



Employer-supported Childcare in Cambodia Report

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1 EXECUTIVE SUMMARY

Cambodia has undergone a significant transition over the past two decades, reaching lower middle-income status in 2015. While Cambodia has the highest labor force participation rate in the Southeast Asia/Pacific region, there are significant challenges in recruiting and retaining employees across all sectors, and Cambodia's skills gap and low labor force productivity continue to pose risks to economic growth in the country. Although female labor participation is already high in Cambodia, women's full potential has yet to be unlocked. One of the significant structural barriers to women's economic empowerment is women's disproportionate burden of unpaid work at home, including childcare, that restricts women from taking up paid jobs, undertaking skills training, and pursuing career progression opportunities.

Amidst these economic transitions and demographic changes, childcare emerges to be a win-win solution for employees, employers and the economy. Employer-supported childcare is at a nascent stage in Cambodia and there is still a lack of available and affordable childcare services for employees across all business sectors, especially for the low-income working class.

Childcare is a development priority for IFC because of the many benefits it can generate. Improved access to childcare helps parents, especially women, have better access to jobs and advance in their careers. As for the private sector, it helps companies reduce employee turnover and absenteeism while improving productivity. As demonstrated in the ten case studies in 2017 IFC report *Tackling Childcare: The Business Case for Employer-Supported Childcare* report, providing better employer-supported childcare resulted in various business benefits for the companies involved, such as more effective recruitment and retention of highly qualified employees, reduced costs associated with employee-turnover, increased productivity and workforce diversity and enhanced corporate reputation.

This report provides an analysis of the regulatory landscape, key drivers and gaps in employer-supported childcare and a suite of childcare options and models adopted and preferred by employers. The report also assesses the supply of private childcare, particularly in the areas of accessibility, availability, quality and affordability of childcare services.

From May to July 2019, 69 companies from a range of industries, including garment and footwear, banking, tourism and hospitality, agribusiness and other manufacturing industries completed an employer survey. Interviews were conducted with 21 of them, as well as with 9 business associations and multi-stakeholder initiatives. To gather the perspective of parents, 37 mothers and 13 fathers at five companies joined the focus group discussions. A total of 43 private childcare providers participated in the study. 23 of them were located in urban areas (Phnom Penh, Sihanoukville and Siem Reap), and the rest in rural areas (Kampong Speu, Kampong Chhnang, and Kampot).

KEY FINDINGS FROM THE STUDY INCLUDE:

- Although most businesses in Cambodia are not documenting the cost of childcare responsibilities for business, about two-thirds of the companies surveyed observed that employees come to work late or leave early because of childcare responsibilities. Close to one-third of the companies experienced employees missing work or quitting because of the same reasons.

- The awareness of the law on employers' responsibility to support childcare is not high among the employers surveyed. Slightly more than half of the employers surveyed (37 out of 69; 54 percent) are aware of the law, and 29 out of 69 (42 percent) have some confusions over the details. Employers interviewed shared that there is no clear communication on the law and the legal consequence of non-compliance; some of them are also not sure about under what circumstances child care becomes an employer's responsibility.
- Few employers have assessed the childcare needs and collected data from their workers. Out of 69 companies, 42 of them only gather basic information about the number of their employees with children under the age of 6. Companies in the garment and footwear industry are more likely to collect data of employees' children.
- Providing childcare subsidies is the most common form of childcare support, with more than half of the companies (54 percent) providing childcare subsidies. Close to 70 percent of the companies give less than USD 10 per child per month. The amount spent on childcare subsidies could be significant, with a bank spending over USD 150,000 per month on childcare subsidy.
- About one in five companies (22 percent) that have at least 100 female employees have an on-site childcare facility. It is much more common for garment and footwear factories to set up on-site childcare centers than companies in other industries. Companies have numerous restrictions on the eligibility of children using the childcare service, as the majority of them (78 percent) only cater to children aged 18 months to under 3 years old.
- Although the key driver of setting up an on-site childcare facility is to meet compliance requirements, companies that run a functional childcare facility have recognized different types of positive business impact, including improved employee retention, especially among women after maternity leave. They also see a more motivated workforce and the reputation of the company improved. Moreover, providing childcare is considered to be a strategy to mitigate child labor risk for agribusiness.
- Apart from childcare allowance and on-site childcare facilities, employers in Cambodia are responding to the diverse childcare needs of their employees with a variety of measures from low-resource intensive solutions such as facilitating access to childcare service providers, allowing flexi-time and flexible work stations to more resource intensive ones such as providing extended maternity leave and subsidizing employees to use private childcare.
- When it comes to the supply of childcare services, there are challenges in accessing affordable and quality services. There is very limited public information available about private childcare service providers and fewer service providers (12 out of 43) serve children under 2 years old. There is no clear national standard for the types of childcare services and the corresponding age groups. The high cost in urban childcare centers can deter usage among low-income working class, whereas the centers that provide subsidized or free services to such employees may struggle in the long term because of the unsustainable business model.

- There is consensus among companies interviewed that the demand for childcare services will rise in the coming years because of the expansion of the workforce and parent workers, the emergence of nuclear families and perceived business benefits. More companies are interested in partnering with community-based childcare centers or purchasing spaces from private/NGO-run childcare centers for employees.

Based on these findings, this study outlines a range of possible actions for employers, childcare service providers and the government to support parent employees in Cambodia.

- For *employers* this includes assessing employees' childcare needs and offering a range of options for parents to best fulfill their childcare responsibilities. This can range from low-resource solutions such as referring employees to credible private providers, providing parenting training and creating parents' peer groups, to more resource intensive options including running on-site or near-site childcare centers independently or in partnership with private/NGO service providers.
- *Childcare service providers* should develop a better understanding of employers and employees' needs and build trust with employees through the provision of transparent information and quality services. They should also develop a sustainable business model, especially for those that serve the lower income class.
- The *government* can play the role as a regulator, an enabler and a service provider. An important step is to set up the minimum standards for daycare and preschool service providers. It can also explore innovative financing models through different incentives to employers, employees and service providers. The government can consider providing childcare as one of their social services expansions as outlined in the Decentralization and De-concentration framework (D&D). Moreover, providing childcare to civil servants is a way of attracting talents and motivating employees in the public sector.

Partnership between the public and private sector on childcare can yield sustainable results for the business, employees and long-term resilience of the economy. Cambodia is on the pathway to achieving this; all it needs is determination, collaboration and execution.

2 INTRODUCTION

Sustainable and equitable economic growth requires the private sector to create quality jobs that stimulate the economy while promoting overall well-being. By supporting the private sector to improve working conditions, IFC helps emerging economies such as Cambodia respond to issues such as building a skilled workforce, empowering women talents and driving gender diversity. This in turn helps to increase the resilience and competitiveness of the country regionally and globally.

Cambodia is at the crossroads. The country has undergone a significant transition over the past two decades, reaching lower middle-income status in 2015. Driven by garment exports and tourism, Cambodia's economy has sustained an average growth rate of 8 percent between 1998 and 2018, making it one of the fastest-growing economies in the world¹. While Cambodia has the highest labor force participation rate in the Southeast Asia/Pacific region² and adding approximately 270,000 to the labor market every year³, there are significant challenges in recruiting and retaining employees across all sectors, and Cambodia's skills gap and low labor force productivity continue to pose risks to economic growth in the country.

Amidst this economic transition and demographic changes, childcare emerges to be a win-win solution for employees, employers and the economy.

Childcare is a development priority for IFC because of the many benefits it can generate. Improved access to childcare helps parents, especially women, have better access to jobs and advance in their careers. As for the private sector, it helps companies reduce employee turnover and absenteeism while improving productivity. As demonstrated in the ten case studies in the 2017 IFC report *Tackling Childcare: The Business Case for Employer-Supported Childcare* report, providing better employer-supported childcare resulted in various business benefits for the companies involved, such as enabling companies to recruit and retain highly qualified employees, reducing high costs of employee-turnover, increasing productivity and workforce diversity and enhancing corporate reputation.⁴

In 2018 and 2019, the IFC demonstrated the benefits and best practices for employer-supported childcare in different economies in Asia Pacific through *The Business Case for Employer-Supported Childcare in Sri Lanka*, *The Business Case for Employer-Supported Childcare in Fiji* and *The Benefits and Challenges of a Workplace Creche in India*. The findings of these research papers have sparked action by business and government, with the Sri Lankan and Fijian government taking up proactive steps to set up national taskforces on early childhood.

