
ANKER LIVING WAGE REFERENCE VALUE



**URBAN
CAMBODIA
2021**

LIVING WAGE

**KHR 860,992
PER MONTH
(US\$210)**

By Kabeer Dawani, Ian Prates, Richard Anker and Martha Anker

Photo credit: Pixabay

Anker
Research
Institute

GLOBAL
LIVING WAGE
COALITION

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Anker Living Wage and Living Income Research Institute – Founded by Richard Anker and Martha Anker, the Global Living Wage Coalition, and Clif Bar & Company. Social Accountability International (SAI) is the institutional host.



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Anker Living Wage Reference Value¹

Urban Cambodia 2021

1. Anker Living Wage Reference Value for Urban Cambodia in 2021

The Anker Living Wage Reference Value for 2021 for urban Cambodia is 860,922 KHR (USD 210) with a 95% confidence interval around it from 809,012 KHR to 916,171 KHR. This is the estimated monthly cost of a basic but decent standard of living for a typical-size family of four persons in urban Cambodia in 2021. The living wage is defined as:

“A living wage is the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition).

2. Anker Reference Value Methodology

Anker Living Wage Reference Values utilize a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income Benchmark studies, and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural (or urban) areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (urban) locations, the margin of error is likely to be larger for unusual locations with atypical living costs within a country, such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country Context: Cambodia

Geography and Demographics

Cambodia is in mainland Southeast Asia, bordering Laos in the north, Vietnam in the east, and Thailand in the north-west, while the Gulf of Thailand lies to its south-west. Cambodia is characterized by low-lying plains, with the Mekong River bisecting the landmass and making the surrounding land highly fertile for agriculture. The country lies in the tropics and the climate is dominated by monsoons with significant rainfall during the year.

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The population of Cambodia is nearly 17 million in 2020, of which two-thirds live in the plains. The annual population growth rate, according to the 2019 national census, is 1.4%, which has fallen from 2.2% in 2000.² Most of the population – more than 95% – belongs to the Khmer ethnic group. The sex ratio at birth (male births per female births) is 1.05 in 2019, while males and females make up 49% and 51% of the population respectively. Cambodia is a young country with a large working age population; while only 29% of the population is between ages 0 and 14 years and 9% is above 60 years, 62% is between the ages of 15 and 59.

Average household size, according to the 2019 labor force survey, is 4.2. This is lower in urban areas (4.1) than in rural areas (4.3). The urban population as a percentage of the total population jumped from 19.5% in 2008 to 39.4% in 2019 according to the 2019 Population Census. The total fertility rate (TFR) in Cambodia was 2.5 births per woman according to the 2019 Population Census– 2.2 in urban areas and 2.8 in rural areas. The under-5 mortality is relatively low, at 28 deaths per 1000 births. Life expectancy at birth, according to the UN Population Division, is almost 70 years.

Economy

Cambodia has been a success story over the past two decades in terms of achieving high growth rates and poverty reduction.³ From 1994-2015, Cambodia had an average growth rate of 7.6%, which made it the sixth fastest growing country in the world for that period. From 2015 to 2019, its economy continued to grow at around 7% per year; however, in 2020, there was a contraction of 3% because of the global pandemic. Due to the sustained growth, Cambodia is now a lower-middle income country, with a per capita GDP of \$1,544 in current USD in 2020.

In terms of sectoral contribution to GDP, agriculture, forestry, and fishing contribute 22%, and industry makes up 34%, while the largest share is made up by the services sector at 37% in 2020.⁴ The economic growth in Cambodia has been driven by exports of goods and services, concentrated in garments and tourism. In fact, with growth in exports and services growing by 19.6% per year between 1994 and 2015, Cambodia ranked second in the world in this regard.

