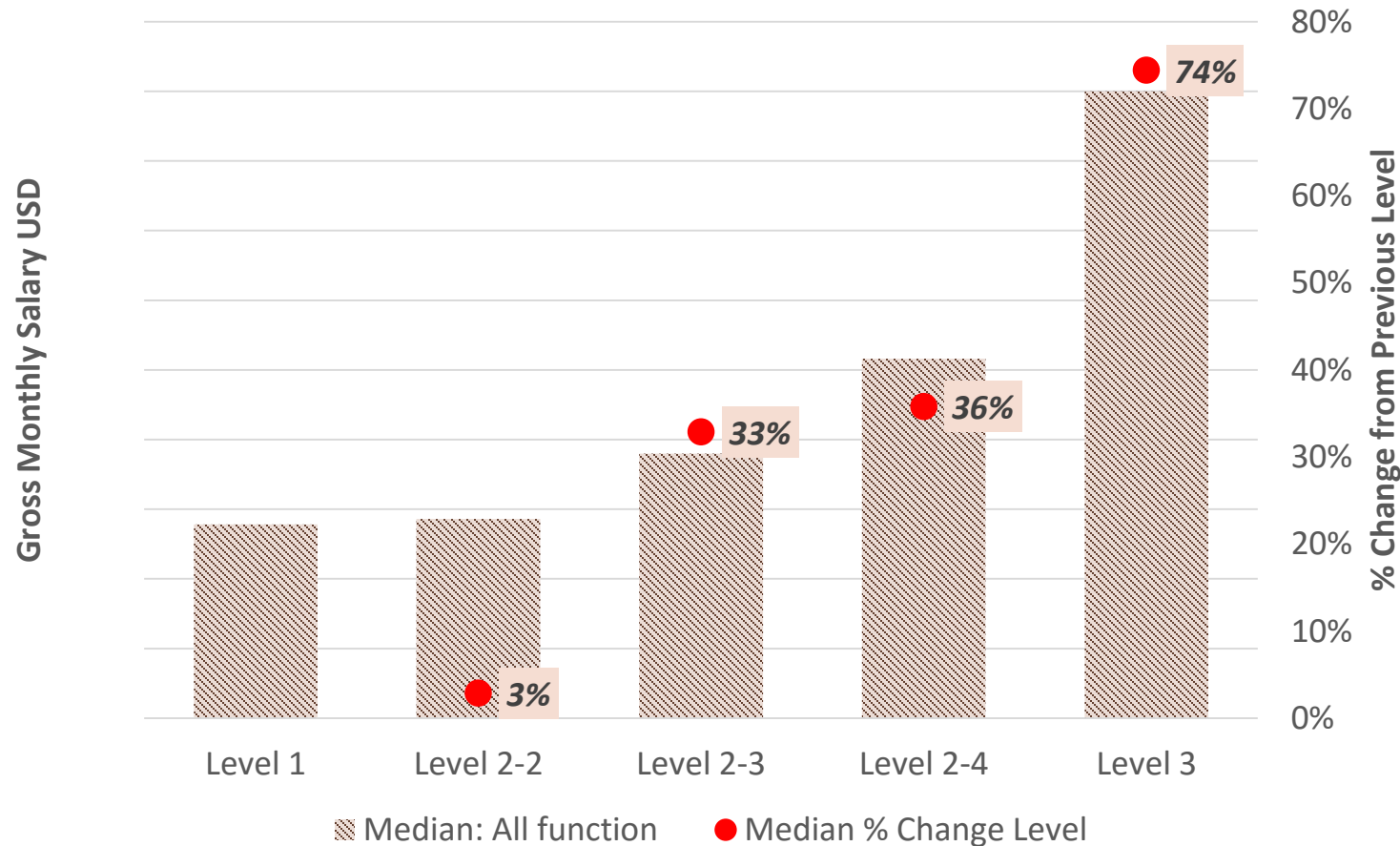
# **What wages are being paid to the workforce today?**

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**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**



# Significant wage changes in median monthly salaries as workers progress from one level to the next...

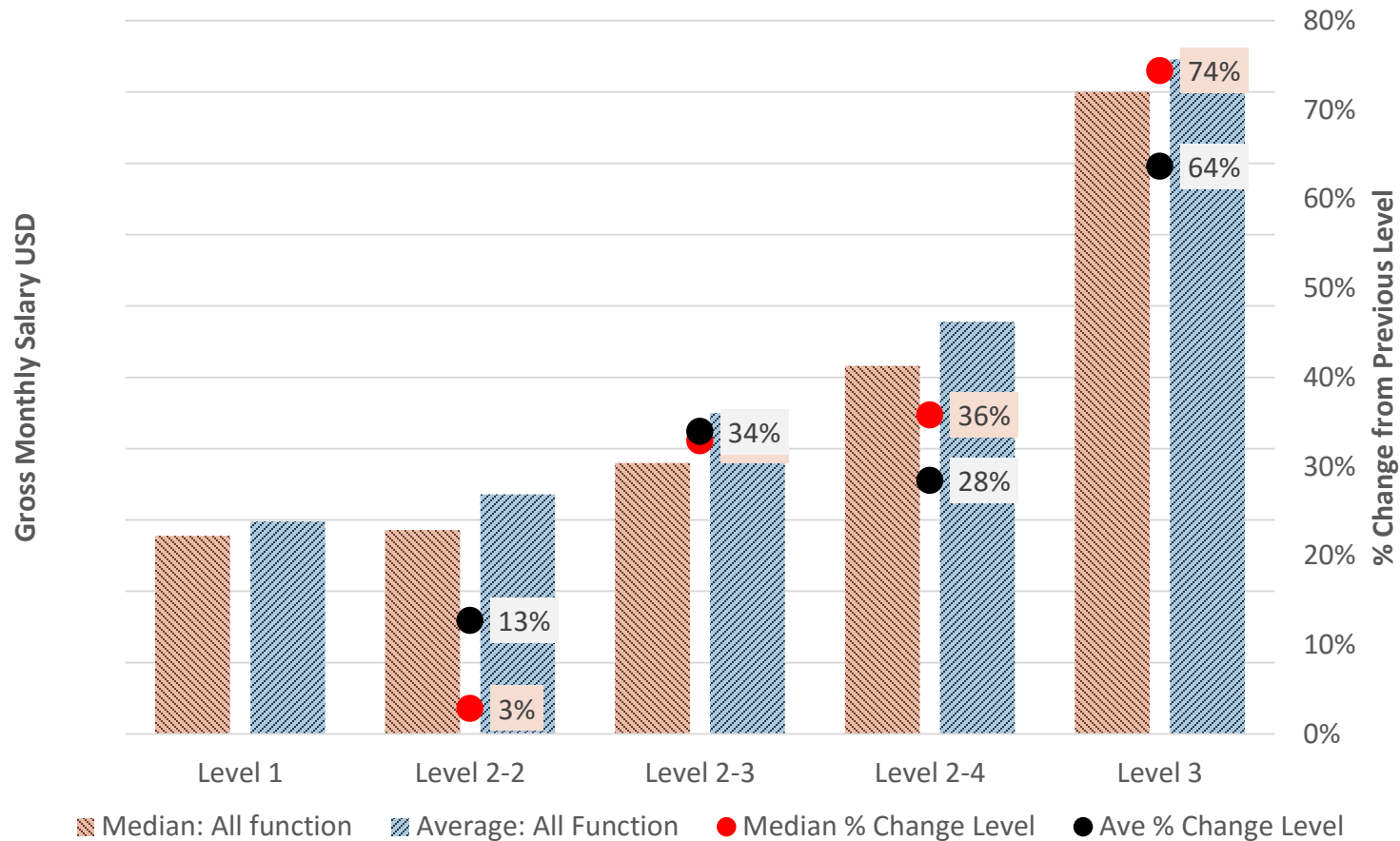


**From level 2-3 upwards, median wages changes are in excess of 30%**

**At level 3, the median wage change is 74%.**

**Overall, median wages are higher than garment minimum wages....**

Average wage changes show similar changes from one level to the next. Average wages are higher than median wages at all levels...



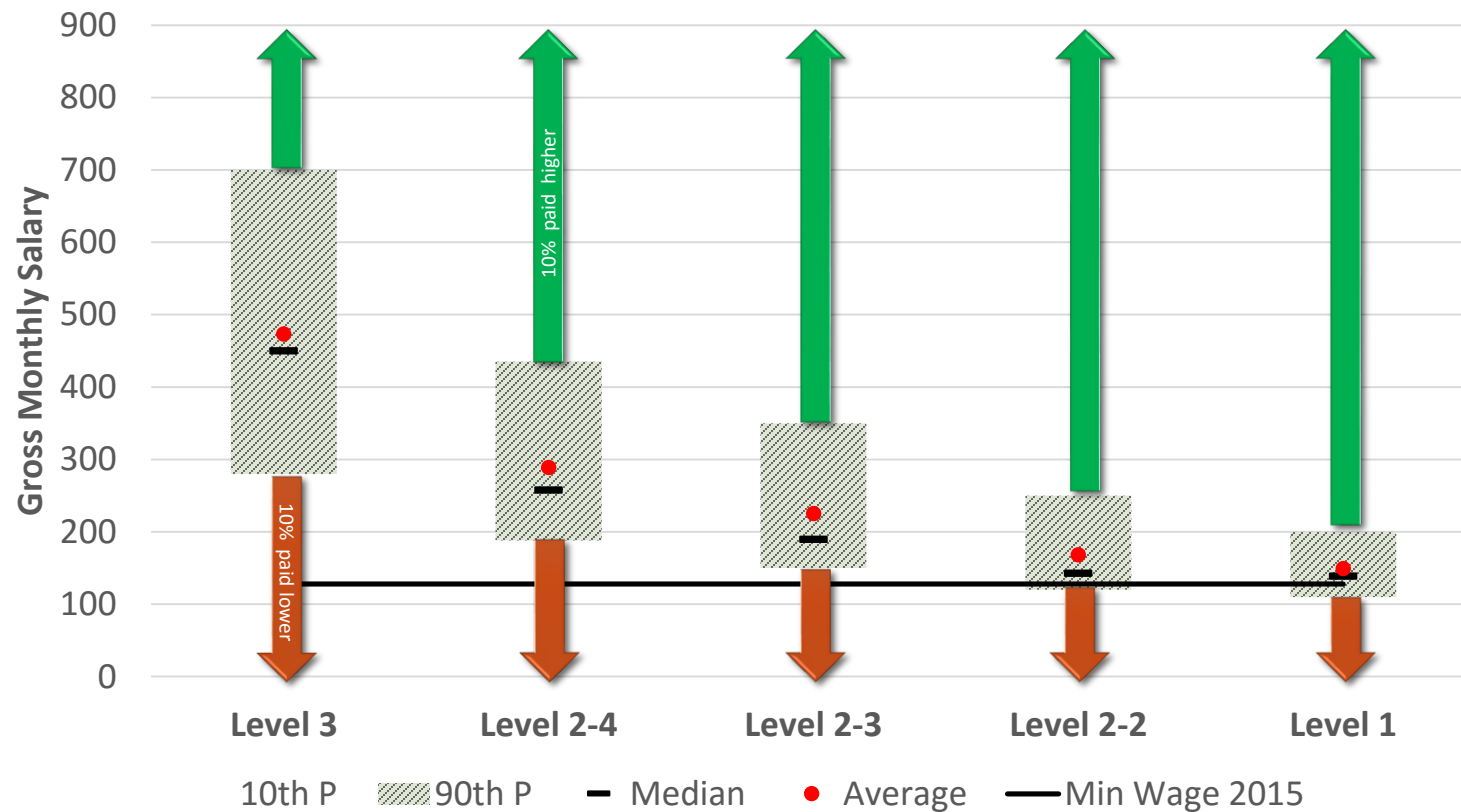
In 2015, the minimum wage was 128.

Private sector appears to be paying “substantially” higher than minimum wages on gross monthly wages overall....

...there are however sectors and professions, that pay or are paid below minimum wages levels in the garment sector...

Reviewing the spread of data at each level and identifying the minimum wage level, we clearly see that at level 1 and Level 2-2, there are wages being paid, lower than minimum wages

10thP - 90thP Spread: Total Sample



The bottom of the box, shows the 10<sup>th</sup> Percentile

- 10 percent of employees at this level, are paid lower than the bottom line of the box.

The top of the box, shows the 90<sup>th</sup> Percentile

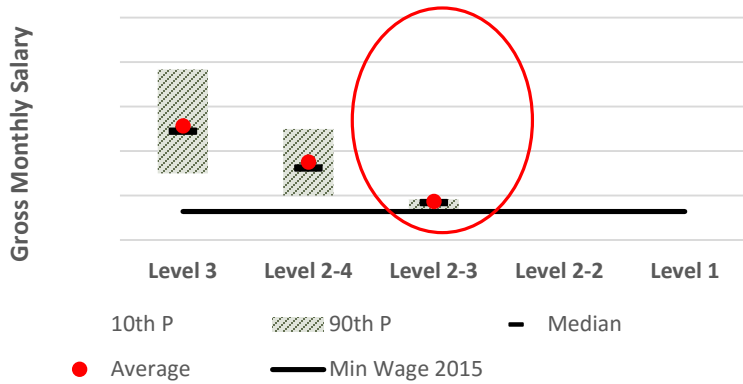
- 10 percent of employees at this level, are paid higher than top part of the box

The lower the level of worker, the smaller the spread of salaries paid.

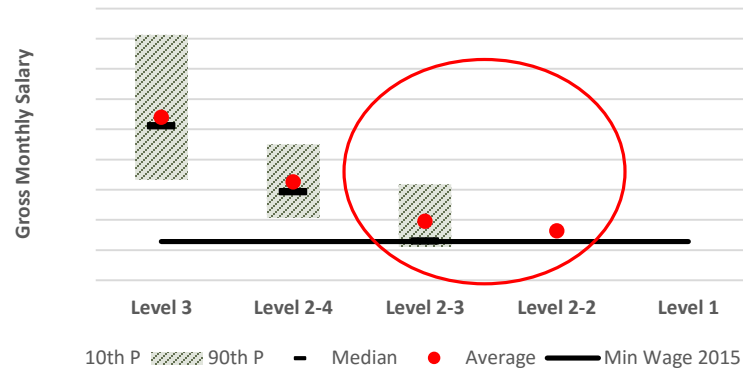
The closer the average and median are together, the more evenly distributed the data is.