In Cambodia, millions of women have been entering the formal labor force these past decades, in particular in the garment sector, and as a result childcare has become a rising issue. A study carried out by the World Bank in the Kampong Speu Province in ten communities and among garment workers, has shown the increasing demand among parents for childcare solutions⁵. However, anecdotal evidence showed that not many employers in Cambodia seem to offer childcare support, and when they do so, the

¹ The World Bank in Cambodia <https://www.worldbank.org/en/country/cambodia/overview>

² International Labour Organisation, November 2018. Asia-Pacific Employment and Social Outlook 2018: Advancing decent work for sustainable development, 16 November 2018. https://www.ilo.org/asia/publications/WCMS_649885/lang-en/index.htm

³ ILO. 2019. *Decent Work Country Programme (DWCP) 2019-2023*

⁴ IFC (International Finance Corporation). 2017. *Tackling Childcare: The Business Case for Employer-Supported Childcare*

⁵ A consultative workshop was held on Wednesday 27 February 2019 to share the results of the study.

measures are not always effective. They have difficulty in accessing information on other available childcare options, and do not yet have developed system to document the business benefits of providing childcare. Different economic sectors, including manufacturing, servicing and agriculture, have different needs and motivators to support childcare, presenting ample opportunities to adapt and innovate.

On the supply side we can observe that the care industry is growing in Cambodia. Propelled by a growing demand by upper-income families, multiple private structures have opened during the last few years in Phnom Penh. However, in other provinces, even in big cities as Battambang or Sihanoukville, childcare services that cater to 0 to 2-year-olds are almost non-existent, with very few isolated initiatives from local NGOs or socially committed employers. For the private childcare service providers, there are strong motivators to partner with employers across sectors to serve the growing childcare needs of employees at different income strata.

Early childhood care and development (ECCD) has always been a priority of the Cambodian government. It is one of the 26 economies (out of 189) in the world where employers are legally required to provide or support childcare services for employees⁶. As the Government is developing the National Action Plan on Early Childhood Development 2019 – 2023, the time is right to set the standard of employer-supported childcare and create an enabling environment for public-private partnership.

However, all of these efforts are still to benefit the majority of the labor force and in particular female employees. While female labor participation is already high in Cambodia compared to neighboring countries, it is still lagging behind men. One of the significant structural barriers to women's economic empowerment is women's disproportionate burden of unpaid work at home, including childcare, that restricts women from taking up paid jobs, undertaking skills training, and pursuing career progression opportunities. Evidence from all around the world suggests that access to quality childcare encourages parents to participate in the labor force actively. Investing in the provision of childcare services will unlock the full potential of women, and allow them to access formal work and create new jobs in the care industry.

Employer-supported childcare is at a nascent stage in Cambodia. With the aim to stimulate discussion on the issue, IFC has tasked the Center for Child Rights and Corporate Social Responsibility (CCR CSR) and Planète Enfants & Développement (PE&D) to examine the regulatory landscape on ECCD in Cambodia, and assesses the awareness, perception, demand and current arrangements on childcare from employers' perspectives.

Three industries are highlighted for their significance to the Cambodian economy, namely garment and footwear, banking and tourism and hospitality. The report further explores the supply-side factors, looking into the accessibility, availability, quality and affordability of services provided by private childcare service providers. Finally, the report projects the future outlook of childcare, and identifies opportunities for business, childcare service providers and the government to help support the childcare needs of the Cambodian workforce.

⁶ <https://wbl.worldbank.org/content/dam/documents/reports/Childcare-4pager-July-15-2019.pdf>

2.1 Methodology

The study examines the demand and supply of employer-supported childcare in Cambodia through a mixed method approach from May to July 2019.

a) Private Sector

Companies in four industries were selected for the significance to Cambodian economy, namely garment and footwear, banking, tourism and hospitality and agribusiness. A number of other manufacturing companies, SMEs, and microfinance companies were also included. The following sources were used in collecting data on the private sector:

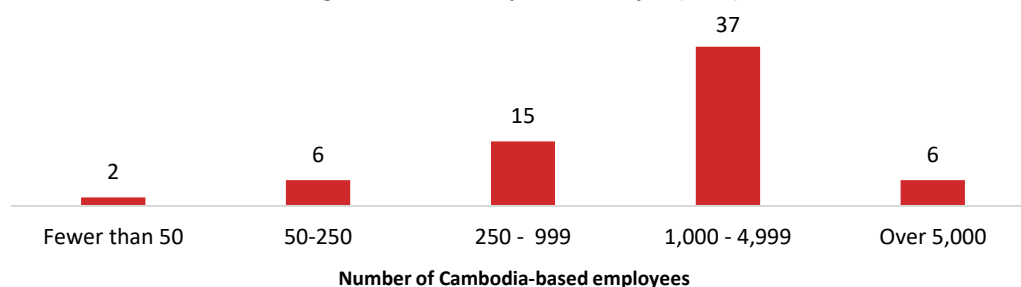
Industry	Online employer survey	Employer interview	Employee focus group discussion
Garment and footwear	43	7	2
Banking	10	3	
Tourism and hospitality	2	7	2
Agribusiness	3	3	1
Others (other manufacturing, SMEs and microfinance)	11	1	
Employer associations		9	
Total	69	30	5

1. **An online employer survey** was completed by 69 companies across the selected industries on companies' awareness of the law, perception and provisions of employer-supported childcare, business benefits, and future plan. Most companies who responded come from the garment and footwear sector (43 out of 69; 62 percent), followed by banking (10 out of 69; 15 percent). About 80 percent (55 out of 69) of the companies are multinationals; the rest are domestic.

Half of the survey respondents are HR staff, followed by supervisors/middle management (13 out of 69; 19 percent) and senior management/executive (8 out of 69; 12 percent). 51 percent of the participants are men and the 49 percent are women.

Overall half of the companies surveyed (37 out of 66; 56 percent) have 1,000 to 4,999 employees and six companies have more than 5,000 employees. About four-fifth of the companies (54 out of 66; 82 percent) have more than 50 percent of employees as women.

Figure 1: Size of companies surveyed (n=66)



2. **Interviews** were conducted with 21 companies to gather deeper insights into companies' perceived childcare needs, current and planned provisions of childcare support, the business impact, and their ideas on collaboration. Representatives from nine business associations and multi-stakeholder initiatives were also interviewed for their industry perspectives.

