



Social Protection in Cambodia: the lack of inclusiveness for informal workers

Khim Tepsopheaktra

Around 85% of people in Cambodia work in the informal economy, primarily in small and microbusinesses, agriculture, forestry, and fishing, as well as informal construction.¹ The informal worker is very vulnerable due to its increased risk of exposure to major occupational safety and health risks, as well as income volatility, job insecurity, and poor working conditions. However, though they remain numerous and vulnerable, Cambodia's current social protection system does not adequately and effectively protect the informal laborers.² As observed, informal workers are likely to encounter the risk of an insatiable job, low wage, and the health risk.

Due to those vulnerabilities, informal workers deserve to be protected by social protection. However, there are inclusion issues on the ground for informal workers.

The IDpoor program is one of the key social assistance programs that the Cambodian government has put in place to support vulnerable populations. The Identification of Poor Households Programme system, however, primarily targets poor households. It is substantially used in rural areas and does not explicitly address the concerns of informal workers because many social assistance programs are mainly focused on rural areas.³

¹ "Cambodia." August 30, 2012. ILO. Access July 8, 2023. [Cambodia \(ilo.org\)](https://www.ilo.org/)

² "Decent Work in the Informal Economy in Cambodia." January 01, 2006. ILO. Economic Institute of Cambodia. Access July 8, 2023. [Decent work in the informal economy in Cambodia: a literature review \(ilo.org\)](https://www.ilo.org/)

³ 2017. "Social Protection System Review of Cambodia." Social Protection Org. Access July 8, 2023. [Social Protection System Review of Cambodia | socialprotection.org](https://www.socialprotection.org/)

The Cambodian government collects data on income and expenditures, which are used to calculate the poverty line. Numerous factors, including property ownership, the number of persons who might be employed, and household size, are used to identify households. Individuals or households falling behind this threshold are considered eligible for the program.⁴

Unfortunately, the majority of Cambodia's undocumented laborers work in industries like domestic labor, small-scale agriculture, construction, and street vending. As a result, they frequently lack formal employment contracts and are exempt from labor laws, which prevents them from having records of their income or registration that would allow IDPoor to determine their level of poverty. Consequently, the informal employees are not immediately covered by the IDPoor; rather, they enrolled as poor households.⁵

During the pandemic period, 33% of workers in the informal sector reported that they had reduced the necessary expenses on food, clothing and housing. Additionally, 35% of undocumented workers admitted to not eating enough or drinking enough on a daily basis. 58% of them said their food had no or little nutrition, and 4/5 have been reducing the amount and quality of their meals. However, only 1/10 workers in the informal sector received food, sanitizer kits or cash from government, NGOs, unions or private sector. 75% of them do not have any social protection (ID poor, NFFS, saving group or other funds).⁶

Additionally, the coverage of cash relief provided to people in need during emergency situations seems to be too little for the household. Each member of the vulnerable family who suffered from the flood received 4\$ monthly for three months. This amount goes the same to Children (0-5 years old), disabled people and older people (60 years old up).⁷

⁴ Narin. June 25, 2020. "Gov't Launches New Cash Transfer Scheme to Assist IDPoor Families During COVID-19." VOA Cambodia. Access July 8, 2023. [Gov't Launches New Cash Transfer Scheme to Assist IDPoor Families During COVID-19 \(voacambodia.com\)](https://www.voacambodia.com/news/govt-launches-new-cash-transfer-scheme-to-assist-idpoor-families-during-covid-19-20200625/)

⁵ January 1, 2006. "Handbook on decent work in the informal economy in Cambodia." ILO. Access July 8, 2023. [Handbook on decent work in the informal economy in Cambodia \(ilo.org\)](https://www.ilo.org/public/libdoc/iloorg/2006/01/20060101.pdf)

⁶ February 4, 2021. "Socio-economic impacts of Covid-19 on workers in informal sector of Cambodia." Cambodia Actionaid Org. Access July 8, 2023. [Socio-economic impacts of Covid-19 on workers in informal sector of Cambodia | ActionAid Cambodia](https://www.actionaid.org/cambodia/our-work/socio-economic-impacts-of-covid-19-on-workers-in-informal-sector-of-cambodia/)

⁷ "Social Protection in Cambodia." Access July 8, 2023. (<https://t.me/socialprotectionkh>)

Recently, the Royal Government of Cambodia has decided to provide a healthcare scheme through the Health Equity Fund for individuals working in the informal sector of tourism particularly women working in bars, nightclubs, karaoke, beer gardens, massage parlors and spas. Such progress towards informal workers is another step closer to improving the living standard of this group of people.⁸

However, other informal workers in other sectors such as the informal construction industry have yet to receive health coverage. The work environment of the construction industries is one of the most hazardous and risky businesses. The construction workers not only face the chance of becoming injured or the risk of developing long-term health problems, they also encounter the chance of risking their life as well. The ILO estimates that over 1500 employees are killed in occupational accidents each year in Cambodia, with construction sites accounting for the majority of these fatalities. Thus, informal workers who are at high risk of health problems like construction workers need health coverage to support their living conditions.⁹