- The higher the average is from the median, indicates that more of the salary data is high.
- The lower the average is from the median, indicates that more of the salary data is low.

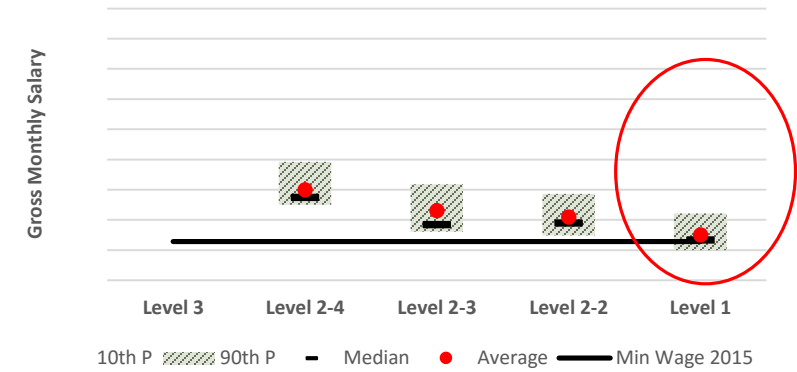
### 10thP - 90thP Spread: Accounting & Finance



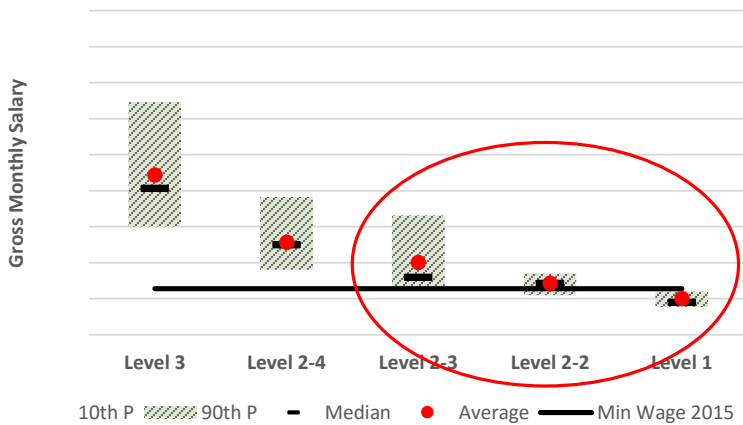
### 10thP - 90thP Spread: Admin, IT, HR & Legal



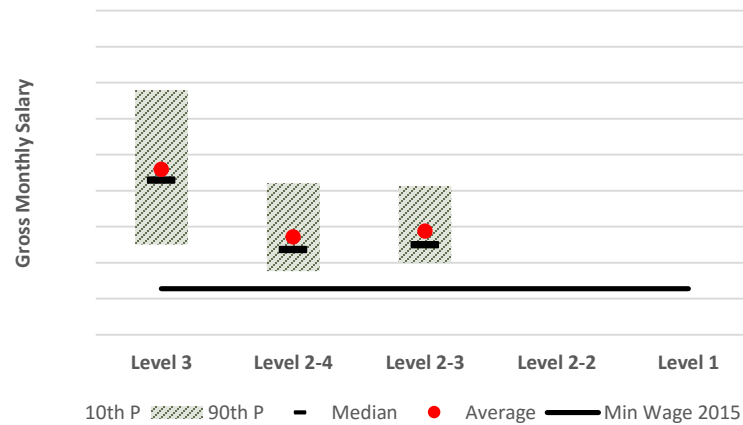
### 10thP - 90thP Spread: Cleaner, Driver, Guard



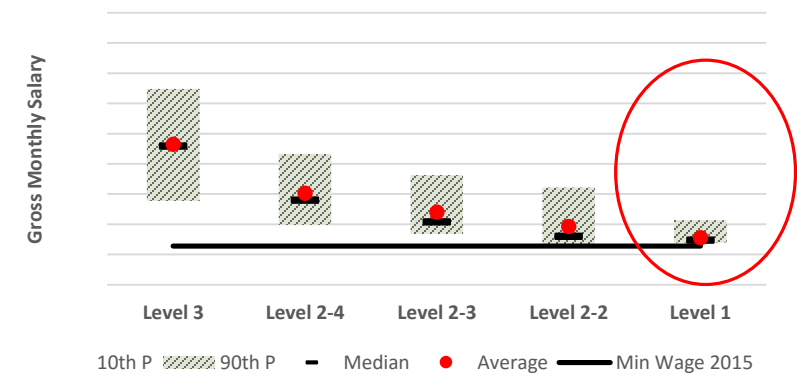
### 10thP - 90thP Spread: Customer Services



### 10thP - 90thP Spread: Marketing & Sales



### 10thP - 90thP Spread: Mechanical, Production Line & Store

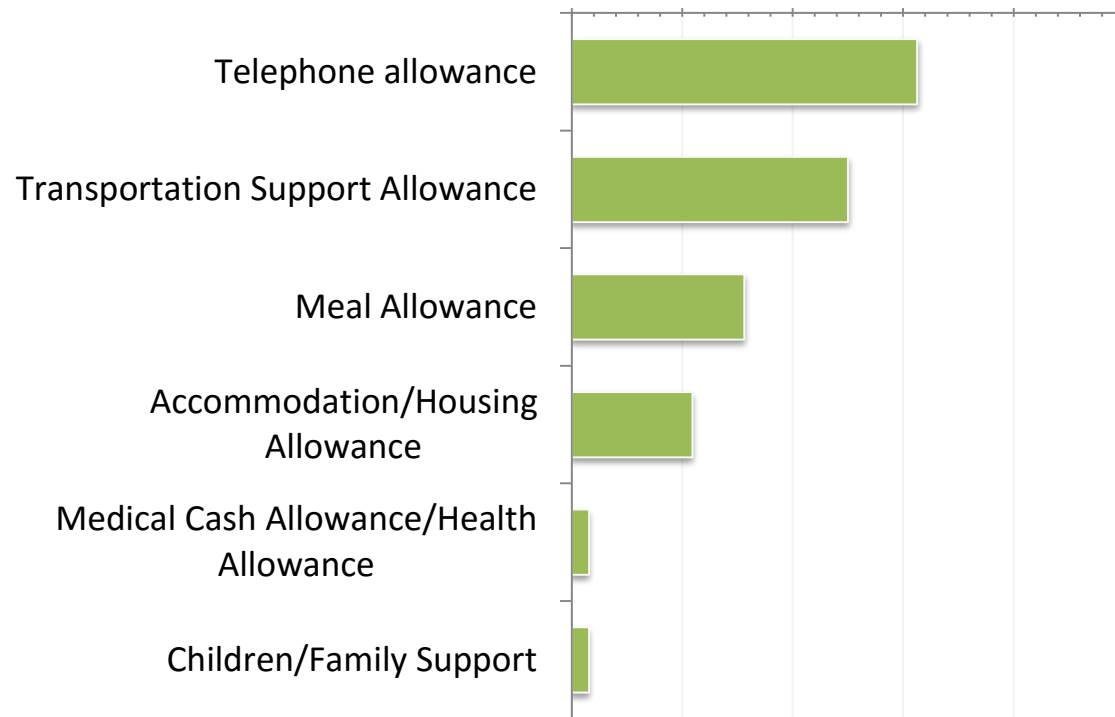


# Identifying best paying and least paid jobs based on monthly gross salary using the median as a benchmark....

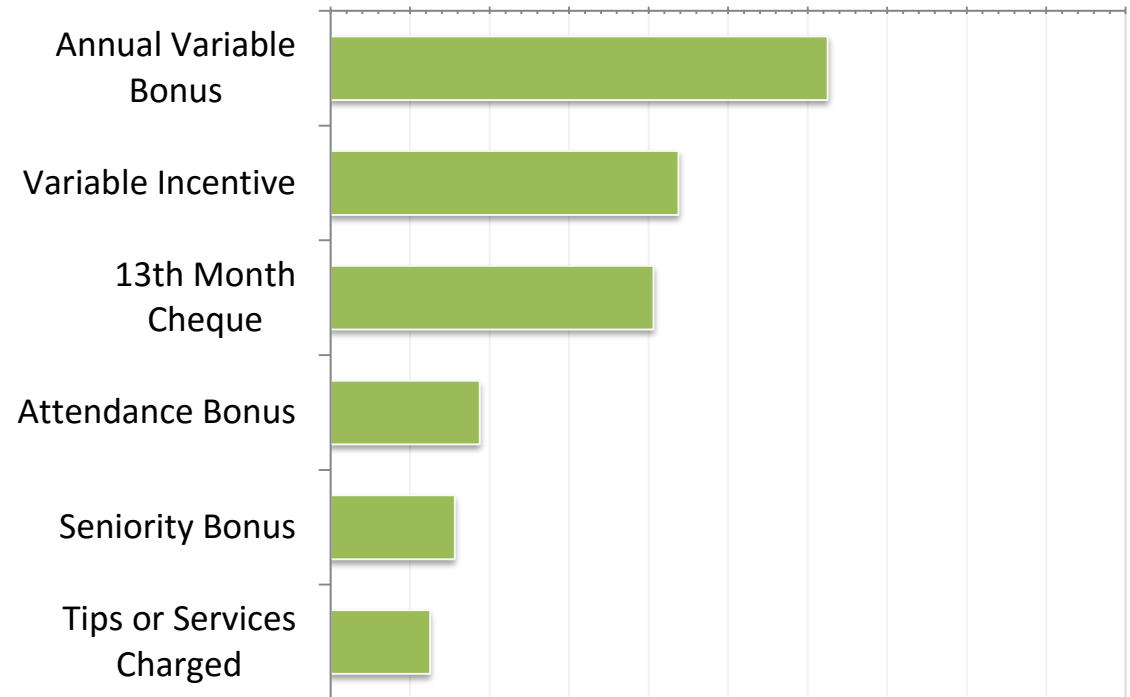
ISCO Level	All Functions Median	Accounting & Finance	Admin, IT, HR & Legal	Cleaner, Driver & Guard	Customer Services	Marketing & Sales	Mechanical, Production Line & Store
Level 3	<u>See report</u>	9%	14%	--	-10%	-4%	2%
Level 2-4	<u>See report</u>	26%	14%	6%	-3%	-8%	9%
Level 2-3	<u>See report</u>	-11%	-31%	-3%	-16%	32%	9%
Level 2-2	<u>See report</u>	--	--	33%	0%	--	12%
Level 1	<u>See report</u>	--	--	-4%	-35%	--	6%

# A variety of different cash allowances and variable pay is used...

## PERSONAL CASH ALLOWANCES (6)



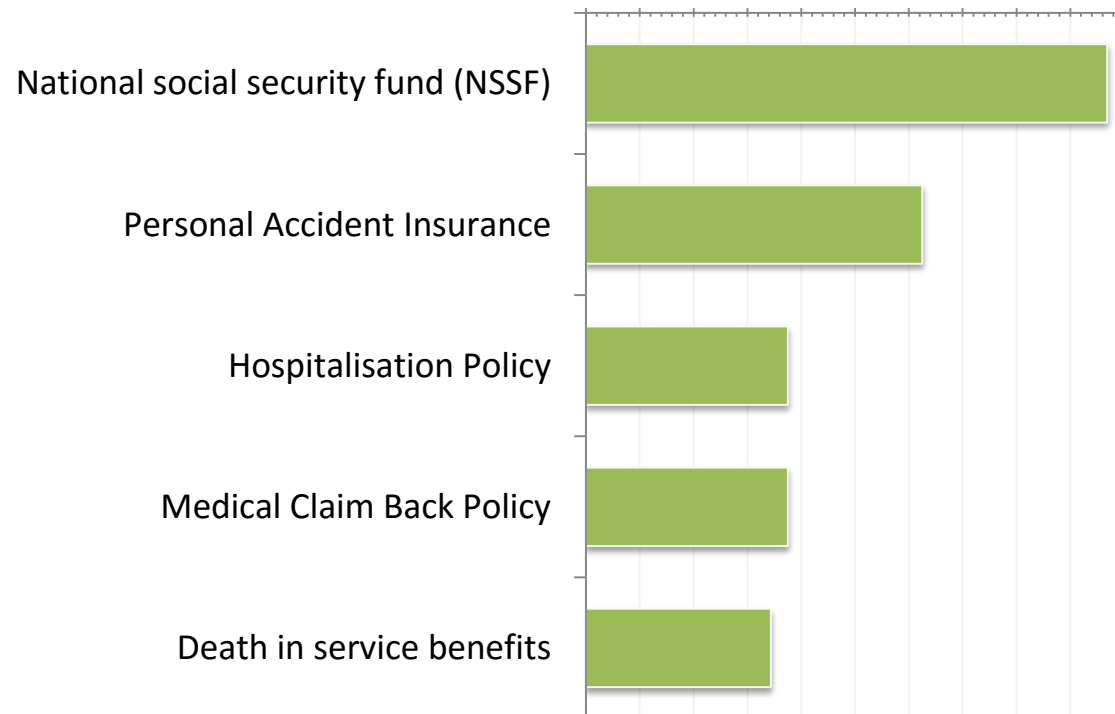
## VARIABLE PAY (6)



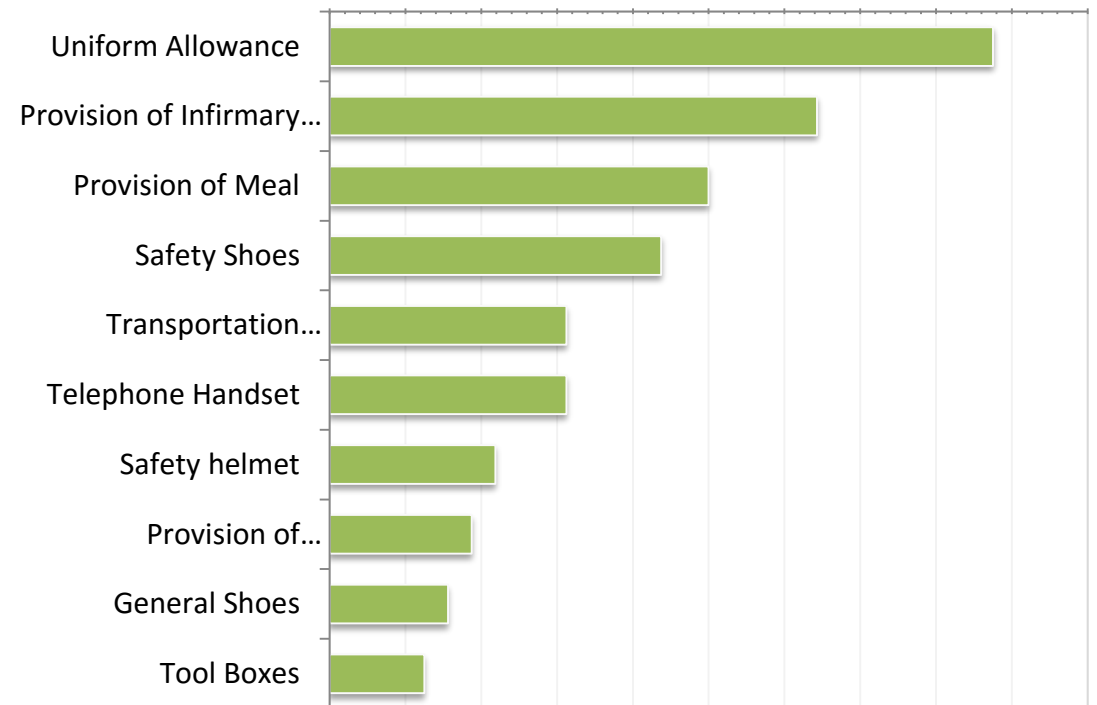


The developments of benefits provision is encouraging. Work allowances are presented as items specific to sectors and jobs resulting in total employment cost.