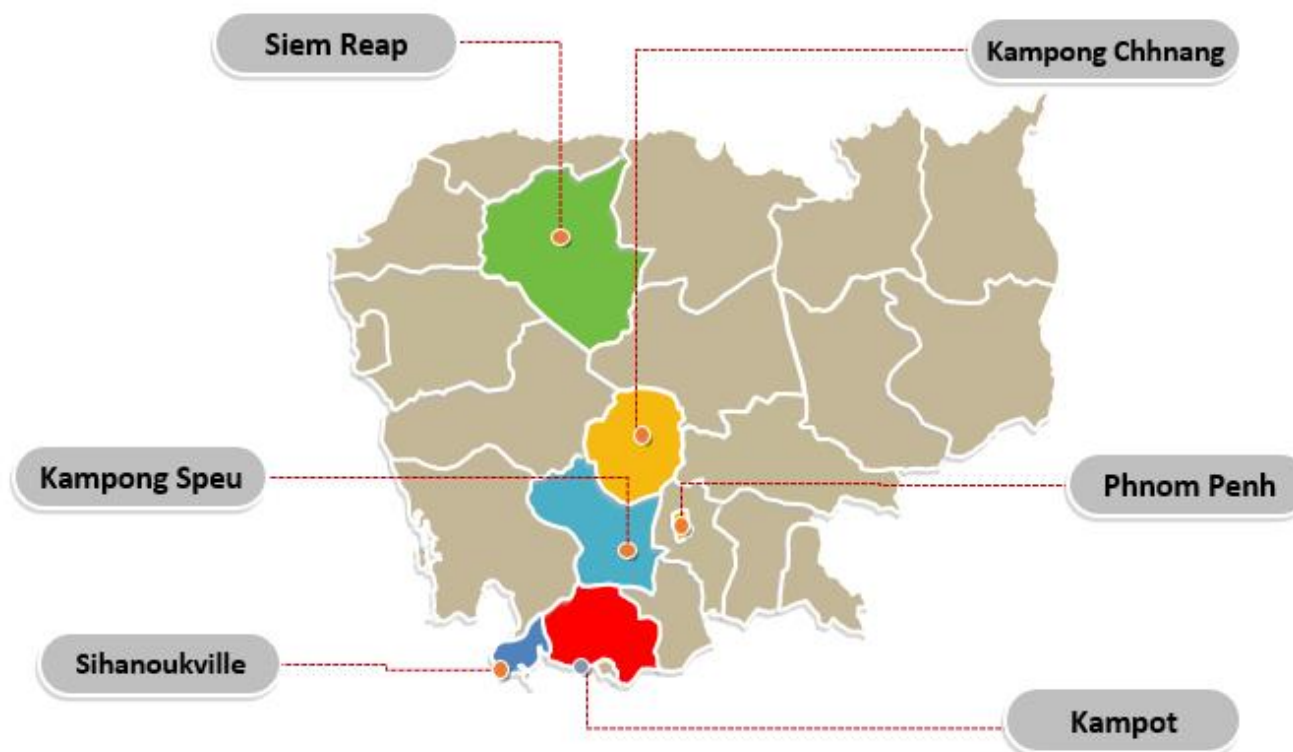
3. **Focus group discussions** with 37 mothers and 13 fathers at five companies were held.

The Ministry of Labor and Vocational Training, the Ministry of Interior and the Ministry of Women's Affairs were also interviewed to gather the government's perspectives on employers' responsibilities to support childcare.

b) Childcare Service Provider

A total of 43 private childcare providers participated in the study, with 23 of them located in urban areas (including Phnom Penh, Sihanoukville and Siem Reap), and the rest (20) are located in rural areas (including Kampong Speu, Kampong Chhnang, and Kampot). Data and information on their service provisions, business model and experience and plan to work with companies were collected through interviews.

Figure 2: Distribution of childcare centers participating in the study



3 CAMBODIA REGULATORY LANDSCAPE

Cambodia	Key policies and Convention			
Main business city: Phnom Penh	Ratification of Convention on the Rights of the Child (15 Oct 1992)			
Region: Southeast Asia	National policies on early childhood care and development (endorsed by Council of Ministers on 19 February 2010)			
Income level: Lower middle income	National Action Plan ECCD 2014-2018 (approved by Cambodian Council of Ministers, 2014)			
Population: 16,449,519 (2018)	Sub-Decree on the management of community preschool (approved by Prime Minister on 29 December 2017)			
Female Population: 8,319,570 (2018)	Leave policies			
Mother mean age at first birth: 22.9 years (2014 est.)	Paid maternity leave	90 days		
Labour force participation (15+): 75% female 88% male	Paid paternity leave	No		
Compulsory primary education enrolment age: 6 years	Paid parental leave	No (7 days of special leave for personal reasons that affect their immediate family)		
Children aged 3 to 5 years enrolled in early childhood education: 43% (2017/18)	Legal obligation for employers to support childcare	0-18 mths	18 mths - 36 mths	3 - 5 years old
	Obligation for employers to support childcare?	Yes	Yes	Yes*
	Based on the number of female employees?	Yes	Yes	Yes*
	Based on the number of female employees regardless of gender?	No	No	No
	Special legislation on employer-provided childcare?	N/A	N/A	N/A
	Government incentives to employers to support childcare			
	Tax benefits to employers to support childcare?	N/A	N/A	N/A
	Non-tax benefits to employers to support childcare (monetary and nonmonetary benefits)?	N/A	N/A	N/A
	Quality of early childcare services inside the enterprise			
	License or registration required	N/A	N/A	N/A
	Zoning requirements	N/A	N/A	N/A
	Pupil teacher ratio required	N/A	N/A	N/A
	Penalties for non-compliance with the law	N/A	N/A	N/A
	Standard childcare/education provision regulation	No	No	Yes (pre-school)
	Standard curriculum required	No	No	Yes (pre-school)

*Applies to plantations

3.1 The Regulatory Landscape

The Council of Ministry of the Cambodian government adopted the National Policy on Early Childhood Care and Development (ECCD) policy in February 2010 with the primary objective to tackle long-term economic challenges of the country. The policy was integrated into the Education Strategic Plan 2014-2018. Developed by the Ministry of Education, Youth and Sport (MoEYS) in full cooperation with ten other relevant ministries, the ECCD policy supports the care and development of an environment for all children aged from conception to 6 regardless of their backgrounds.

To implement, monitor and evaluate the result of the National Policy on ECCD, a National Committee for ECCD (NC-ECCD) was formed in 2013. The priorities are to expand and enhance the quality of ECCD services, formulate legal frameworks and multi-sectorial coordinating mechanisms, mobilize resources and funding for ECCD activities through partnerships, and monitor and evaluate the progress and impact of ECCD across the country.

Based on the framework on the ECCD policy, a five-year National Action Plan 2014-18 was developed. The plan sought to increase the enrolment and enhance protection for children aged 0 to 6 years, especially children from poor families, indigenous minorities and children with disabilities and prioritize community-based pre-school and home-based early childhood education program through series of initiatives including building nurseries and pre-schools, expanding existing health services to all infants from birth to three years, expanding health and care education to pregnant women and capacity building of ECCD practitioners.

The first five-year National Plan 2014-2018 did not specifically mention employers' responsibility to support childcare. The new National Action Plan 2019-2023 is expected to include provisions on childcare centers for employees' children.

3.2 Day-care Center, Home-based Care Program and Pre-School

The early childcare service in Cambodia includes two major types: daycare center and home-based care program from birth to three years old, and pre-school for 3 to 5 years old. The enrollment of early childcare education in Cambodia is not high, especially among children below 3 years old, as only 3 percent of children had access to the daycare service⁷. Similarly, enrollment of children aged 3 to 5 in pre-schools is improving⁸, but still fell short of the target.

There are only private day care center services in Cambodia. They are not regulated by the government and there is no monitoring of their safety and quality. The home-based care program is managed by the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSVY). The program has not reached its full potential, as training to caretakers is limited, and learning and teaching materials are in shortage.

Pre-school can be further divided into state, community and private pre-school. State pre-schools (SSP) are normally located in primary schools and taught by two-year professionally trained teachers. Community pre-schools (CPS) funded by MoEYS, Ministry of Interior (Mol), and NGOs are often taught by community members who take part in a short training program (usually the 35-day curriculum).

⁷ Education Strategic Plan 2014-2018, Ministry Of Education, Youth And Sport, 2014

⁸ Pre-school enrollment rate in 2016: 3 years old: 19.8%; 4 years: 28.3% and 5 years: 64.1%; 2012 baseline against their baseline 3 years old: 16.7%; 4 years: 24.5% and 5 years: 59.9%.

Insufficient budget and lack of standards and quality assurance are major constraints for CPS. A Sub-Degree on the Management of Community Pre-School was launched in 2017 to stipulate the minimum standards of CPRs, aimed at improving the quality, effectiveness and sustainability of CPSs for children aged 3-6. As part of the support, certified CPS teachers can receive a salary from the government, which is usually three times more than what they are currently earning.