Inflation has been low for several years, with an average annual inflation rate of 2.7% from 2012-2020. The IMF predicts that this trajectory will continue, with inflation projected to be 2.5% for 2021.⁵ Since the Cambodian economy relies significantly on external demand for its exports and international travel for its tourism, the Covid-19 pandemic has significantly affected its economic prospects. The economy has been further dampened by community spread of the virus domestically. The IMF predicts that there will be a slow recovery, with projected GDP growth of 2.2% in 2021, which will still leave the economy in poorer shape than it was pre-pandemic.⁶ A full recovery will depend on a rise in external demand and containing the spread of the virus globally

² General Population Census of Cambodia. 2019, National Institute of Statistics, Ministry of Planning, Kingdom of Cambodia. <https://www.nis.gov.kh/nis/Census2019/Final%20General%20Population%20Census%202019-English.pdf>

³ World Bank. 2017. "Cambodia: Sustaining strong growth for the benefit of all". Washington, DC: World Bank Group.

⁴ World Bank. 2021. World Development Indicators. <https://data.worldbank.org/>

⁵ IMF. "Country Profile – Cambodia. <https://www.imf.org/en/Countries/KHM>. Accessed 24 December 2021.

⁶ IMF. 2021. "IMF Executive Board Concludes Consultation with Cambodia." <https://www.imf.org/en/News/Articles/2021/12/08/pr21365-imf-executive-board-concludes-2021-article-iv-consultation-with-cambodia>. Accessed on 23rd December 2021.

to allow tourism to resume. The Asian Development Bank (ADB) projects GDP growth to rebound in 2022 to 5.5%.⁷

Poverty

Due to the sustained economic growth over the last couple of decades, poverty has declined significantly in Cambodia. Based on World Bank data, the poverty headcount ratio at the national poverty line declined from 50% in 2000 to 22.1% in 2010 and 10% in 2016.⁸

The national poverty line has, however, recently been redefined based on the Cambodia Socio-Economic Survey 2019-20. Based on this new estimate, 17.8% of the total population lives below the poverty line.⁹ The distribution of poverty is skewed towards rural areas, with 22.8% of rural residents living in poverty. In urban areas, on the other hand, the share of population living in poverty is 12.6% and this is even lower in the capital and largest city, Phnom Penh, at 4.2%.

Standard of Living

With economic growth and a fall in poverty, Cambodia has experienced a rise in the standard of living across a number of key indicators of health, education and living conditions. Life expectancy at birth has risen from 54 years in 1990 and 58 years in 2000 to 70 years in 2020. The under-5 mortality rate has declined significantly from 106 deaths per 1000 births in 2000 to 28 deaths per 1000 births in 2020. This correlated with a large increase in the births attended by skilled health staff, which went from 16% in 2004 to 89% in 2014.¹⁰

Literacy is also high at 89% of the adult population being literate in 2019, improving from 74% in 2004.¹¹ This is even higher in urban areas, at 93%, whereas adult literacy is 84% in rural areas. Primary school completion rate has improved substantially, from 51% in 2000 to 92% in 2020.

Further, 84% of households use electricity as their main source of light, but this is higher in urban than rural areas. In urban Cambodia, 97% of households use electricity, while in rural areas only 76% use electricity as their primary source for light. Use of internet has increased drastically, from a negligible 1.3% in 2010 to 79% in 2020.¹² Similarly, households with improved toilets (flush toilet or pit toilet with slab) have increased from only 34% in 2008 to 83% in 2019.¹³

However, there are still areas where there is a lot of room for improvement. The prevalence of stunting in children is still high, with 30% of under-5 children being stunted in 2020 according to

⁷ ADB. 2021. <https://www.adb.org/countries/cambodia/economy>. Accessed on 27 December 2021.

⁸ World Bank 2021. World Development Indicators; Andersen, Henny. 2019. "Multidimensional Poverty Analysis: Cambodia." Swedish International Development Cooperation Agency.

<https://cdn.sida.se/app/uploads/2020/12/01095841/cambodia-multidimensional-poverty-analysis.pdf>

⁹ Nov Sivutha, Nov. 2021. "Planning Ministry Revises Poverty Line Figures." The Phnom Penh Post.

<https://www.phnompenhpost.com/national/planning-ministry-revises-poverty-line-figures>. Accessed on 26 December 2021.