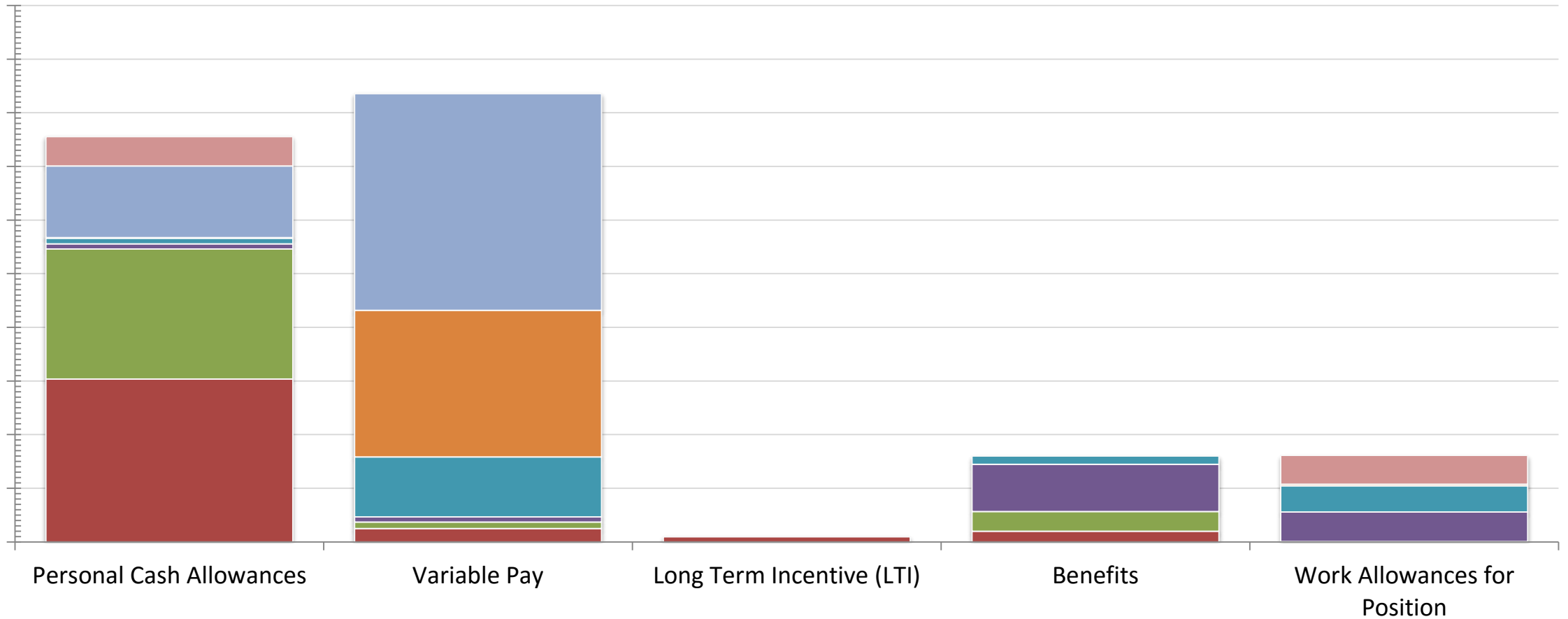
### BENEFITS PROVISION (5)



### WORK ALLOWANCES FOR THE POSITION (10)



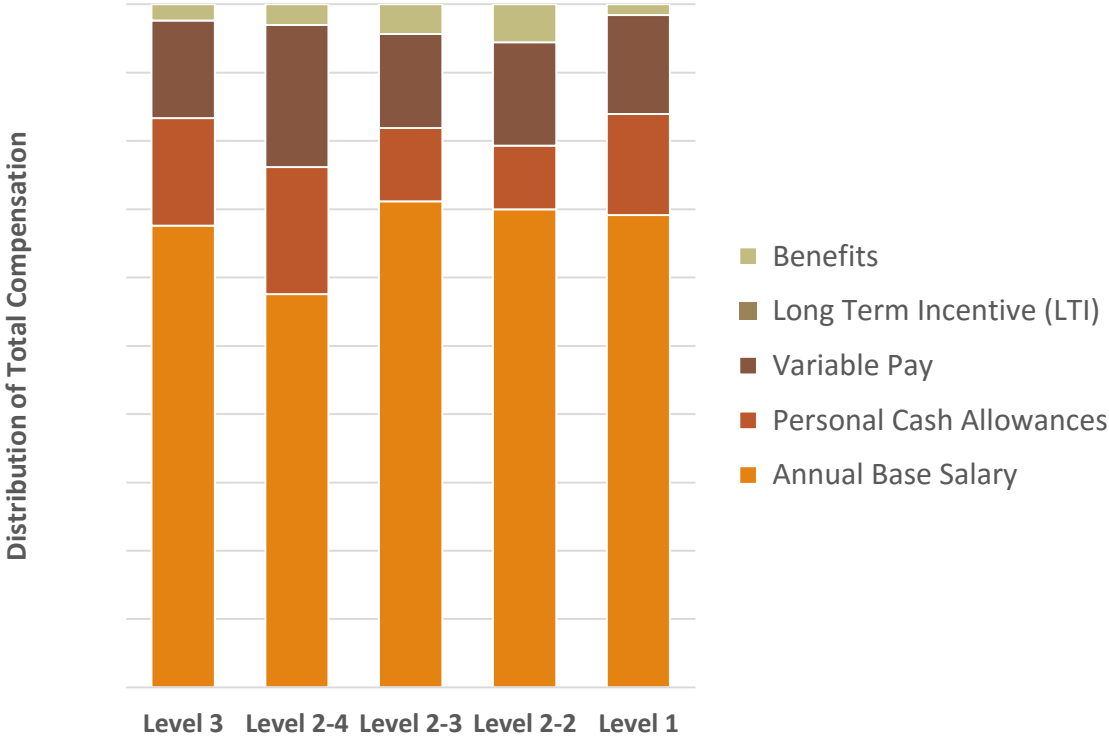
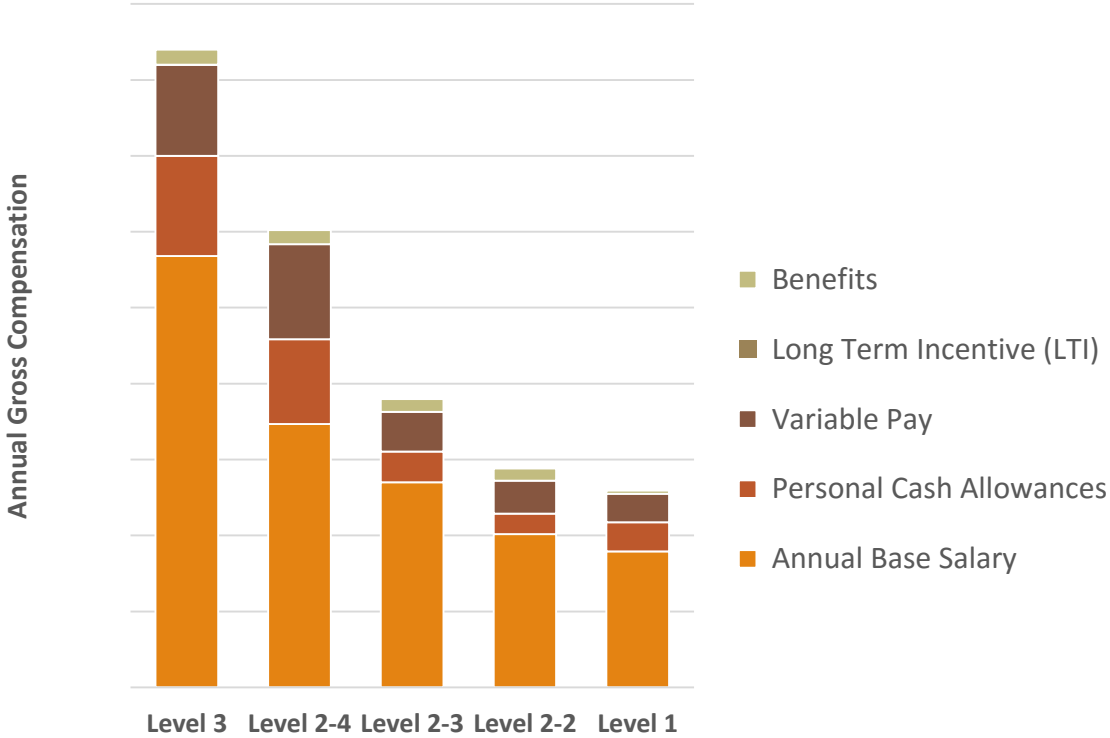
The contribution of allowances and variable pay is dominated by “obvious” provisions.




# Total compensations shows competitive salaries amongst Cambodia's leading local and multinational companies

## AVERAGE ANNUAL TOTAL COMPENSATION

## DISTRIBUTION OF TOTAL COMPENSATION





**HRINC Vision:**

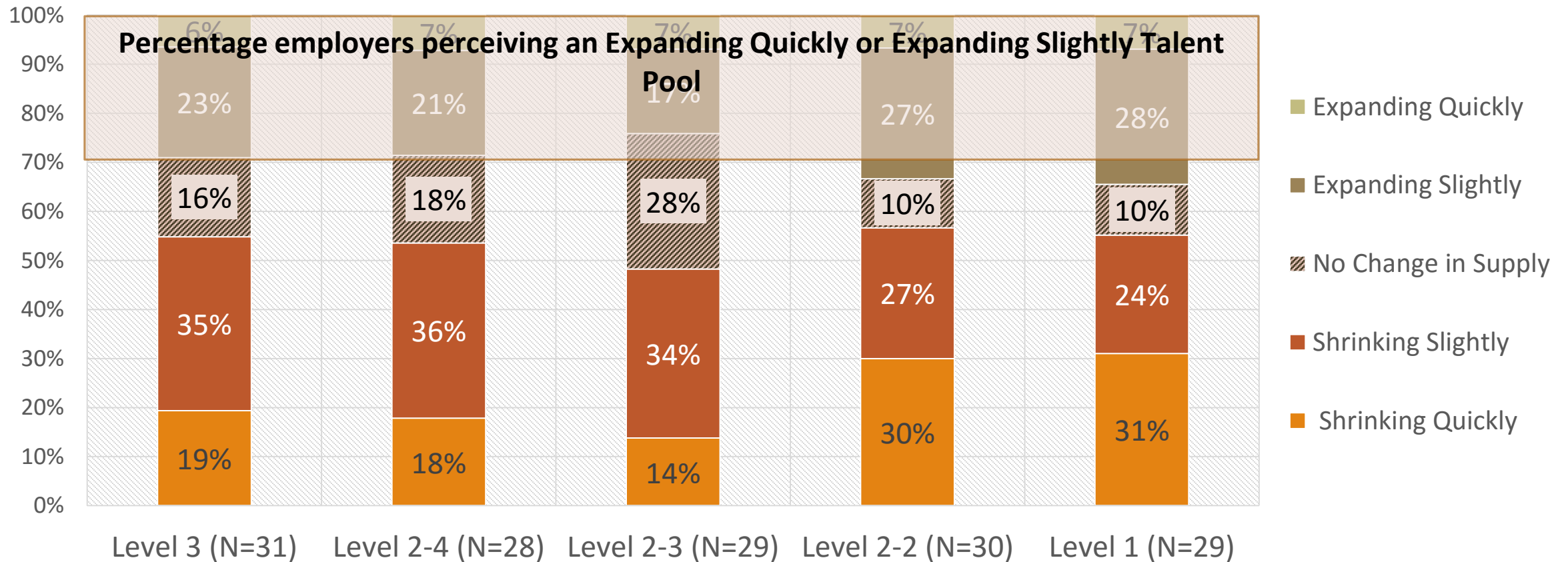
To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