3.3 Employers' Responsibilities in Supporting Childcare

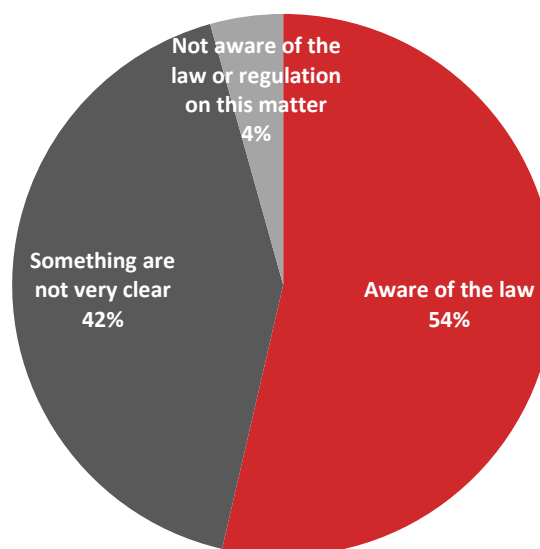
Employers' responsibilities in supporting childcare in the workplace is regulated by the 1997 Labour Law of Cambodia:

Law	Provisions
Labour Law Art. 186	Managers of enterprises employing a minimum of one hundred women or girls shall set up, within their establishments or nearby, a nursing room and a crèche (day-care center). If the company is not able to set up a crèche on its premises for children over eighteen months of age, female workers can place their children in any crèche and the charges shall be paid by the employer.
Labour Law Art. 187	A Prakas (ministerial order) of the Ministry in Charge of Labor shall determine the conditions for setting up hygienic environment and supervising these nursing rooms and crèches.
Arbitration Council 96/06	The employer must provide a day care center for children, for use from the date a woman worker returns to work after giving birth; this means that the employer must provide on-site day care for children under 18 months of age, but the employer may pay for off-site daycare for children over 18 months of age.
Specific Provisions to Plantations	
Labour Law Art. 219	When a plantation employs one hundred or more regular working resident women, the Labor Inspector can, on the advice of the health service and the provincial or municipal governors, require the employer to construct, organize, and maintain a day nursery near the workers' housing. This day nursery will be placed under the supervision of a female caretaker, who will be eventually assisted as needed by one or more helpers, depending on the number of children, and will be provided with necessary supplies such as milk and rice.
Labour Law Art. 220	The maximum age of admittance for children to the day nursery is six years.
Labour Law Art. 221	A day nursery shall be opened and operated according to the conditions specified above, provided that there are at least ten children enrolled.

In 2002, the Ministry of Labour and Vocational Training drafted a Prakas (ministerial order) on daycare facility and pre-school arrangement inside the enterprise. The guideline aims to include the minimum requirement of the physical conditions, teacher qualifications, daily operation and consequences for non-compliant employers. However, the Prakas has not been endorsed. The law does not provide details as to how childcare costs outside of the factory are to be covered, including no guidance as to how much should be paid and for what. There is also no stipulation of the legal consequence of non-compliance.

The awareness of the law and regulation is not high among the employers surveyed. Slightly more than half of the employers surveyed (37 out of 69; 54 percent) are aware of the law, and 29 out of 69 (42 percent) have some confusions over the details. Employers interviewed shared that there is no sufficient communication on the law and the legal consequence of non-compliance; some of them are also not sure about the trigger of obligation, whether it is 100 *female* employees or 100 employees regardless of gender.

Figure 3: Awareness level of employers on law and regulation



a) Leave Policy

Currently, there are two types of leaves mentioned in the law related to childcare: maternity leave for women⁹ and special leave for workers' immediate families¹⁰.

All woman workers who have worked for the same company or factory for 12 consecutive months should have the right to avail of maternity leave for 90 days. Employers need to continue to pay half of the wage and any prerequisites to the women workers during the leave. Laying off pregnant women during the maternity leave period is regarded as a violation of the law. When the women workers return to work after the end of the leave, they should only be assigned light work in the first two months.

Though parental leave is not clearly mentioned in the law, employers can give special leave up to 7 days to workers when their direct immediate family members, including children, are affected. Such leave can be deducted from the worker's annual leave in the same year only. If the employees have no annual leave, the employer may require them to work to make up for their special leave. But there are some restrictions on this: for example the total working hours must not exceed 10 hours per day or 54 hours per week.

⁹ The Labour Law of Cambodia, Article 182 and 183

¹⁰ The Labour Law of Cambodia, Article 171

b) Breastfeeding

An employer who employs 100 women or more must set up an operational nursing room¹¹. The Arbitration Council has found that giving milk formula or payment instead of providing a nursing room is not allowed under the law¹².

Women who breastfeed their children are given a one-hour break during her working hours for one year¹³. The breaks must be excluded from normal breaks provided for in the Labour Law. The arrangement of the breaks has to be discussed and agreed between the women and the employer. Normally, it is divided into two 30-minute sessions in the morning and afternoon.

¹¹ The Labour Law of Cambodia, Article 186

¹² AC Award 63/04, 68/04

¹³ The Labour Law of Cambodia, Article 184 and 185

4 ASSESSING EMPLOYEES' CHILDCARE NEEDS

4.1 Why Assess Employees' Childcare Needs?

Gathering information about the demand for childcare, including parental preferences regarding how care is provided and the supply of childcare services including the implications of possible gaps in childcare provision locally, is important in deciding whether and how to offer childcare support.

Employers are quite aware of the impact of employees' care responsibilities to business. About two-thirds of the companies surveyed observed that employees come late to work or leave early because of childcare responsibilities. Close to one third of the companies experienced employees missing work or having to quit because of the same reasons. These create significant costs for the business. Assessing employees' childcare needs presents a first step for employers to design a strategy to mitigate the risk of losing productivity and talents.

Figure 4: Do Care Responsibilities of Employees Ever Affect your Employees in any of the following ways? (n=69)



c) Company's Current Practices in Assessing Children Needs

Few employers have assessed the childcare needs and collected data from their workers. Out of 69 companies, 42 of them have basic information about the number of their employees under the age of 6. They usually have a database to document employees' information, including their marital status and number of children.

Companies in the garment and footwear industry are more likely to collect data of employees' children (32 out of 42, or 76%, of the companies that collect such data are garment or footwear factories). They are also more likely to record the date of birth of employees' children, especially those between 18 to 36 months, for calculation and distribution of childcare allowance.

There are a few exceptions that go beyond collecting basic data and analyze childcare needs more strategically. For example, **Pactics**, a microfiber manufacturer, conducts childcare needs forecasting on an annual basis based on the pregnancy schedule of workers; the forecast is compared against the actual number. The company then uses the data to determine the need of daycare center support and budget for childcare subsidies. Other companies such as **Aclea Bank** and **Artisan Angkor** conduct surveys with

employees, either specifically on childcare issues (Acleda Bank) or integrate childcare questions in to employees' satisfaction survey/social impact assessment (Artisan Angkor).

HRINC: Evolving childcare support in response to changing needs

HRINC is a human resources solutions company that offers services on consulting, recruitment, outsourcing, and training. Established in 2005, it now has about 100 workers and manages 800 outsourced staff for clients.

Like many SMEs, HRINC did not have a standalone childcare policy, and the management designs and implements childcare solutions based on the evolving needs of the employees. It all started with one employee having her first baby; there was neither a daycare service nor a breastfeeding room, and the employee had to breastfeed while she worked. Then came a pair of twins from another employee. By then HRINC had moved into a new office and the new mother wanted to be close to her children even after the maternity leave. She consequently brought a hammock and toys to an empty space in the office and set up the first daycare room.

As the company expanded, the number of employees' children increased, as did the childcare needs. Management and employees discussed the solutions and decided to better equip the daycare room and hired a nanny and part-time cleaner to take care of the young children. As the children grew older, simple activities could no longer satisfy the learning needs and a trained teacher was hired to give proper classes to about 10 children on Khmer, math, and drawing.

When children started to attend formal school, the number of children dropped to one to two. HRINC *scaled back* the on-site support and no longer hires teacher in its facility, but at the same time *expanded* off-site options by referring employees to an external service provider that has been vetted by HRINC's staff through on-site inspection and offers a 50% discount to its employees.