¹⁰ World Bank. "Country Profile: Cambodia".

https://databank.worldbank.org/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=KHM. Accessed on 29th December 2021.

¹¹ General Population Census of Cambodia. 2019, National Institute of Statistics, Ministry of Planning, Kingdom of Cambodia; World Bank. 2021. World Development Indicators.

¹² World Bank. "Country Profile: Cambodia".

¹³ General Population Census of Cambodia 2019, National Institute of Statistics, Ministry of Planning, Kingdom of Cambodia.

the World Bank. This means that nearly a third of all children do not fully develop and, for many of them, their cognitive abilities will not be realized to their potential throughout their lifetimes. Moreover, although 84% of urban residents have access to clean drinking water, only 58% of rural households had access to clean drinking water in 2019.¹⁴

Labor Market

The working age population in Cambodia was estimated to be around 11.5 million in the 2019 Labor Force Survey, which is 62% of the total population.¹⁵ Further, 7.5 million of the working age population resides in rural areas, compared to 4 million in urban areas. The labor force participation rate (LFPR) – or the proportion of economically active population as a share of the working age population – in Cambodia is 69% in 2019. The LFPR is higher for males, at 77%, than for females at 62%. The unemployment rate is low, at around 1% across Cambodia and for both sexes.

The distribution of employment by sector is as follows: 33% of the employed population is in agriculture, forestry, and fishing; 27% is in industry; and 40% is in the services sector. However, within these sectors, employment is dominated by the informal economy. About 77% of those in paid employment worked in the informal sector in unregistered enterprises, whereas 22% worked in the formal sector.

4. Family Income Ladder and Gaps to a Living Wage

Figure 1 below provides a wage ladder for Cambodia and some context on gaps to a living wage. It compares the Anker Living Wage Reference Value for urban Cambodia with five other indicators of family wage. The Anker Living Wage Reference Value is higher than four of these comparators. It is 168% higher than the poverty line wage at the World Bank's \$3.20 poverty line for a lower-middle income country such as Cambodia, and 33% higher than the national poverty line wage for urban Cambodia for 2021. The Anker Living Wage Reference Value is 8% higher than the median wage for services and sales workers in Cambodia in 2019, but slightly lower (by 4%) than the median wage for plant and machine operators and assemblers in Cambodia in 2019. Part of the reason for these small differences to these prevailing wages is that prevailing wages include overtime pay whereas a living wage needs to be earned in normal working hours without overtime.

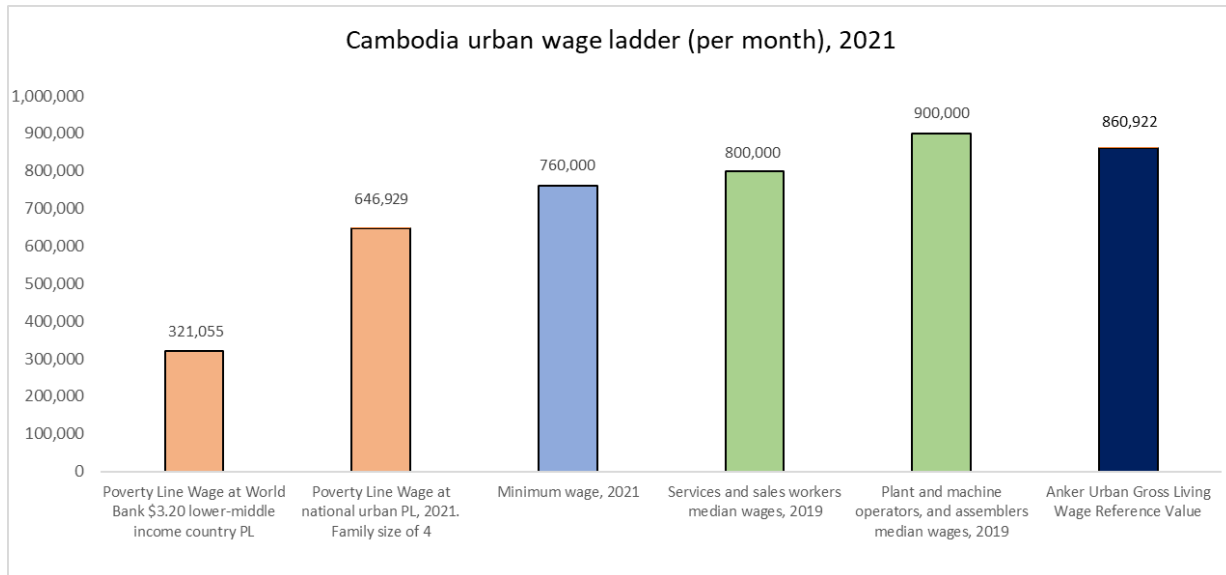
The Anker Living Wage Reference Value is 13% higher than the official minimum wage that is applicable only to the garment, textile, and footwear sectors (the minimum wage does not apply to any other sectors). This small gap between the statutory minimum wage and Anker Reference Value is somewhat usual for a developing country. Part of the reason for this small gap may lie in the fact that the minimum wage is set based on advice from a labor advisory committee (LAC) in a process set up on ILO advice in 2014.¹⁶ From a relatively ad hoc process, minimum wage setting became more procedural with multiple principles used to help in setting the minimum wage