# **Labour force perspectives and HR challenges**

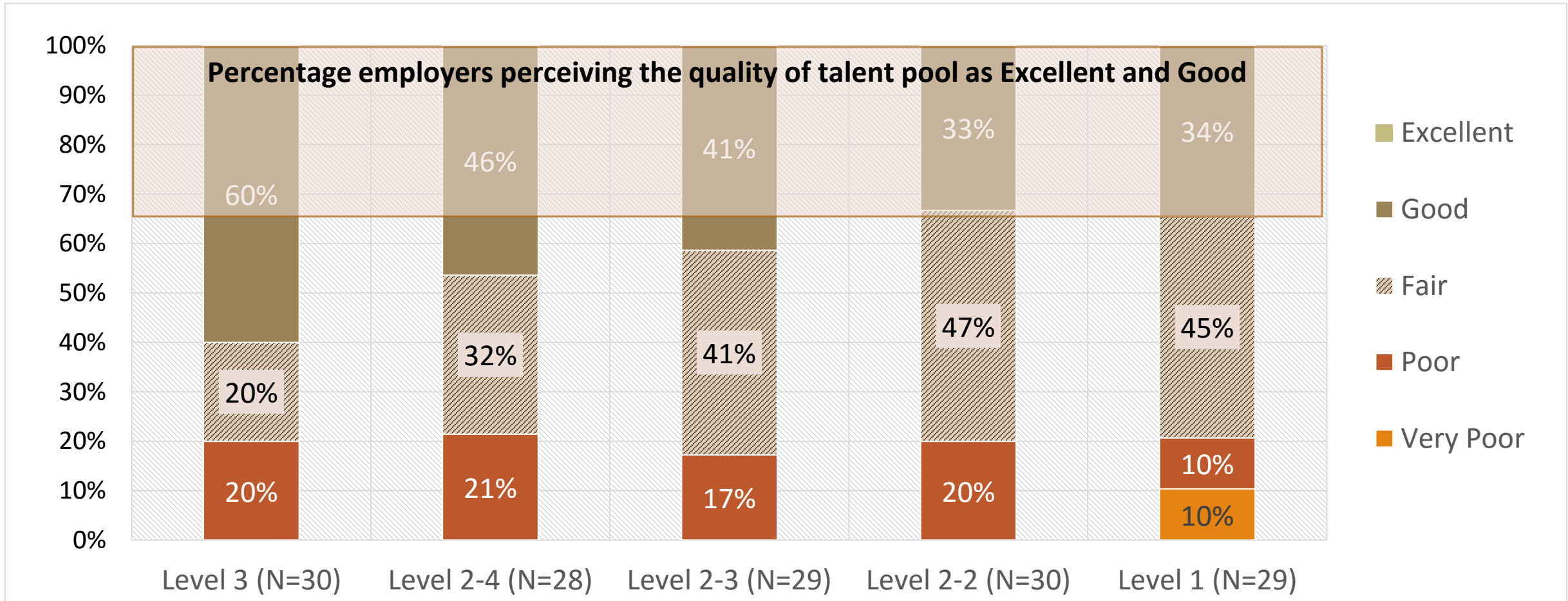
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**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

Size of Talent Pool: Employers perceive the talent pool to be shrinking mostly. It is necessary from a sourcing and talent management perspective to be visionary and creative as to the business needs.

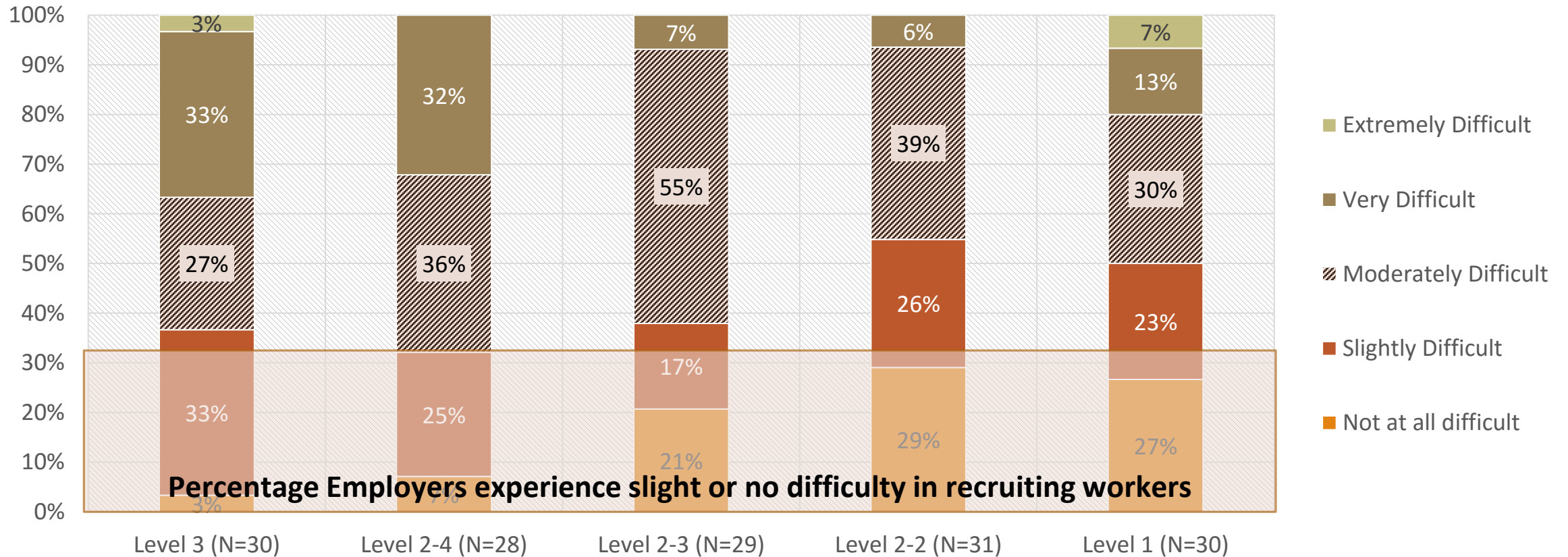


Quality of Talent Pool: Overall, the talent pool is fair. The more unskilled the levels, the poorer the quality of the talent pool.





## Ease of Recruitment: Finding talent, remains mostly moderately to very difficult.



# Summary of talent pool and implications for sourcing and workforce planning

## SUMMARY OF LABOUR MARKET

Overall, the talent pool appears to be shrinking

The talent pool quality can be described as mostly fair and poor

It remains difficult to recruit

## IMPLICATIONS FOR WORKFORCE PLANNING

A need for...

**Clear strategic workforce plan is needed**

**Labour market knowledge is essential**

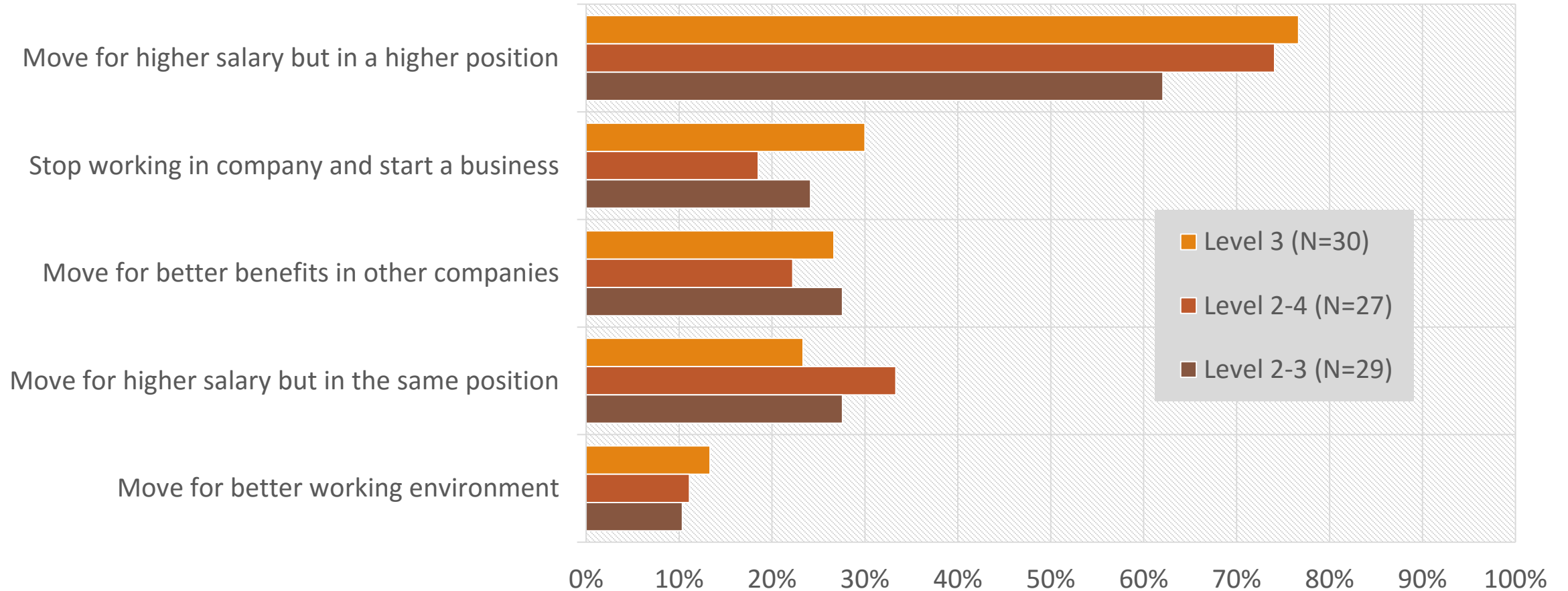
**Planning in advance and expand sourcing strategies**

**Need structured skills induction programs**

**Need to link workforce planning to wage changes as employees become more skilled**

# The unseen costly budget line: Turnover.

Turnover in 2015 (f) 16% down from 24% in 2014.



Perspectives that are not impacting turnover, are as important to monitor as they signal developments in the labour and economic environment.

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## Peer Pressure

Moving to a new workplace closer to primary place of living

Move to new emerging industry (new industry all together)

Stop working (exit labour force all together)

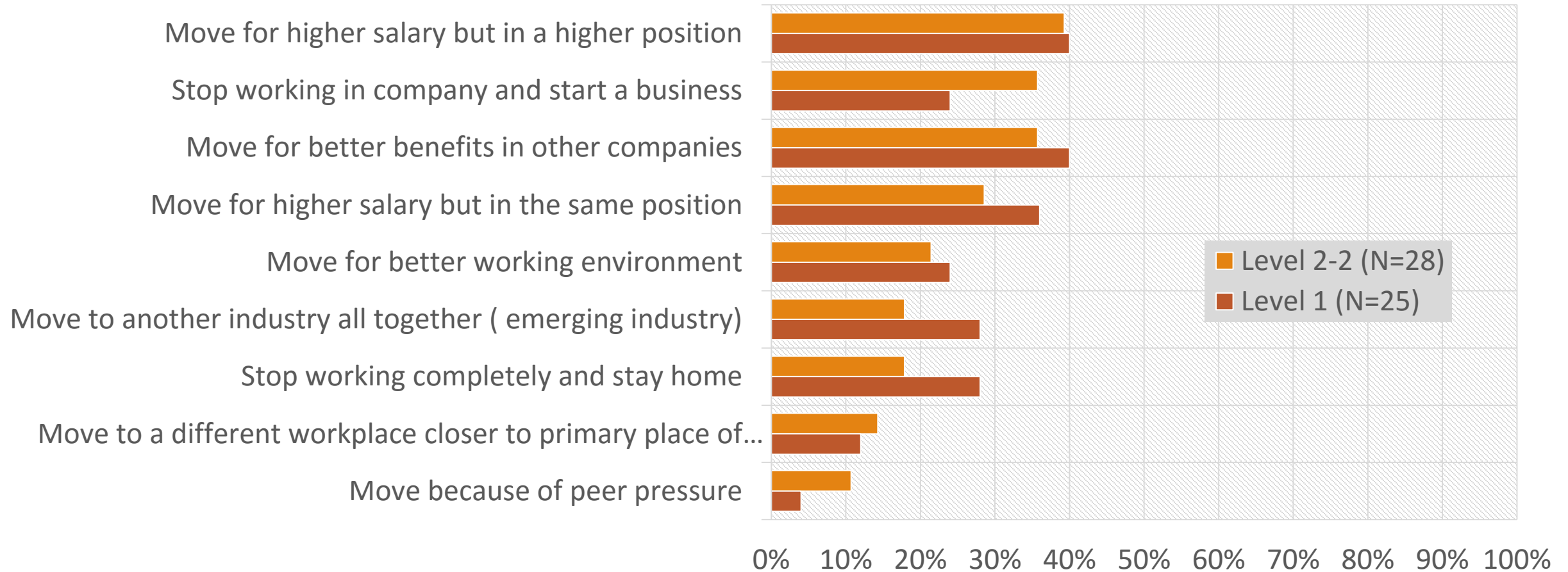
## HRINC Consulting Insights


**“Optimal turnover is not the lowest turnover for a company – turnover can be a good thing, and brings in fresh perspectives and new energy.**

**Optimal turnover produces the highest long-term levels of productivity and business improvement.”**

HRINC and Workdoforce.com

# The highest turnover rates are prominent for Level 1 and level 2-2 workers. Employer views on turnover remain similar to those of more