"There is no one-size-fits-all solution and companies need to answer to changing demands. We set up a parent committee and collect feedback from them from time to time; this really aligns with our corporate value to prioritize relationships. Being flexible helps us to respond better to employees' needs and retain them." – Group Employee Engagement Manager, HRINC

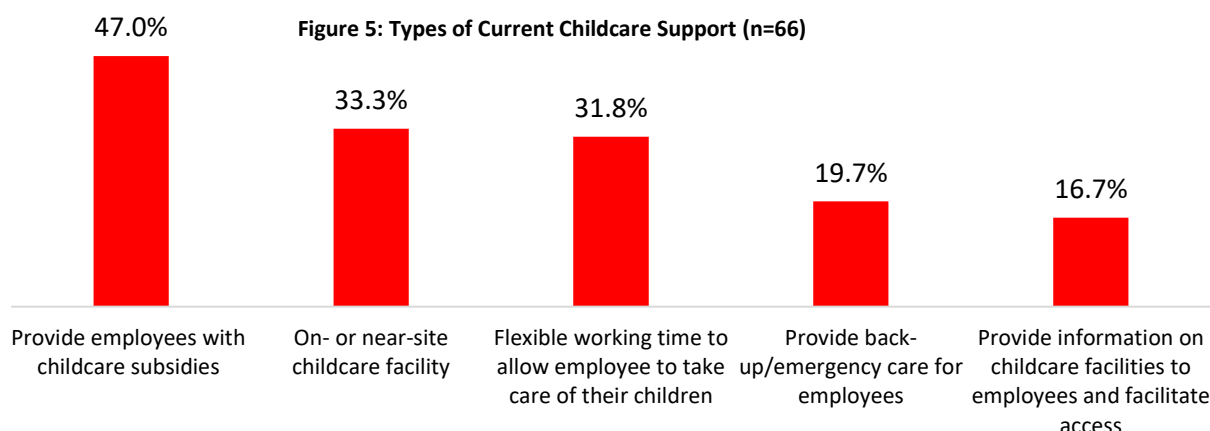
5 Employer-Supported Childcare Solutions

5.1 Current Childcare Support

Close to half of the companies (47 percent) provide childcare subsidies for employees. About one-third (33 percent) have an on- or near-site childcare facility, although the childcare facility may not be functional in reality. Fewer companies (17 percent) provide information on childcare facilities to employees and facilitate access.

Apart from monetary support and provision of a physical facility, companies also support employees' childcare needs through other workplace policies and arrangements. Close to one-third of the companies (32 percent) allow employees to work flexible time to look after their children, and about 20 percent provide back-up/emergency care.

About one-tenth of the companies (9 percent) did not provide any childcare support to employees. No company has implemented other child-centered activities such as running summer/holiday camps for employees' children. There was also no or little collaboration, either with other companies located in the same area to set up shared childcare facilities (0 percent), or partnership with private/NGO centers to provide childcare services (2 percent).



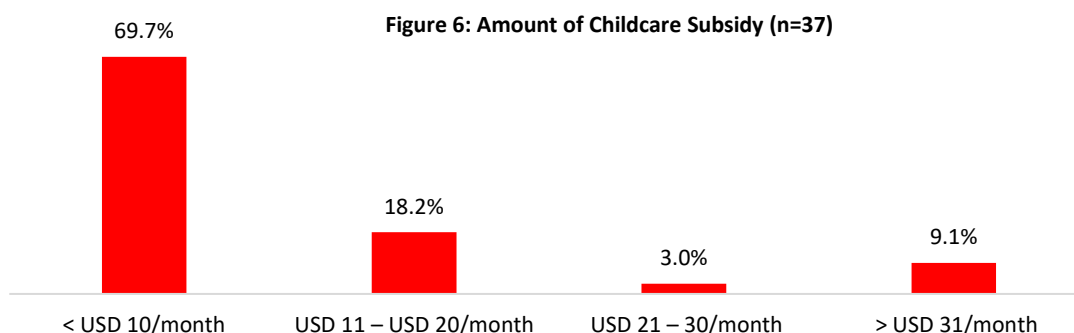
5.2 Childcare Subsidies

a) Providing childcare subsidies is the most common form of childcare support

Providing childcare subsidies is the most common form of childcare support, with more than half of the companies (54 percent) with a minimum of 100 female employees with children under 6 providing childcare subsidies. Childcare subsidy is sometimes considered to be a subsite of on-site childcare facilities – only one-third of companies (33 percent) with childcare facilities provide childcare subsidies, compared to 64 percent of those without childcare facilities but which provide childcare subsidies in lieu.

There is currently no regulation or guideline on the calculation of the subsidy. Close to 70 percent of the companies give less than USD 10 per child per month, including one company which gives USD 3 per child per month. Given the size of companies in the garment and footwear and banking sector, the amount spent on childcare subsidies could be significant. The aforementioned bank spent over USD 150,000 per

month on childcare subsidy, whereas a footwear factory with 3,300 women workers spent USD 1,700 per month.



“The government should review the law and define the childcare allowance, e.g. to be \$10-\$20 per child.” – HR Supervisor, a Footwear Factory

b) Not all employees are eligible for childcare

Not all employees are eligible for childcare subsidies. More than half of the companies (58 percent) only provide the subsidies to eligible *female* employees, i.e. fathers are not entitled to the allowance. Similarly, not every child is eligible for the subsidy; from the interviews with companies, it was found that most of the companies that provide childcare subsidies only cover children aged 18 to 36 months. A notable exception is a local bank, which offers a more generous allowance to a larger number of beneficiaries. The bank provides a childcare allowance of USD 15 per child per month; a maximum of four children per employee are entitled to the allowance, up until the age of 18 years old.

c) Drivers

When asked about the motivation to give childcare allowance, companies shared the following reasons:

- **Workers’ demand.** It is quite telling among factory management that workers do not trust the on-site childcare facility and prefer receiving cash allowances, so that they can spend it as they wish. According to a factory owner, “it is actually cheaper for the factory to set up childcare center than pay allowances. For example, it takes USD 3,000 to set up the facility and it does not cost much to hire a caretaker, but workers prefer and request cash allowances instead.” This preference echoes that of the bank that gives childcare allowance, as their employees expressed in a survey that they would prefer to receive an allowance and let their children stay with their extended family.
- **Default positions for companies that do not have on-site childcare facilities.** Not many factories have a functional childcare center, and those who want to comply with the law would prefer to give cash allowances.
- **Better economic sense for smaller companies.** “Bigger factories with more than 2,000 workers, are in better financial position to run on-site centers and enjoy the economy of scale,” according to the Cambodia Garment Manufacturer Association.

5.3 On-site Childcare Facility

a) On-site childcare facilities are more common among garment and footwear factories

About one in five companies (22 percent) that have at least 100 female employees have an on-site childcare facility. It is much more common for garment and footwear factories to set up on-site childcare centers than companies in other industries. 27 out of 69 companies surveyed (39 percent) have an on-site childcare facility, of which 23 of them are garment and footwear factories. Almost all of the childcare facilities (92 percent) are run by the companies themselves. Services of all company-run childcare facilities are provided for free to employees.

b) Children of male employees are often missed out

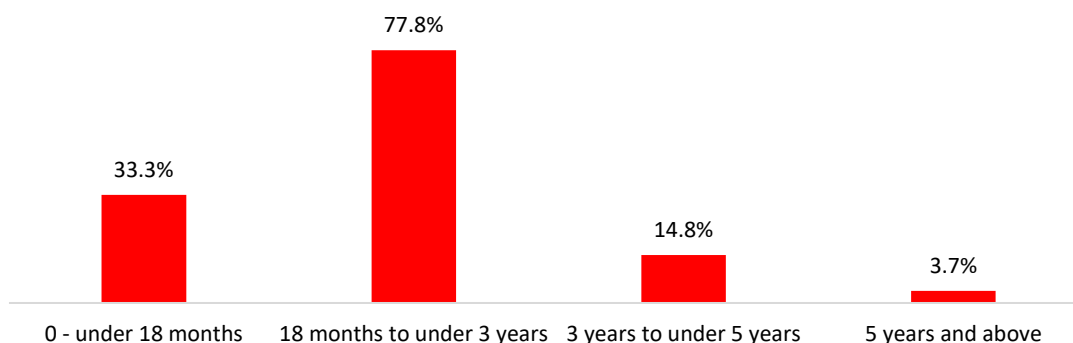
Similar to childcare subsidy, 41 percent of the companies with on-site childcare facilities make it eligible for only female employees, i.e. more employees can avail of the services than the childcare subsidy, likely because the marginal cost of additional usage is considered low, hence there is no economic incentive to limit wider uptake. Companies may not deliberately be discriminating male employees, as management have *unconscious bias* that childcare is a woman's job. This therefore leads to a lack of communication and promotion of childcare services among male employees.