¹⁴ General Population Census of Cambodia 2019, National Institute of Statistics, Ministry of Planning, Kingdom of Cambodia.

¹⁵ "Report on the Cambodia Labour Force Survey 2019." National Institute of Statistic, Ministry of Planning, Kingdom of Cambodia.

¹⁶ ILO. 2016. "How is Cambodia's Minimum Wage Adjusted?" Cambodian Garment and Footwear Sector Bulletin. https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_463849.pdf

(including worker needs).¹⁷ Also, as mentioned above, the minimum wage does not apply to most workers since most workers in Cambodia are employed in the informal sector and in addition the living wage for a big and relatively expensive city such as Phnom Penh is undoubtedly higher than our Reference Value for all of urban Cambodia.



Notes: ^a Cambodia released new poverty lines (for urban areas, rural areas, and Phnom Penh) in November 2021 (Khmer Times, November 19, Cambodia’s poverty line updated) to replace its earlier 2014 poverty lines (World Bank, 2017, Cambodia Sustaining strong growth for the benefit of all: A Systematic Country Diagnostic). We used the new 2021 urban poverty line. Note that the new Phnom Penh poverty line is 14% higher than the new urban poverty line and 23% higher than the new rural poverty line. ^b The World Bank international poverty line for Cambodia was estimated using the World Bank poverty line for lower-middle income countries (\$3.20 PPP). ^c Family size of 4.0 (2 adults and 2 children) was used for expositional purposes to estimate the Phnom Penh poverty line wage and the World Bank poverty line wage. This family size is very close to both the average urban household size for of 4.01 excluding single person households and especially large households (8+ members) based on data from the 2019 Labor Force Survey (National Institute of Statistics, Ministry of Planning, Kingdom of Cambodia, 2020, Report on the Cambodia Labour Force Survey 2019), and the urban child mortality adjusted total fertility rate of 1.91 according to DHS and World Bank data. ^d Number of full-time equivalent workers per family of 1.80 is used for expositional purposes to estimate poverty line wages. It is based on male and female labor force participation rates, unemployment rates, and part-time employment rates for prime working ages 25-59 from the 2019 Cambodia Labor Force Survey Report. ^e Median wages for Service & Sales workers and Plant and machine operator workers are from the 2019 Cambodia Labor Force Survey Report. ^g The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls

¹⁷ It is worth noting that increases in the minimum wage have been shown to not affect employment in Cambodia (Shreshtha, Maheshwar. 2019. “The Impact of Minimum Wage Hikes on Employment and Wages in Cambodia.” Policy Research Working Paper No.8839. Washington D.C., World Bank).

from 6 to 4 with development in Anker living wage benchmark studies). ^h Minimum wage was last increased on January 1st, 2021. ^f Neither payroll tax deductions nor income tax would be due on the living wage.