**HRINC Vision:**

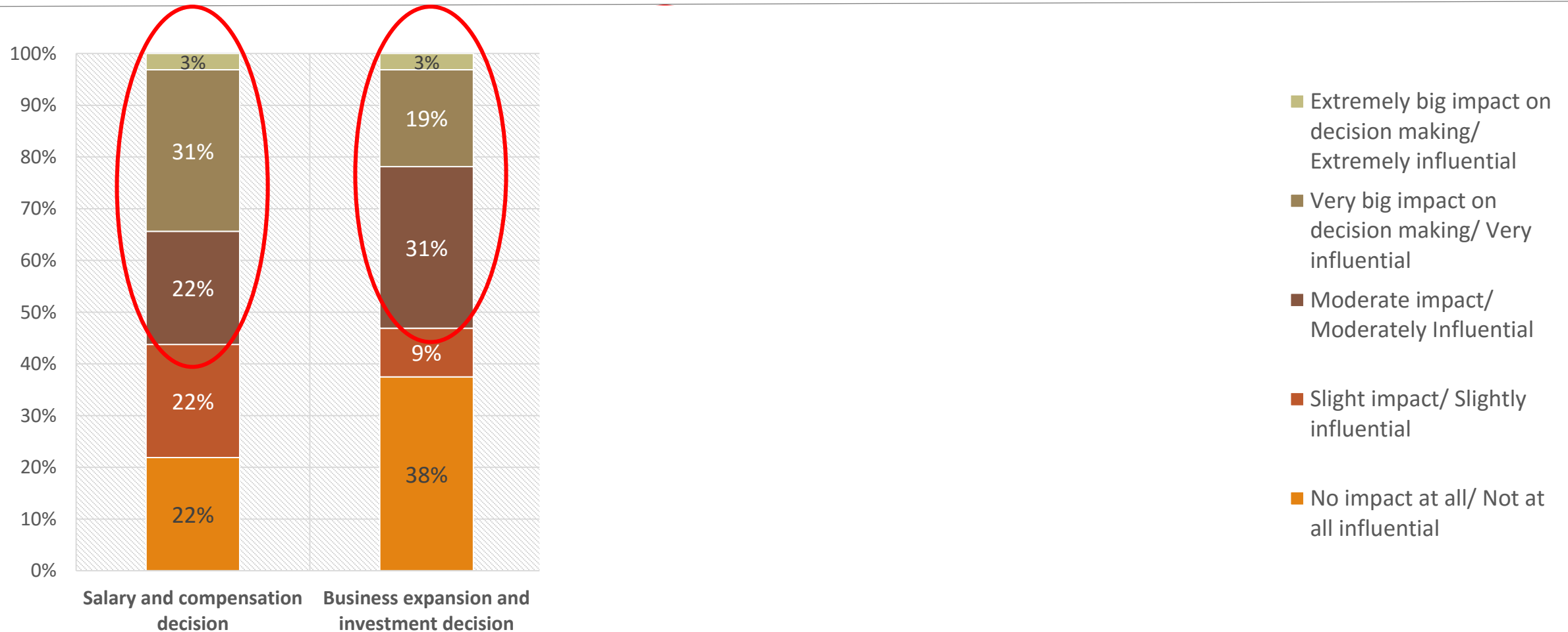
To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

# **How are minimum wages in garment sector impacting business and employee negotiation positions?**

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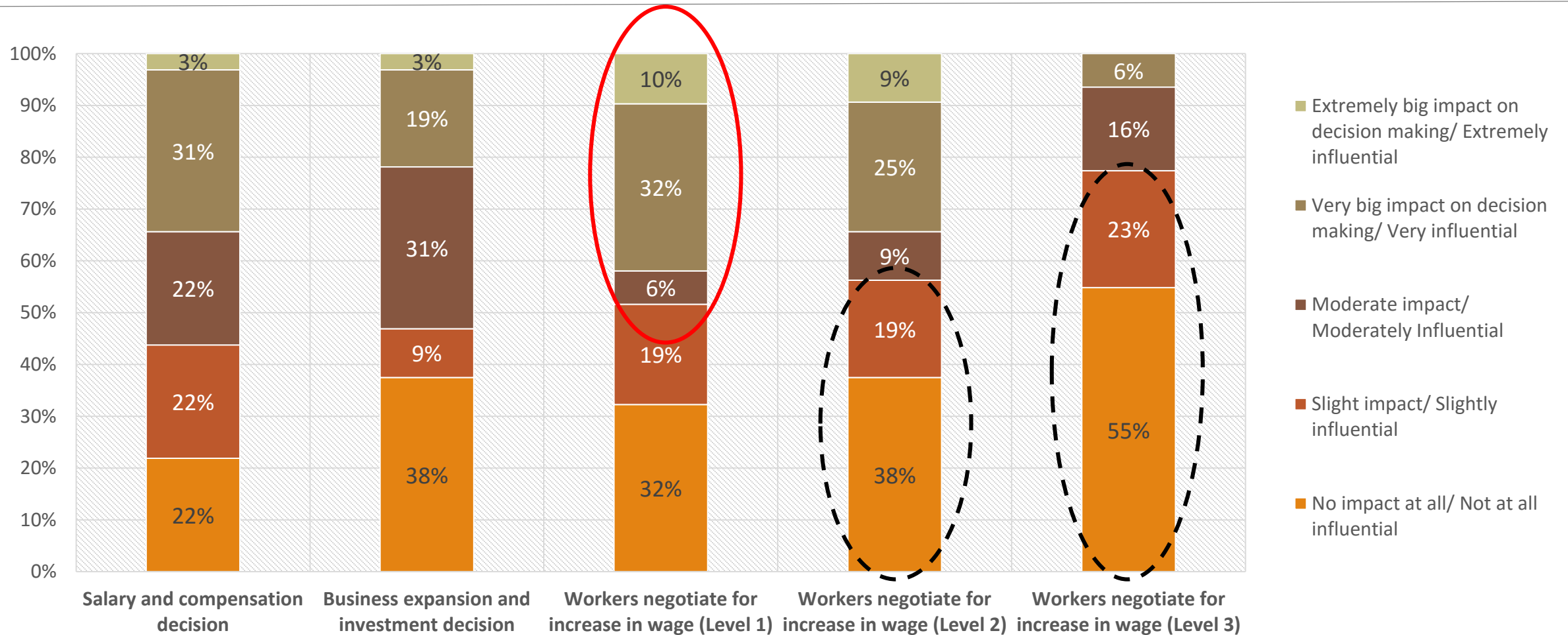
**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**


*Business Decision Making: Nearly 60% of employers state a mostly big impact or moderate impact on salary and compensation decision and around 55% say a very big impact and moderate impact on business expansion and investment decisions...*





*Employee negotiation position: Nearly 50 percent of employers mention that minimum wages have an extremely big and very big impact on level 1 workers whereas for Level 2 and 3 workers, the impact is less pronounced.*





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# Managing the wage structure

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# HRINC Consulting Insights

A need for careful management and planning and focusing on more than just fixed wages and cash.

## Base salary

- Recruit talent
- Rapid base increase as gaining skills and knowledge
- Monitor the turnover
- Don't go into a price war
- Offer "more than just salary"
- Sell a package
- Sell your employer brand

## Cash Allowances

- Enables additional provisions and higher wage, but keeping wage multiples low (overtime and public holidays)
- Difficult to manage if variable e.g. attendance bonuses
- Use practically and strategically

## Variable Pay

- In all our compensation surveys, the trend is an increase in variable pay, tied to performance to manage the overhead
- Attractive base salary can never be substituted.
- Needs to motivate, encourage and be realistic
- Target 15 – 25% of salary to be variable pay, or additional income – think big, start small
- Should not substitute learning and training

## Long Term Incentives

- Use for retention purposes
- Can be as simple as a saving schemes or as complex as employee profit sharing or ownership

## Benefits

- Becoming increasingly important
- Workers becoming more aware


## Recognition, Acknowledgement and Respect

- Employee awards and recognition
- Long service awards
- Internal staff behaviors towards workers
- Social activities for life-work balance.
- Self-esteem building – is not only relevant for professional people

HR Strategy	<b>HRINC Consulting Insights</b> <b>HR Management and Governance Framework</b>					<b>HR Operations &amp; Infrastructure</b>		
Strategy	<b>Employee Engagement</b>						HR Structure	Policies, Procedures and Compliance
Culture	Engagement Strategy & Diagnostics	<b>Total Compensation**</b>			<b>Performance Management</b>	Goal Setting	Employee Relations	
Organisational Design**	Engagement Action Plans	Compensation	Benefits	Recognition	Coaching	Performance Appraisal	Employee Comms	
Change Management	Competency Framework	Workforce Planning	Employer Brand	Candidate Sourcing	On boarding	Employee Development	HR Technology**	
Metrics and Analytics	Talent Assessment	Succession Planning	Candidate Assessment	Internal Mobility	Management Development	Leadership Development	HR Budget**	
<b>Talent Management</b>		<b>Talent Acquisition</b>		<b>Learning and Development</b>				

Reference: Adapted from McClean & Company





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# **The necessity for research and understanding trends: **Worker Survey****

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

## About the worker survey

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**The worker survey reviews wages of workers from the workers perspective**

**It is a separate study to the employer survey to understand income and expenditure of workers**

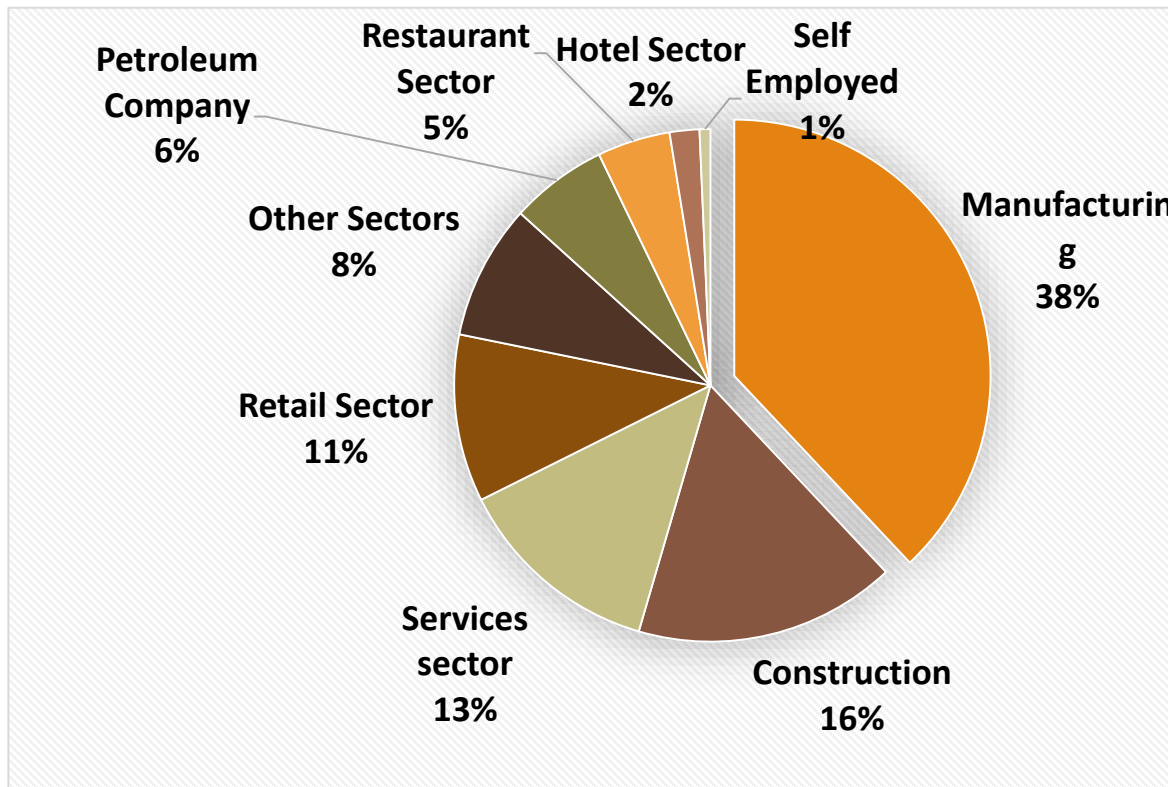
**The worker survey does not interview the workers of the employers in the employer study just presented**

**Workers are randomly selected from different sectors and interviewed**

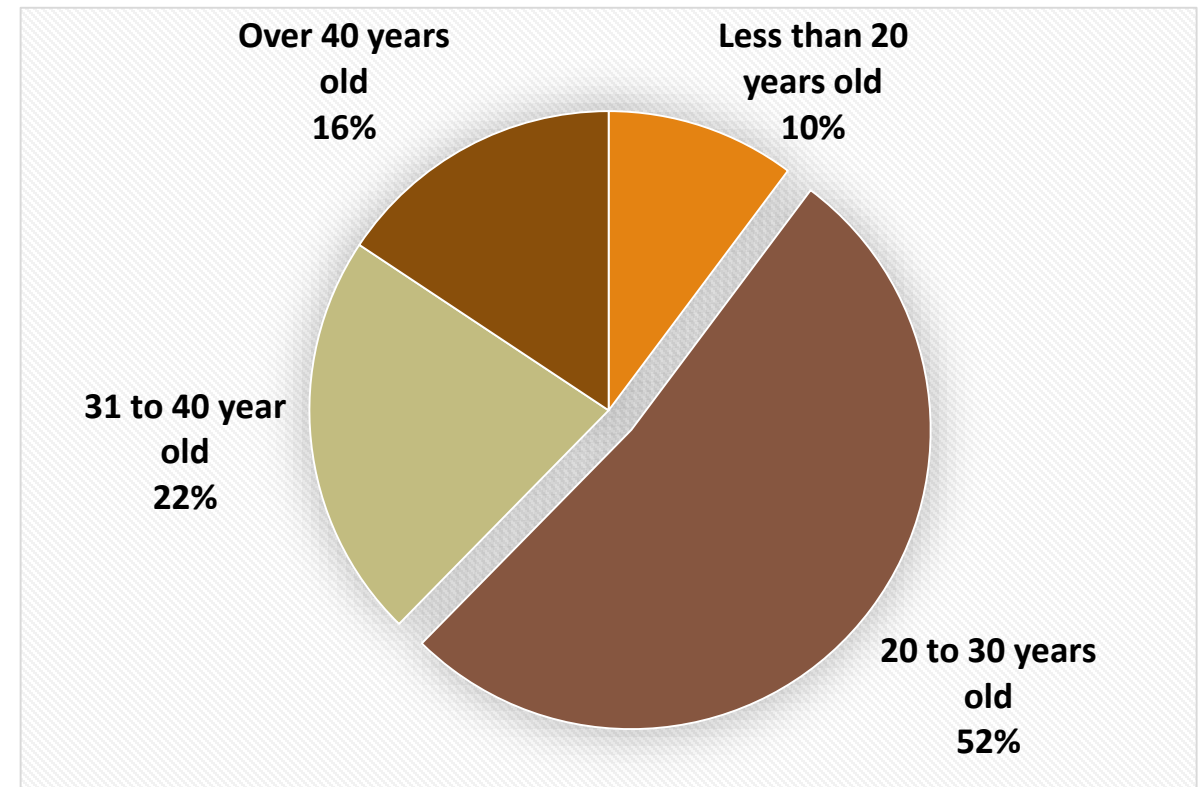
**A total of 600 workers was interviewed in 2015, up from 400 in 2014**

