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CAMBODIA'S FUTURE JOBS:
LINKING TO THE ECONOMY OF TOMORROW

Jobs are an important part of Cambodia's story of development success.
There are 8 million jobs in Cambodia, and 80 percent of Cambodian adults above the age of 15 are working—in contrast to 62.5 percent of adults in the East Asia Pacific region. The share of Cambodians employed in wage-paying private sector jobs increased from 1.1 million people in 2009 to 2.6 million people in 2014. However, two out of three workers are still in either informal jobs or in traditional, non-wage jobs on farms or in household enterprises.

Cambodia will need to enact substantive reforms to secure more, better, and more inclusive jobs in the long term.
Fundamentally, Cambodia needs to upgrade and integrate the two sides of its economy: the exports sector, which includes foreign-owned (FDI) firms, and the domestic sector made up of household enterprises (HHEs) and small and medium enterprises (SMEs). Meanwhile, Cambodian workers need to increase their skills and ability to pursue the job opportunities that will materialize as these sectors increase their competitiveness.

Cambodia will have to diversify into higher-value-added export sectors to reap greater job and wage benefits from participating in GVCs. While jobs in exporting firms have been key to Cambodia's development success, these firms have the potential to generate even greater gains for workers. In 2010-2015, one-third of all wage jobs were in FDI firms. In 2014, wages of workers employed directly or indirectly in exporting firms were equal to 15 percent of GDP (USD 2.6 billion). However, the types of export activities that Cambodia engages in pay lower wages, have lower value-added, and employ fewer skilled workers than the export baskets of peer countries.

Policies are needed to enable domestic HHEs and SMEs to grow and become a more reliable source of good jobs. Domestic firms are more numerous than foreign-owned ones, yet they are small, employing an average of 8 workers compared to the 124 workers in FDI firms. This is largely because the domestic business environment does not help entrepreneurs easily start and grow new firms. For example, only 25 percent of Cambodian firms have an overdraft facility or a loan from a financial institution, and the costs of registering a business are so high that only 6 percent of small firms have done so.

Links between the FDI and domestic firms must be deepened to generate more local business opportunities for local workers. Domestic firms have weak links to the export sector, and so do not benefit from its growth. Only 25 percent of inputs and supplies for the garment sector are sourced from local firms. In contrast, the garments sectors of Vietnam, Bangladesh and India respectively source 60 percent, 62 percent, and 100 percent of their inputs from domestic firms.

Both Cambodian students and workers will need education and upskilling to compete with their global peers for higher quality jobs. Cambodian workers do not have the skills to be employed in the types of jobs that will come from reform in the FDI and domestic sectors. Only 13.5 percent of the working age population has completed high school. A four-year old Cambodian child today is expected to complete 9.5 years of school, but their learning will be equivalent to only 6.9 years. In 2016, 37.6 of exporters cited an inadequately educated workforce as a top business obstacle. These trends result in lower labor productivity and a reliance on high-labor-content exports that are vulnerable to automation.

Seven Policies for More and Better Jobs