Unconscious bias on female employees

"We have more male workers than other factories because male workers are more productive than female workers. Male workers concentrate on their work more and absent from work less frequently"
 – A garment factory with a predominant male workforce (60%)

Companies have numerous restrictions towards the eligibility of children using the childcare service. The majority of the companies (78 percent) open their facilities to children aged between 18 months and under 3 years old. Only one-third of companies cater for children aged under 18 months, even fewer companies (15 percent) cater to those aged 3 years to under 5 years old. Although companies usually restrict the usage of on-site facilities, some open their facilities to the wider community (see the Grandis Timber case study).

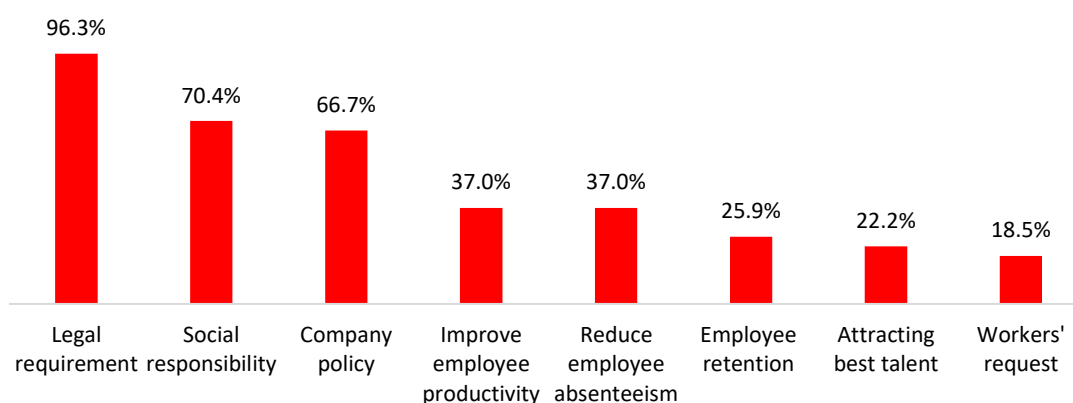
Figure 7: Age Distribution of Children in Employer-Supported Childcare Facility (n=41)



c) Drivers

The key driver of setting up an on-site childcare facility is to meet compliance requirements (96 percent), and this is the main reason why most companies exclude children under 18 months and older than 3 years, as the law does not stipulate the provisions of services for these age groups.

Figure 8: Main Reasons for Setting Up Childcare Facilities (n=33)



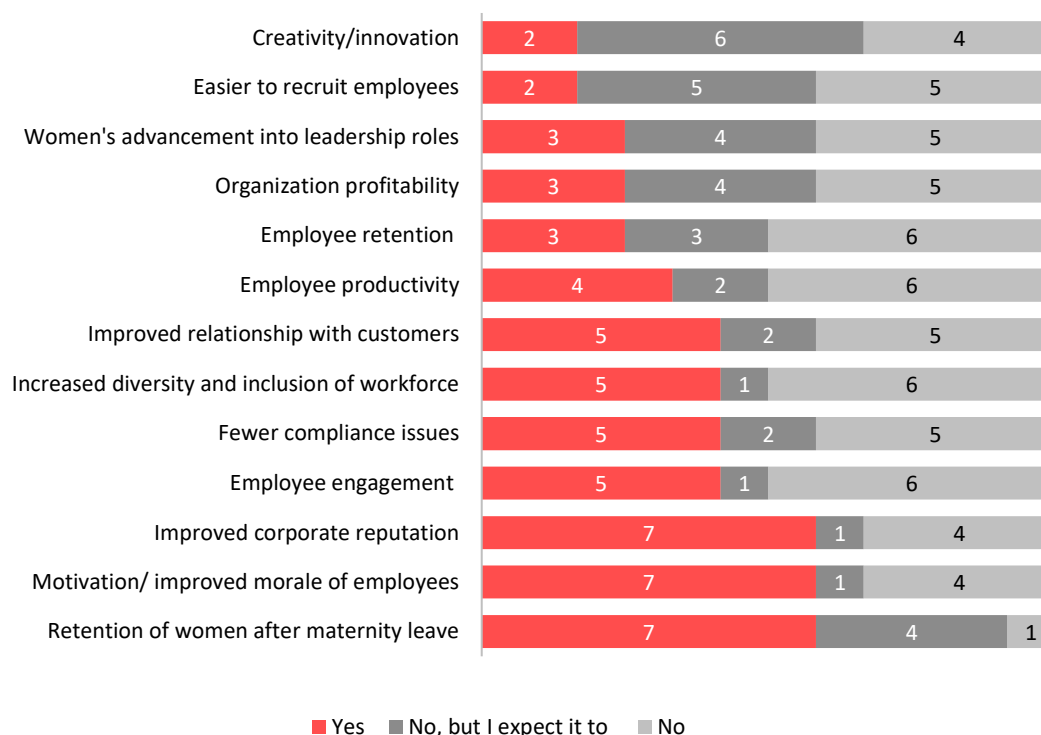
Fulfilling legal requirements is one of the many drivers to set up childcare facilities. Seventy percent of companies cited social responsibility as the main reason, while 67 percent of companies have included childcare facilities in their policies. Some companies also recognize the business impact of running a childcare facility.

For agribusinesses that operate in plantations and farms, one of the drivers to set up childcare center is to mitigate the risk of child labor (see the case study of Grandis Timber).

“It is common in Cambodia for parents to bring their children to work and some of the children may end up helping their parents to do hazardous work. Keeping the children in a childcare center is considered to be an effective way to engage with children in non-agricultural work” – CEO , Grandis Timber

d) Business Impact

Companies that run a functional childcare facility, i.e. facility with children in it, have documented different types of positive business impact.

Figure 9: Have you observed any of the following impact after providing on-site childcare services to employees? (n=12)


- **Improved employee retention (3 out of 12), especially among women after maternity leave (7 out of 12).** Care responsibility falls disproportionately on to the shoulders of women and returning to work in the absence of adequate and affordable childcare presents an obstacle; women could decide not to return after maternity leave, which is a significant loss to a business.

According to an agribusiness company, provision of childcare could improve retention among female employees, as “when employees put their children in our childcare center, we know that they are going to stay at least 2 years.”

- **Motivation/improved morale of employees (7 out of 12) and employee engagement (5 out of 12).** Employees welcome the opportunity to stay close to their children even during working hours, and know that they are being taken care of.

A human resources solution company see that “employees consider it (on-site childcare center) as a privilege. They can visit the room anytime and are happy about that.” Children bring people together, regardless of their ranks and background. “Employees can see the babies grow, and it is also a way to release stress and improve bonding; it has led to some cultural changes in the company.”

- **Improved corporate reputation (7 out of 12).** Provision of onsite childcare can be considered as a competitive edge and differentiators among customers and employees. As the Cambodia Tourism Association shared, “the tourism sector is dominated by international (companies) and they will try to comply with the labor law, invest in human skills, and support childcare. Their good reputation will attract more investment. As a result, old local business owners will need to change their perspectives toward childcare as well.

e) Barriers

The majority of the companies with on-site childcare facilities think they have the capacity to accommodate children at their center. However, not every facility is fully utilized. On average, an on-site childcare facility has four children, and the most populated one has 19 children using it. Out of close to 21,700 employees with children under 6 among the companies, less than 1% (197) benefit from on-site services.

From the employees’ perspectives, the reasons for low utilization include:

- **Lack of trust.** Parents prioritize “love and trust” over “free and convenient” when it comes to childcare.

As a worker from a garment factory said: “I keep my child with my parents at home, or I’d rather leave them with my elderly neighbor, because at least I am sure that they love my child and I can trust them”.

If circumstances allow, employees would prefer their relatives, especially their parents, to take care of their children.