# Just under 600 workers interviewed in Phnom Penh across 9 industry sectors

## INDUSTRIES REPRESENTED



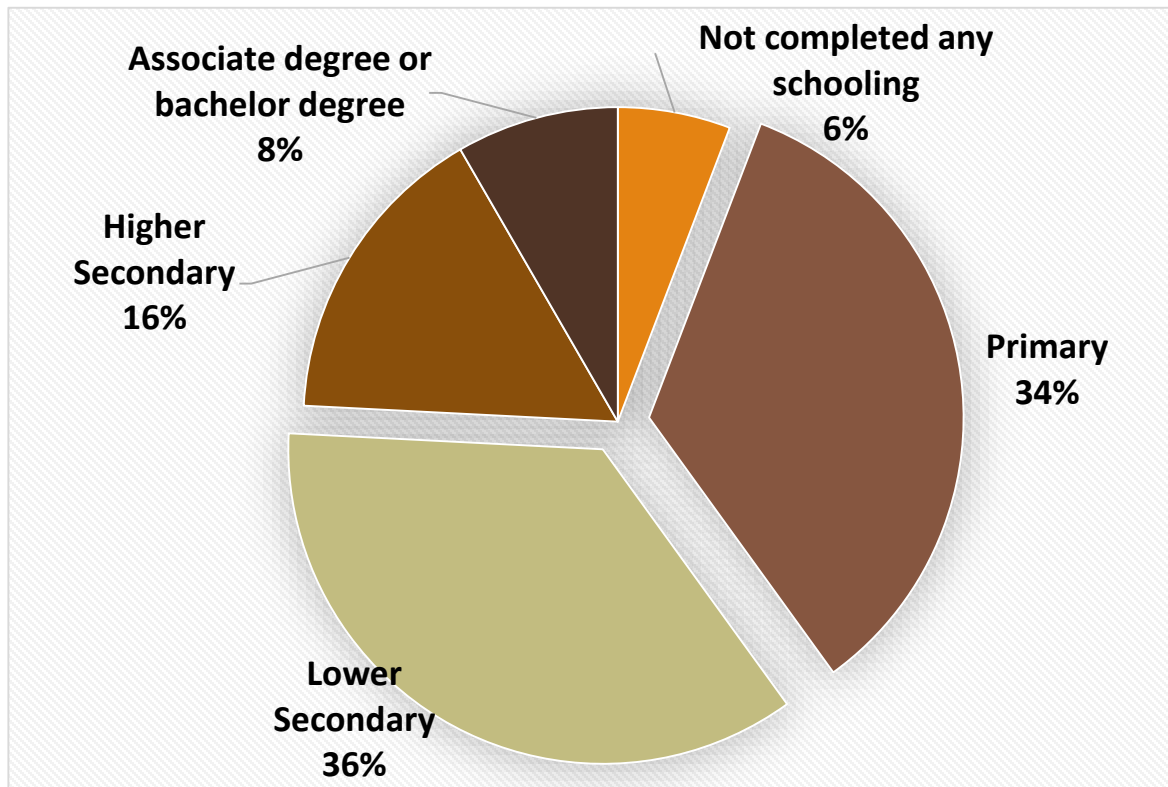
## AGE OF WORKERS: A YOUNG WORKFORCE BUT AGEING...



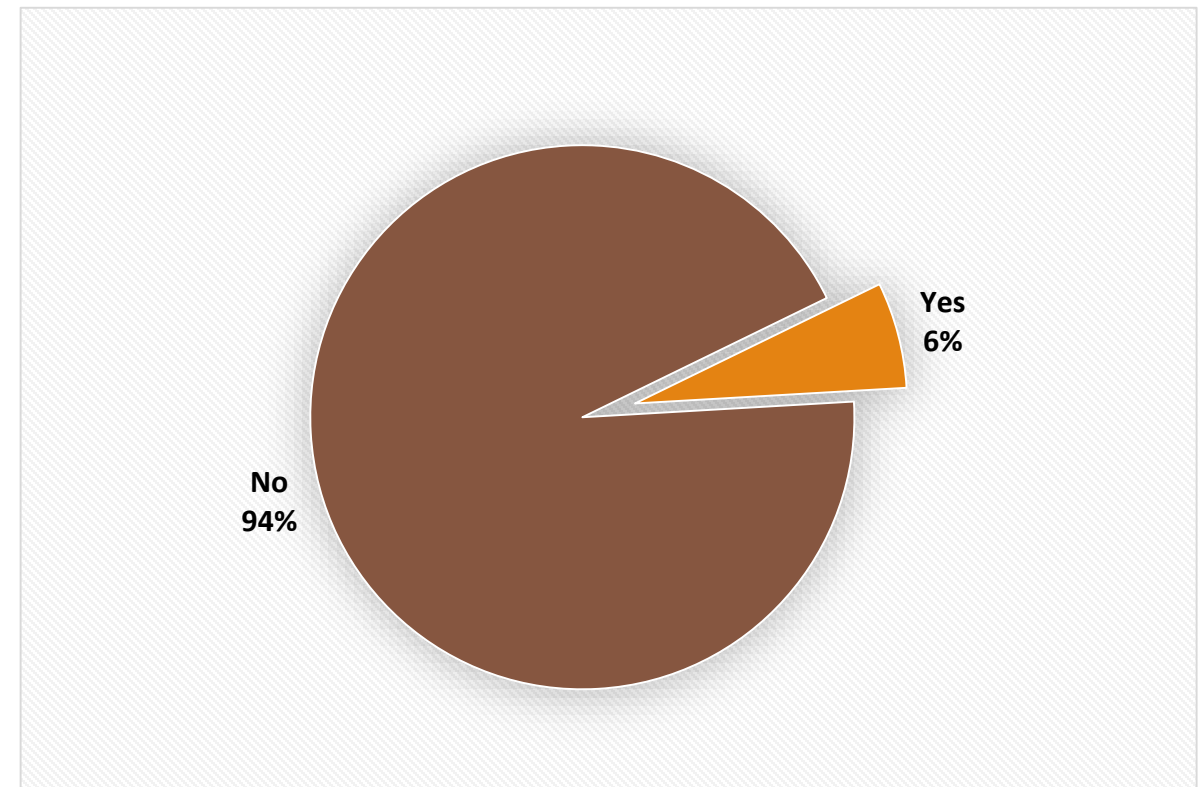


A very lowly educated workforce. Majority do not take a second job.

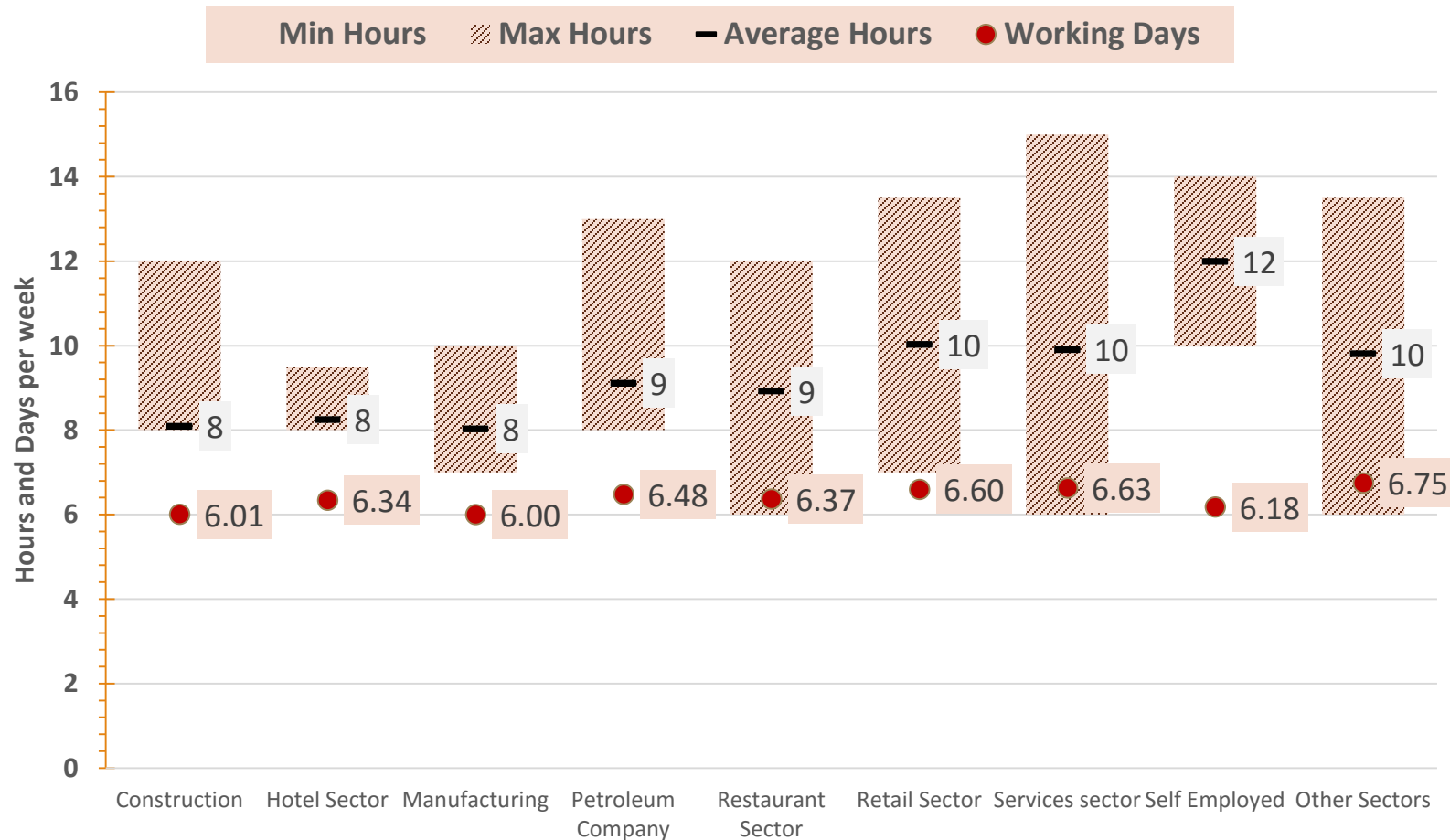
### EDUCATION LEVELS



### SECOND JOB



Minimum and Maximum working hours vary considerably per sector. In general, most workers working at least a 6 day work week on average



### Average public holidays: 16

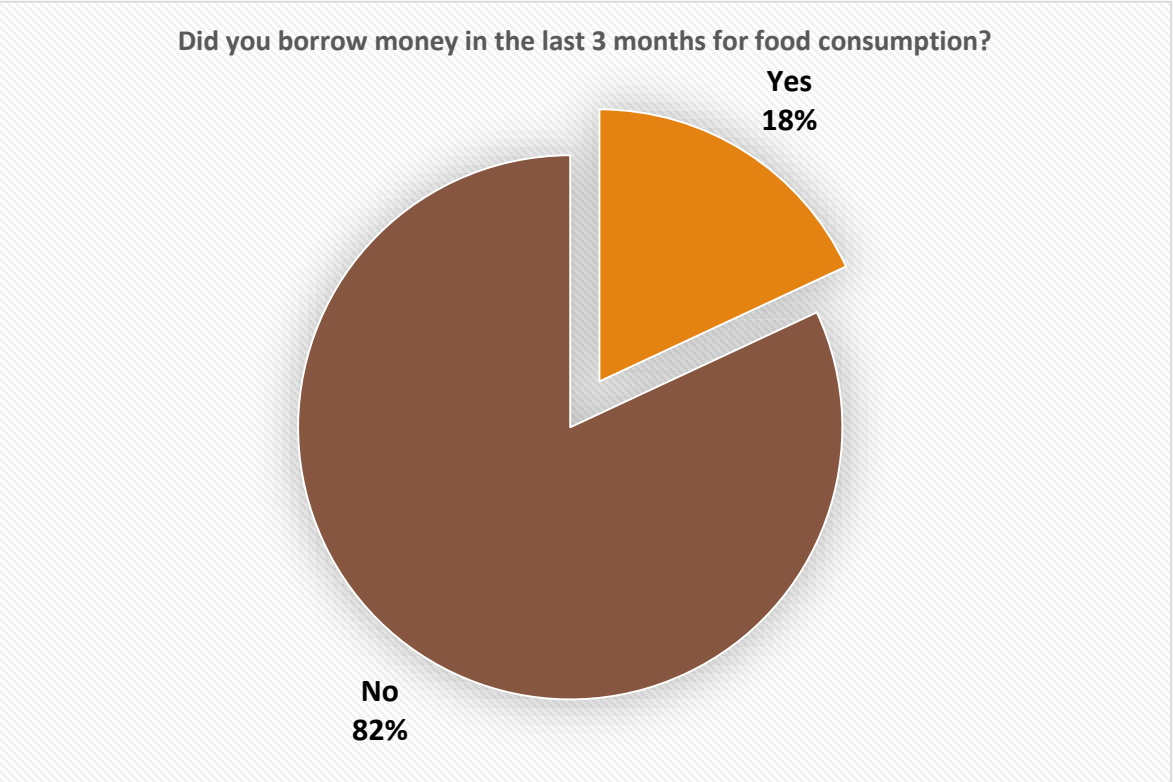
- 63% don't get additional pay for working on public holidays