Apart from that, only workers in formal sectors and those covered by labor law are included in social security programs designed to protect workers against various risks such as illness, disability, old age, and unemployment through health insurance, unemployment insurance, pension plans, or employment injury schemes. Therefore, it is quite likely that informal employees have little or no access to social benefits.¹⁰

87% of the labor in Cambodia is in informal sectors, and thus are not eligible for any social insurance programs. Social insurance services, such as employment injury schemes and health insurance schemes, are now only available to formal sector employers that have registered their business and all of their employees with the National Social Security Fund.¹¹ Formal-sector employees have access to health insurance and employment-injury plans while the public service

⁸ Sokny. July 5, 2023. "Informal entertainment workers eyed for IDPoor." The Phnom Penh Post. Access July 8 2023. [Informal entertainment workers eyed for IDPoor | Phnom Penh Post](#)

⁹ Seila. August 8, 2019. "Ensuring NSSF for Cambodia's construction workers." The Phnom Penh Post. Access July 8, 2023. [Ensuring NSSF for Cambodia's construction workers | Phnom Penh Post](#)

¹⁰ "National Social Protection Policy Framework 2016-2025." March 24, 2017. ILO. Council of Minister, Accessed June 22, 2023. [ILO | Social Protection Platform \(social-protection.org\)](#)

¹¹ "Social Protection for Informal Sector Workers." Finish institute for health and wealthfare. Access July 8, 2023. [Finnish Institute for Health and Welfare, Finland - THL](#)

and military are entitled to statutory pension systems. However, those who labor in the informal sector, whose working conditions are frequently more hazardous, lack access to social insurance.¹²

As a result, informal workers are readily impacted when they do not receive adequate support from social security funds because they are already vulnerable due to the nature of their frequently irregular and precarious jobs. Similarly, informal laborers are more likely to be subjected to labor abuse and receive lower pay than those who work in regulated industries.¹³ Further, assuming the income of the formal workers such as those in garment sectors lose by 30 percent, the income of those in informal industries would fall by 50-60 percent.¹⁴ As seen, informal workers are more susceptible to economic shocks that can disrupt their income streams than those in the formal sector which is necessary for them to receive sufficient coverage of social security funds. Still, informal workers, regardless of their fragile income, received less social security fund than those in the formal sectors. Also, over one in five informal remain unemployed, as was the situation in the COVID-19 pandemic example.¹⁵

The issues brought up by the informal workers make it quite evident that they require adequate support in both social assistance and social security. Because a sizable section of the workforce works in the informal sector, it might help fight poverty and promote economic growth. It may also improve their general well-being once these vast numbers of workers receive adequate support and have complete access to necessities like nutritious food and quality healthcare. Additionally, the provided pension plan and various social funds would create incentives, which would raise employee productivity. Importantly, the development of social protection for informal workers also promotes decent employment, where individuals can sense safety and can rely on the government for assistance and protection when confronted with challenging circumstances at work.

¹² “Social Protection System Review of Cambodia.” 2017.

¹³ Celia. April 27, 2017. “What is the “informal” sector, and why does it affect Cambodian women?” She Investment. Blog. Access July 8, 2023. [What is the "informal" sector, and why does it affect Cambodian women? - SHE Investments](#)

¹⁴ Amarthalingam. February 3, 2022. “Cambodia’s informal economy slips through the cracks.” The Phnom Penh Post. Access July 8, 2023. [Cambodia’s informal economy slips through the cracks | Phnom Penh Post](#)

¹⁵ “Counting the Cost of Covid-19 to Cambodia’s Informal Workers.” July 14, 2021. UNDP Cambodia. Access July 8, 2023. [Counting the Cost of COVID-19 to Cambodia’s Informal Workers | United Nations Development Programme \(undp.org\)](#)

Additionally, it demonstrates the economy's awareness of the substantial contribution made by informal workers.¹⁶

Governments should therefore inform informal workers about social protection so they are aware of the benefits it offers and how to use it in order to promote social protection in Cambodia. To make it easier for the worker to contribute to the programs, registration and payment processes need to be made simpler. In addition, it's critical to increase the number of social security course modules in general education, career training, and skill development to give informal workers the chance to transition into the formal economy and to establish high-skill jobs that can pay well.¹⁷

Ms. Khim Tepsopheaktra is an intern at the Center for Southeast Asian Studies (CSEAS) and a sophomore in the Department of International Relations (DIR), Institute for International Studies and Public Policy (IISPP), Royal University of Phnom Penh (RUPP).

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¹⁶ "The World Bank in Social Protection." Overview. World Bank. Access July 8, 2023. [Social Protection & Labor Overview \(worldbank.org\)](https://www.worldbank.org/en/topic/socialprotection/overview)

¹⁷ "Contributory Capacity of Informal Economy Workers to National Social Security Fund." August 25, 2022. OXFAM. Access June 22, 2023. [Contributory Capacity of Informal Economy Workers to National Social Security Fund | Oxfam in Cambodia](https://www.oxfam.org/en/cambodia/publications/contributory-capacity-informal-economy-workers-national-social-security-fund)