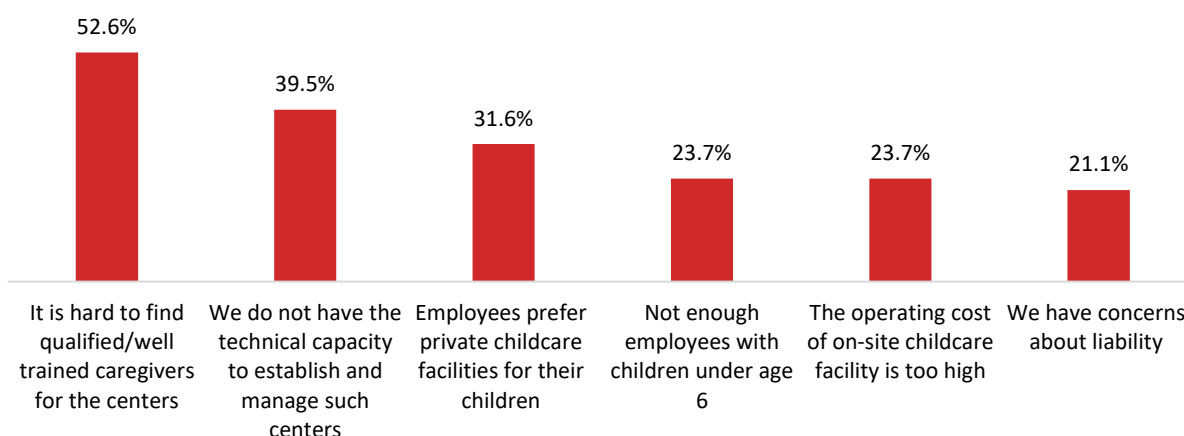
- **Service hours do not meet employees’ needs.** Even when employees want to use the services, the hours are not friendly to their needs.

Worker from an agribusiness shared that “workers have to come to the site earlier to drop their kids off at the center. (Time becomes very tight when they also need to) scan their thumb to report duty on time. Some employees decide not to bring their children.”

- **Better childcare options in the community.** An on-site facility is often not the only childcare option available. Some parents actively seek out other service providers in the community, especially they want one that offers quality and/or affordable services.

Although 25 out of 42 companies (60 percent) without on-site childcare facilities said they are not likely to set up one in the next two years, resource constraint is not their primary consideration. Only 24 percent of them think the operating cost will be too high. Indeed, many employers seem to find it difficult to build trust as it is hard to find qualified caretakers (53 percent), or there is a lack of technical capacity to establish and manage such centers (40 percent). About one-third of them (32 percent) also think that employees prefer private childcare facilities.

Figure 10: Main Reason for Companies Not to Establish Childcare Centers (n=46)



5.4 Other Childcare Solutions

Apart from childcare allowance and on-site childcare facilities, employers in Cambodia are responding to diverse childcare needs of their employees with a variety of measures. Resource intensiveness vary and companies usually adopt more than one measure to address childcare.

Low resource intensive

a) Facilitating Access to Childcare Service Providers

As employees may not have sufficient information on childcare services in the community, the management at **Bodia Spa** provided information on public kindergartens to its employees. Companies such as **HRINC**, a human resources solution company, conducts site visits to inspect the safety and quality of childcare service providers before introducing them to its employees.

b) Flexi-time and Work Station

Standard working hours can create difficulties for employees to fulfil their childcare duties, e.g. picking up children from school. Most of the employees at **Hagar Catering** work from 6am to 3pm so they have enough time to attend to children's needs after work. **Sathapana Bank** provides flexible working time to employees to take care of their children.

For a company which operates business in multiple locations, there is more flexibility for employees to change work locations to cater to their childcare needs. A female employee of **Acledda Bank** is living far from the branch and it takes a long time to commute because of the traffic. She has no one to take care of her child and requested to move to another branch; the Bank agreed to her request and relieved her childcare burden.

c) Flexible Policy to Allow Children at Workplace

Even without a proper on-site facility, employees may still prefer to bring their children to work, especially if they are young and need to be breastfed. Employees of **Bodia Spa** can bring their children to work and the company has hired a nanny to look after the children. Employees can bring their own nannies or

relatives to babysit the children in the training rooms; employees who are not on duty also take turns to take care of the children.

High resource intensive

a) Extended Maternity Leave and Benefit

Employers must give employees who give birth 3 months of maternity leave. **Sabrina (Cambodia) Manufacturing Corp**, a garment factory, provide another 3 months of unpaid leave for women workers who need more time to take care of their child. Similarly, **Aceda Bank** allows female employees to take unpaid care leave for 6 months to 1 year.

While the law stipulates that employees should be paid half of their wages and benefits during their maternity leave, **Signature of Asia**, an agribusiness, and **EXO Travel**, a destination management company, pays employees on maternity leave their full salary.

b) Subsidizing Childcare in Private Childcare Service Providers

Employees could prefer private childcare service providers because of the quality, location, cost, or admission criteria, especially if they have older children that are no longer eligible to attend an employer's on-site childcare facility. Besides providing childcare allowance, companies can actively seek out private service providers that offer reliable services and agree on a deal for their employees. For example, **Pactics**, a microfiber manufacturer, signed an annual contract with Angkor Kids Club, a private daycare and preschool, and subsidize one-third of the fees for employees' children aged 1 to 6 years old who avail of the services.

c) Providing/Subsidizing Healthcare to Employees Children

Employees' productivity could be hampered if their children get sick. **Amru Rice**, an agribusiness, observed that around 25% to 30% of its employees usually come to work late or are absent from work due to sickness of children. Companies like **Hagar Catering** provides cash advances to employees for the treatment of children's illnesses if needed; employees can include their family members in the health insurance scheme with the corporate rate.

6 INDUSTRY IN FOCUS

Cambodia's growth relies heavily on garment and footwear exports and tourism, creating direct and indirect employment opportunities for millions of Cambodians. Recent liberal investment regime and open market trade policies have gathered momentum for Cambodia's economic prospects and banks are also enjoying benefits from such strong growth opportunities. This section will provide the background of these three economic growth engines in Cambodia, as well as the emerging trends in employer-supported childcare.

6.1 Garment and Footwear

a) Industry Background

Significance to Cambodian Economy	<ul style="list-style-type: none"> - Garment and footwear sector's value added accounted for nearly 11 percent of the Cambodia's GDP¹⁴ - Garment and footwear exports account for more than two-thirds of total merchandise exports¹⁵ - The footwear sector shows higher growth rates than the garment sector since 2006, with an average growth of 27 percent per year between 2015 and 2017¹⁶
Composition and Ownership of the Industry	<ul style="list-style-type: none"> - In 2018, there were 557 export-oriented garment factories¹⁷ and 75 footwear factories in Cambodia¹⁸ - Over 60% of Cambodia's garment factories are located within or in close proximity to Phnom Penh. Other key locations of garment factories are Kompong Som, Kompong Speu, Kompong Cham, Kompong Chhnang, Svay Rieng, Takeav and Kandal provinces¹⁹ - Approximately 90% of factories are foreign-owned
Labor Demographics	<ul style="list-style-type: none"> - Garment and footwear are the largest non-agrarian employer in the country with over 1 million workers (about 7% of Cambodia's total population)²⁰ - More than 80% of workers are women, and more than 80% of all workers are below 35 years-old; approximately 46 percent of them are married (46 percent of women workers are married)²¹ - 18 percent of workers originated from Phnom Penh, another 15 percent from Kandal province (close to Phnom Penh)²²

¹⁴ Cambodian Garment and Footwear Sector Bulletin Issue 6, May 2017. International Labour Organization.

http://ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_555290.pdf

¹⁵ Cambodia Economic Update: Recent Economic Developments and Outlook, May 2019. World Bank.

<http://documents.worldbank.org/curated/en/843251556908260855/pdf/Cambodia-Economic-Update-Recent-Economic-Developments-and-Outlook.pdf>

¹⁶ Cambodian Garment and Footwear Sector Bulletin Issue 9, July 2019. International Labour Organization.

https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_714915.pdf

¹⁷ Better Factories Cambodia

¹⁸ Cambodian Garment and Footwear Sector Bulletin Issue 9, July 2019. International Labour Organization.

https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_714915.pdf

¹⁹ <https://www.aseanbriefing.com/news/2018/11/01/cambodias-garment-manufacturing-industry.html>

²⁰ Cambodian Garment and Footwear Sector Bulletin Issue 8, December 2018. International Labour Organization.

https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_663043.pdf

²¹ Ibid.

²² Ibid.