### Average annual leave days: 15

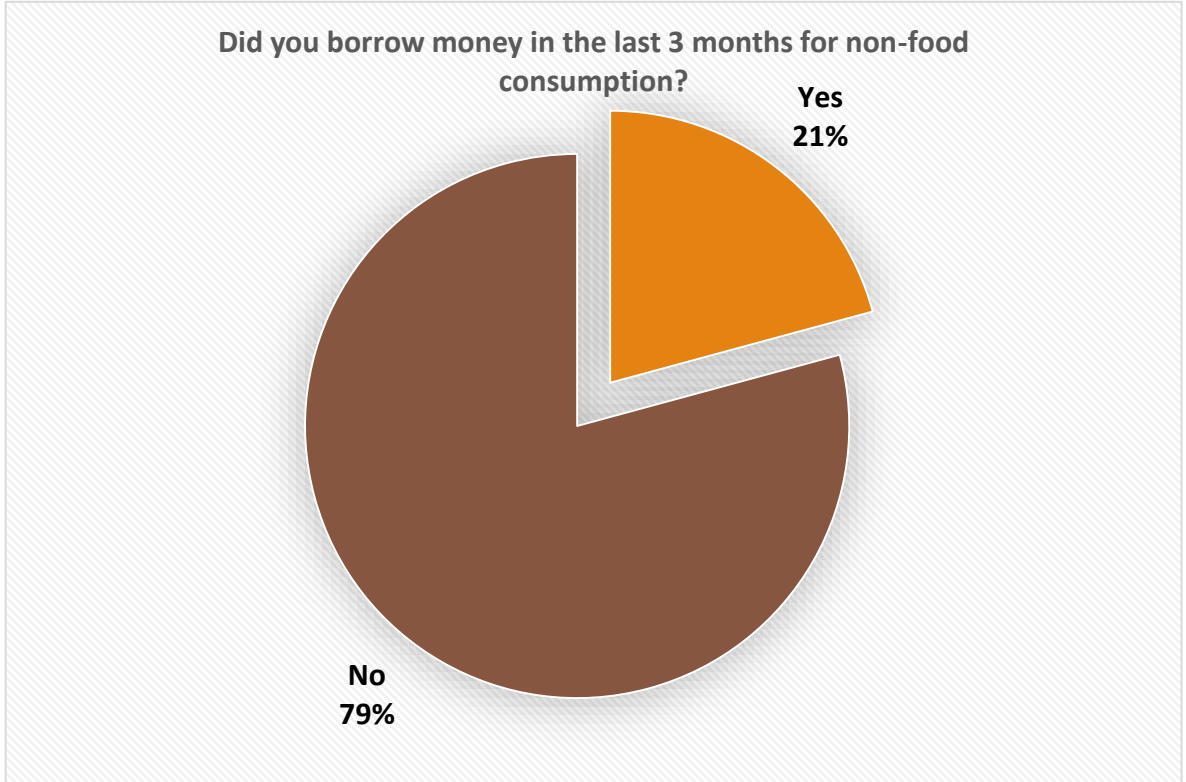
- 30 percent get 18 annual days per year
- 48% get no annual leave days
- 13% had no idea how many leave days they are entitled too
- 90% of workers do not get leave paid out or don't know if they get annual leave paid out
- 5.1% of workers stated they get their annual leave paid out

In the last 3 months, 18% of workers borrowed money for food consumption and 21% borrowed for non-food consumption

### FOOD CONSUMPTION BORROWING

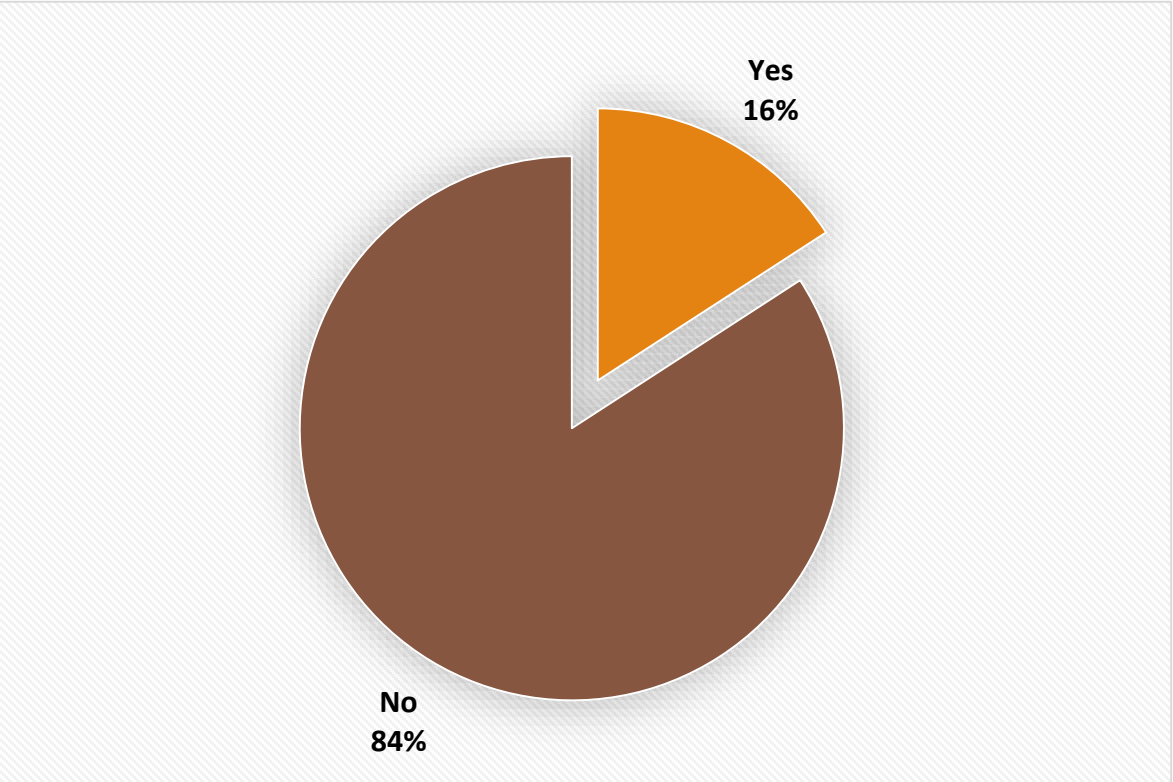


### NON-FOOD CONSUMPTION BORROWING

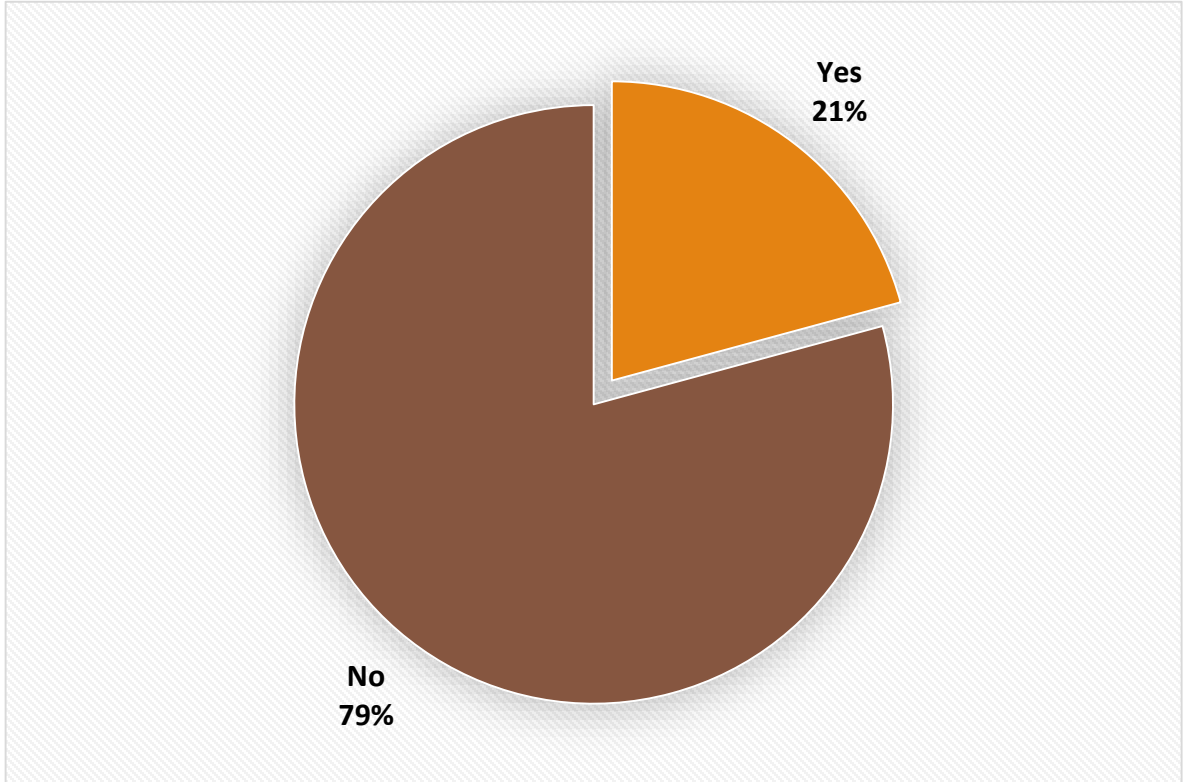


16 percent of workers have borrowed from the bank. 21% have debts with an average of 1380, median of 800 and maximum of 12,000...

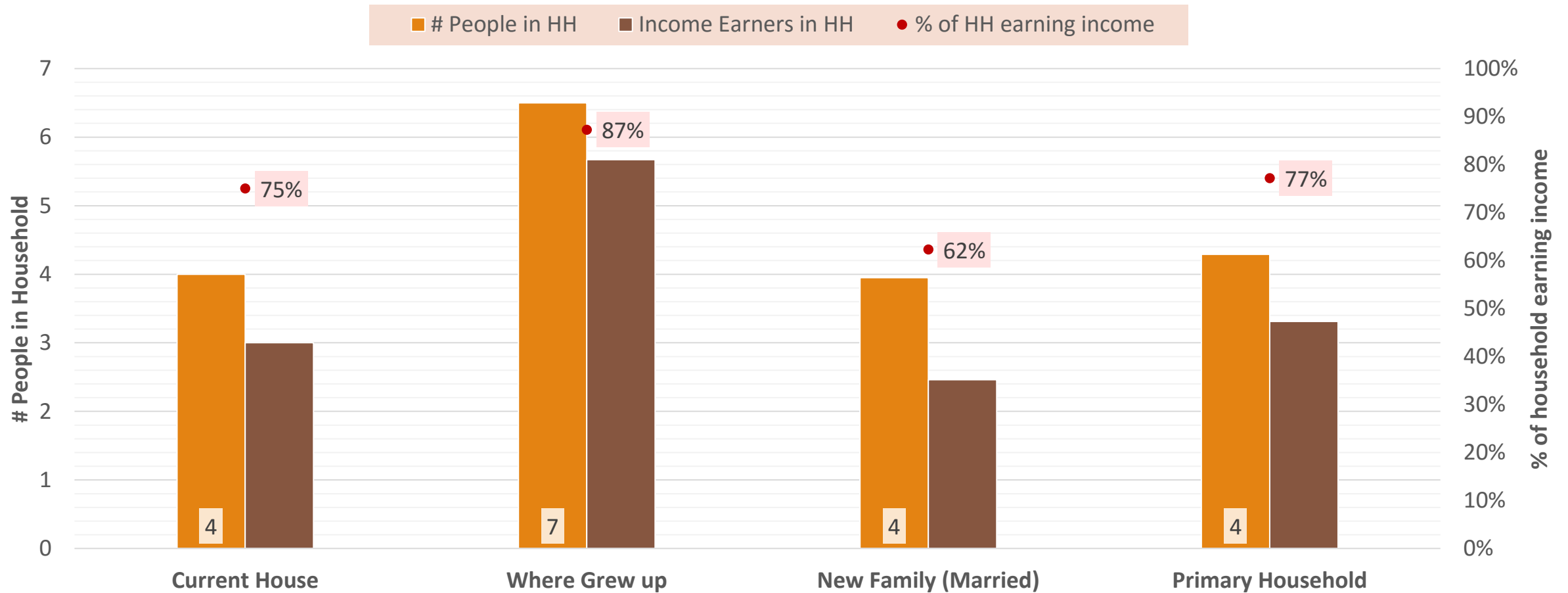
**BORROWED MONEY FROM THE BANK**




**DO YOU HAVE DEBTS**



# In each worker household, at least 60% of the household is earning an income





**HRINC Vision:**

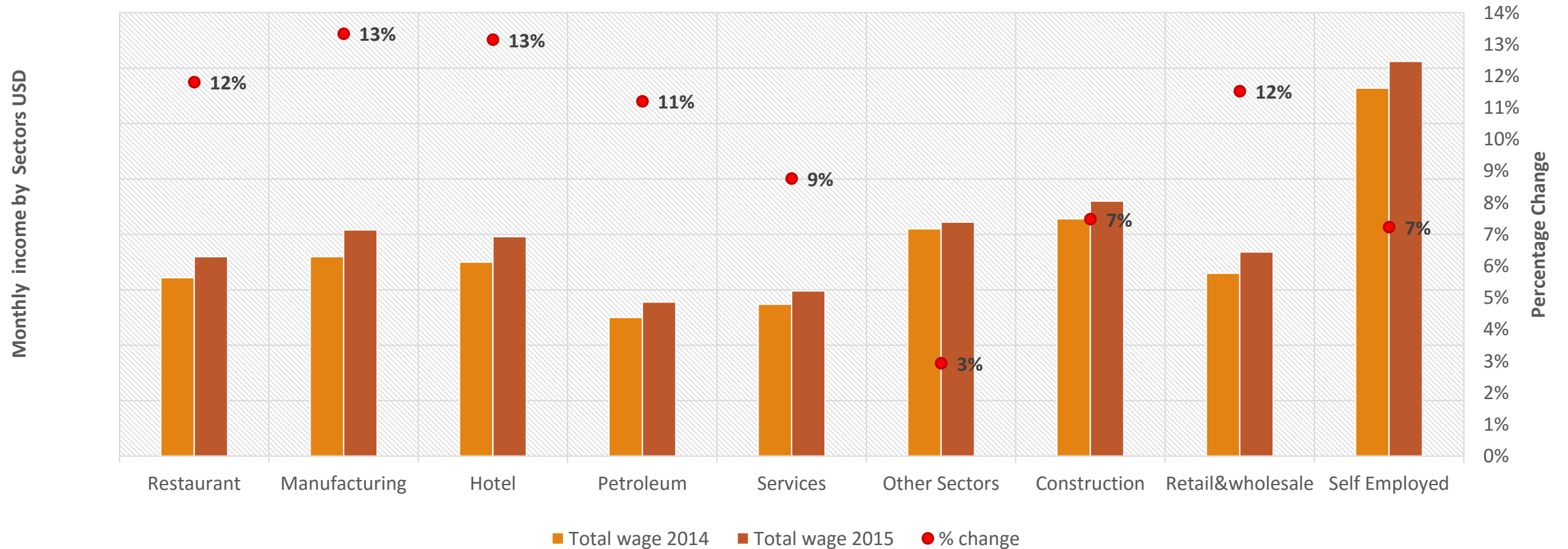
To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

# What are workers earning?

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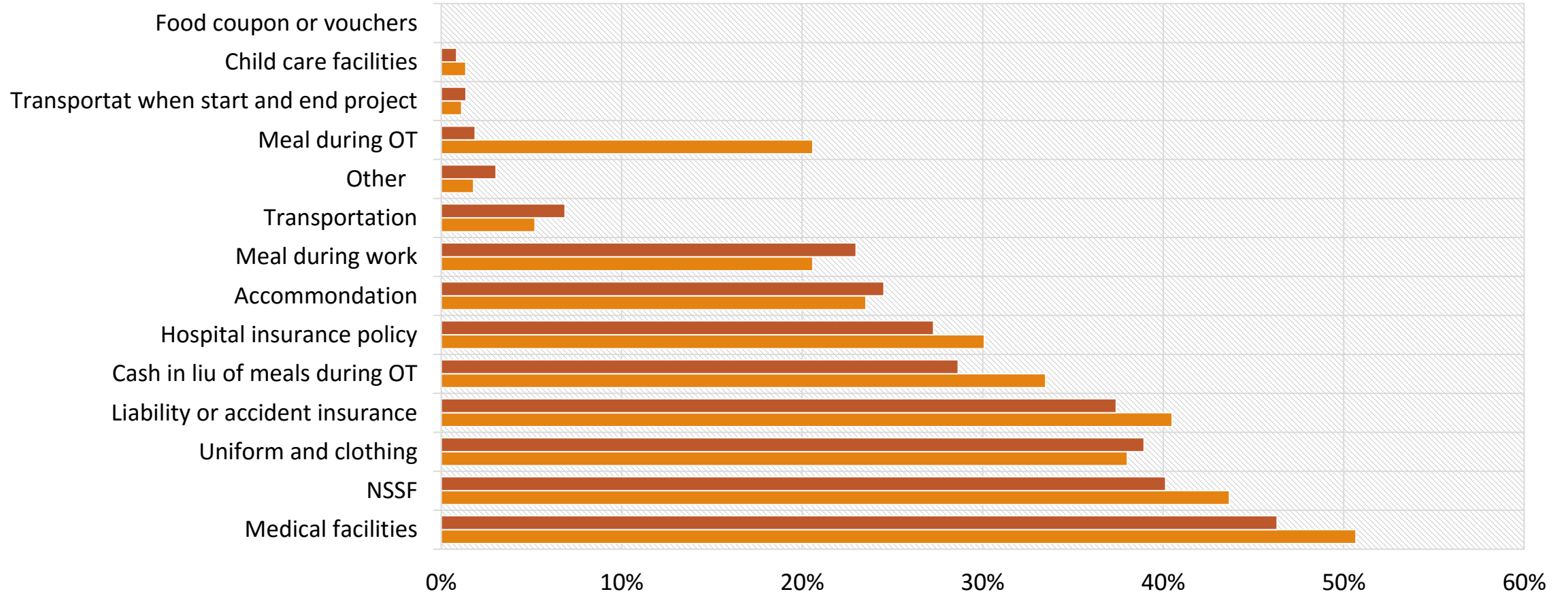
**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE  
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**


# Total Average Monthly Gross Earnings per sector (base salary and other earnings)





# Monthly Non-Cash received by workers...





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# Workers Expenditure?

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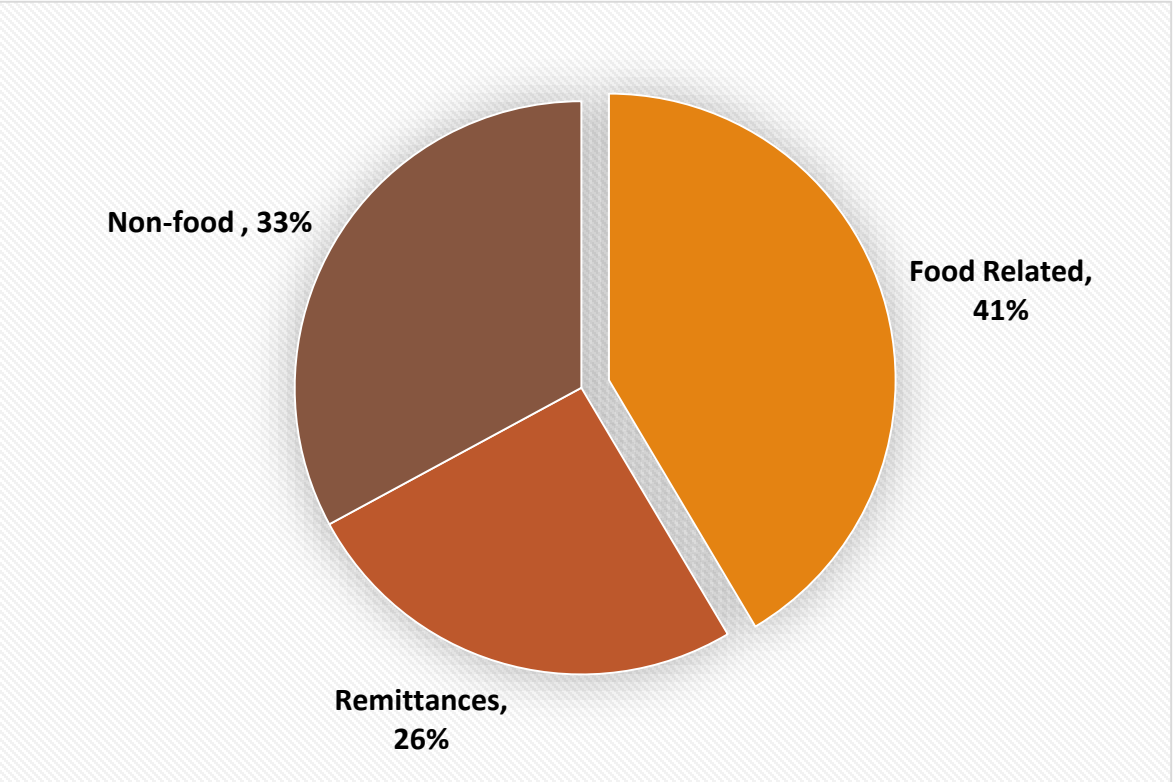
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## Expenditure items are carefully collected in the survey

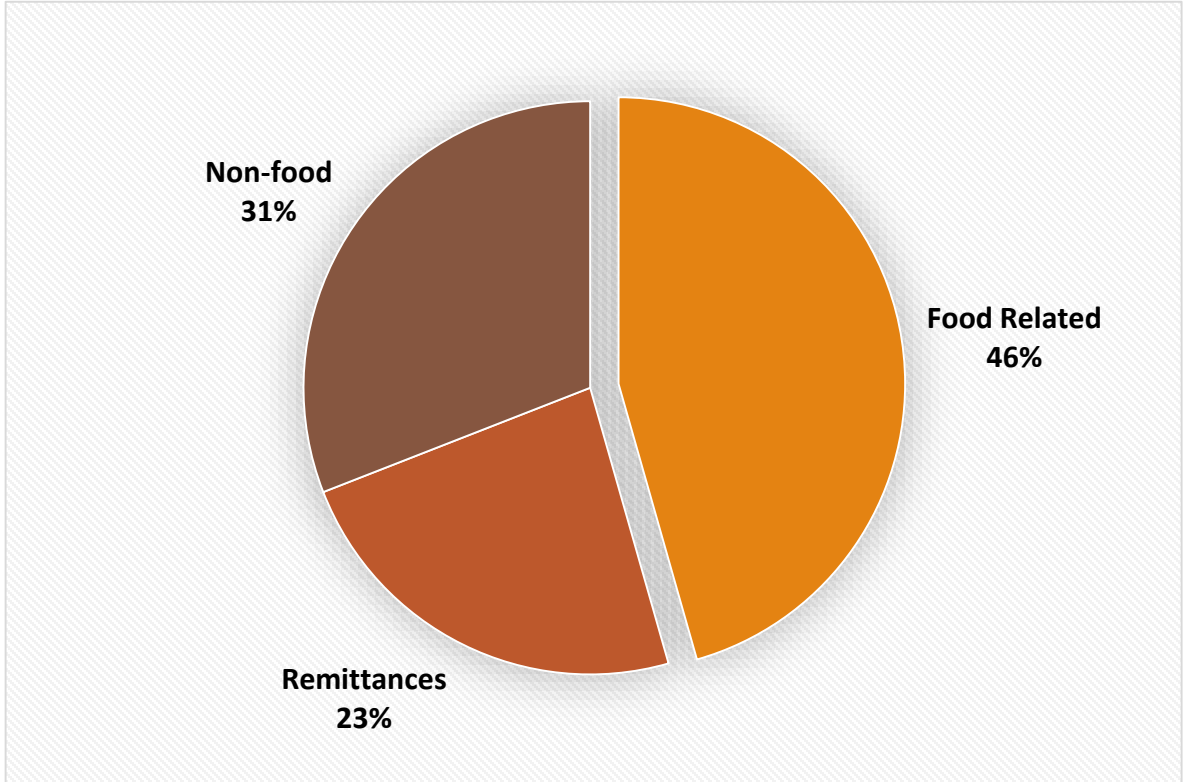
Food Related Items	Non-food Items	Savings and Remittances
Breakfast	Accommodation (Rental and utilities)	Monthly Saving
Lunch	Travel and Transport for work	Remittance or family support
Dinner	Communication or telephone	
Fruit and fresh foods	Medical Care	
Beverage, drinking water etc.	Personal Care	
Other food related (Oil, sauce, sugar, salt etc.	Clothing and footwear	
Alcoholic beverage, tobacco	Furniture and house equipment	
	Recreation	
	Education	
	Personal Effects	
	Miscellaneous items	

Changes in monthly expenditure show that food related expenses are a largest and increasing expenditure item. Non food and remittances dropped by 2 and 3 percentage points respectively.

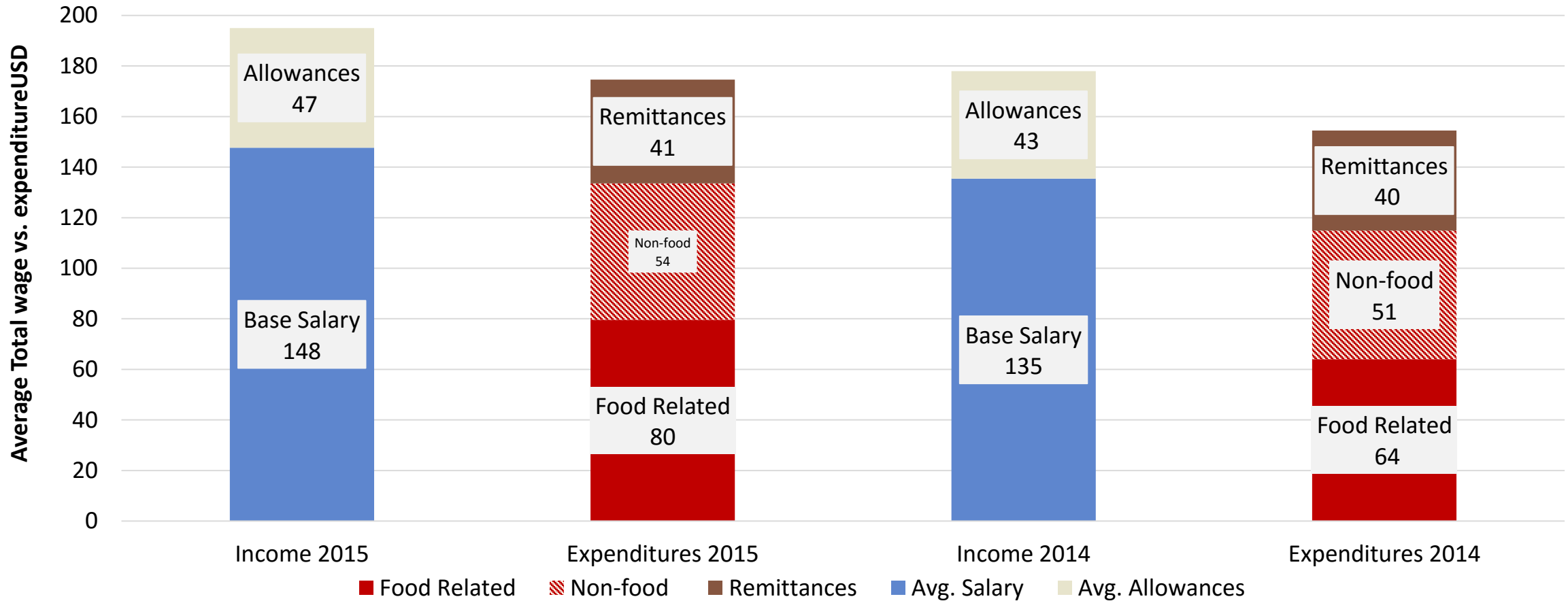
**2014 EXPENDITURE MIX (USD155)**



**2015 EXPENDITURE MIX (USD175)**



Average Income and Expenditures increased from 2014 – 2015. Overall, workers have a disposable income.



The final worker report provides detailed and extensive data which will be released by end of March 2016

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**Extensive data tables by sector, gender and level**

**Calibrated wages to working hours**

**Presentation of hourly wages by sector**

**Unionization and perspectives on effectiveness of unions**



# Thank you: Q&A

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...that enable our clients, our business and our people to grow and innovate.

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**HRINC Outsourcing**

**Understanding Business**

**HRINC Training**

**Understanding People**

**HRINC Recruitment**

**Understanding You**

*HRINC Consulting: Data driven insights that drive employee engagement and bottom-line performance.*



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Employee Engagement Survey		
Policy and procedure development		