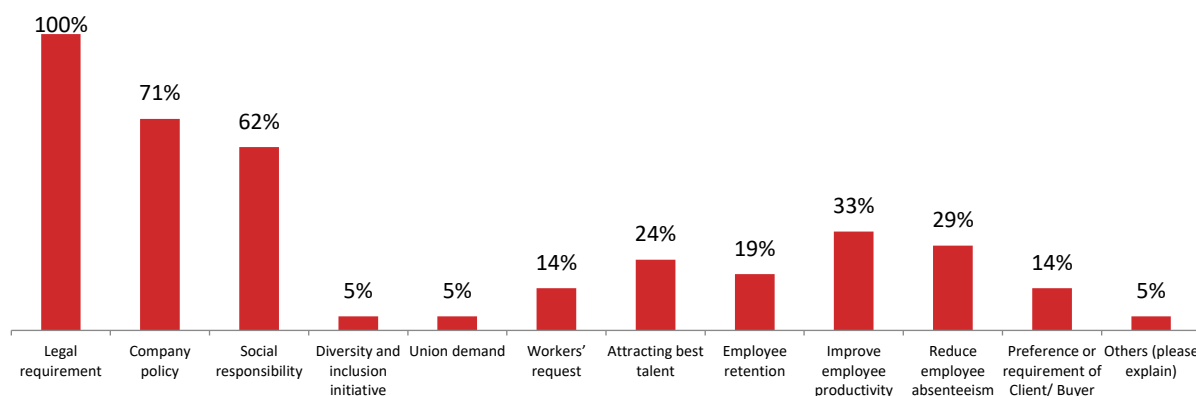
	<ul style="list-style-type: none"> - The majority of the workers have low education attainment (primary school), and there is a high concentration of women working in lower-ranked positions²³ - The minimum wage for Cambodian garment workers has increased significantly in recent years (at USD 170 in 2018). With the base rate of pay making up only around 65% of workers' take-home pay, it implies that other payment, especially overtime pay, is significant²⁴ - Workers are working longer hours; on average, workers put in a total of 216 hours per worker per month in 2017, approximately 11 hours more than they did in 2016²⁵ - Employee turnover is high in the industry; it can reach up to 44 percent per annum²⁶
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b) Existing Trends in Employer-Supported Childcare

Compliance-driven Childcare Solutions

Out of the 43 garment and footwear factories that participated in the survey, 21 of them (49 percent) have an onsite childcare facility. The primary reason for a factory to set up an onsite center is to meet compliance requirements, as all factories cited that as the main reason. About two-third of the factories (13 out of 21) also regarded it as a social responsibility, and some factory management believe there will be business benefits, especially improving employees' productivity and reducing absenteeism.

Figure 11: Main reasons for garment and footwear factories to set up on-site childcare facility (n=21)



According to Better Factories Cambodia, 72 percent of the assessed garment factories (283 out of 393 factories) do not have a functioning and accessible nursing room and/or a functioning day care center at or near the workplace. Over the last twelve years, compliance rates for a functioning nursing room have consistently been low, with 50 percent or more factories being non-compliant²⁷. Better Factories

²³ Towards Gender Equality: Lessons from factory compliance assessments. 2018. Better Factories Cambodia.

²⁴ Cambodian Garment and Footwear Sector Bulletin Issue 7, June 2018. International Labour Organization.

²⁵ https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_631686.pdf

²⁶ Ibid.

²⁷ <https://asiafoundation.org/2017/03/29/hiring-patterns-cambodias-garment-industry/>

²⁷ Towards Gender Equality: Lessons from factory compliance assessments. 2018. Better Factories Cambodia.

Cambodia does not collect the information on the number of women using the nursing rooms and day care centers, but according to the interview with a vendor which sources in Cambodia, 54 out of 59 factories from which they source have on-site childcare facilities, but not all of them are functional, with less than 1% of parent workers putting their children in them.

Better Factories Cambodia's Definition of a "Functional" Daycare:

- Clean
- Big enough in relation to the number of workers
- Attendance of instructors
- Workers' awareness and access

Interviews with employers highlighted a number of reasons why factories are not keen on setting up on-site childcare, including the adverse impact to their marginal profitability; potential danger in the factory premises and the physical risk of commuting from home to the factory, especially given the rise of road accidents in recent years. Insufficient space and lack of competent staff to take care of the children were also cited as reasons.

As per the law (Labour Law arts. 186, AC Award 63/04), if an employer is not able to set up a day care center for children over 18 months of age, then they must pay women employees the cost of providing day care for their children. Out of all 395 factories assessed by Better Factories Cambodia, it was reported that 166 factories provided a childcare allowance, varying between US\$5 and US\$20 per month in lieu of setting up a day care facility in accordance with the law. Almost half of these factories paid US\$5, while almost one third paid US\$10. Among the factories surveyed in this study, the range is US\$3 to US\$30, with 18 out of 25 of them (72 percent) paying between US\$5 and US\$10.

Not all women workers are eligible for childcare allowance in the Better Factories Cambodia's sample. 65 factories only paid the allowance to workers who had returned from maternity leave, not to newly recruited mothers.

c) Community-based Childcare

Seventeen out of 43 garment and footwear factories (39 percent) are interested in partnering with community-based childcare facilities in the future. A pilot by the World Bank and Planète Enfants & Développement (PE&D) is underway to establish sustainable community-based childcare services for garment factory workers through²⁸:

1. Developing the legal and institutional arrangements, operating procedures and standards for establishing and operating the Community-based Childcare Centers (CBCCs)
2. Building capacity of CBCC workers and families
3. Providing support and quality control for the operation of the CBCCs, with the main costs of these activities to be borne by the service users, namely the parents and factories with enrolled workers

²⁸ <http://documents.worldbank.org/curated/en/404631569817435376/pdf/Project-Information-Documents-PID-Community-based-Childcare-for-Garment-Factory-Workers-Project-P171063.pdf>

6.2 Banking

a) Industry Background

Significance to Cambodian Economy²⁹	<ul style="list-style-type: none"> - Cambodia is a bank-based economy and commercial banks are the primary source of funding - 90 percent of Cambodia's financial assets are located in the country's banking system - In 2018, banks' assets increased by 20.12 percent to approximately USD28.89 billion, equivalent to 131.43 percent of GDP
Composition and Ownership of the Industry³⁰	<ul style="list-style-type: none"> - As of December 2018, there were 151 financial institutions operating in Cambodia - The key players in Cambodia's banking sector are the National Bank of Cambodia (NBC), 43 commercial banks, 14 specialized banks including one state bank, 5 representative offices of foreign commercial banks, 74 microfinance institutions where 7 are eligible to collect customer deposits, and 15 financial leasing companies - All banks have their headquarters in Phnom Penh and some commercial banks have bigger branches in Siem Reap. A number of NGOs have strong presences in rural credit activities
Labor Demographics	<ul style="list-style-type: none"> - The banking sector employs about 50,000 employees. The workforce is quite young, with an average age of 24; senior management can be in their 30s³¹ - Most of the employees are men (about 80%), with more women in the junior positions (more than 90% of tellers are women)³². Interview from a bank indicated that only four out of 132 branch managers are women - There is also occupational segregation for women. One of the largest banks in Cambodia has 12,000 employees with 40 percent being women. Supporting services have more women, e.g. human resources (85 percent) and finance and operations (40 percent), but client-facing divisions have much less, e.g. there are only two women out of the 3,000 employees in the credit/loan division³³ - Education level of employees are high; it is normal for tellers to have university education³⁴ - Turnover is high and it is particularly difficult to recruit and retain skilled positions. The turnover rate of the finance and insurance sector was about 15 percent in 2017, and 87 percent of the finance and insurance companies surveyed by the National Employment Agency (NEA) said they face shortages in technical and associated professions³⁵

²⁹ <https://www.abc.org.kh/impacts-banking-sector>

³⁰ Ibid.

³¹ Interview with the Association of Banks of Cambodia (ABC)

³² Ibid.

³³ Interview with a bank

³⁴ Interview with the Association of Banks of Cambodia (ABC)

³⁵ Skills Shortages and Skills Gaps in the Cambodian Labour Market: Evidence from Employer Survey 2017. National Employment Agency. May 2018. <http://www.nea.gov.kh/images/survey/ESNS%202017--Final--05282018.pdf>

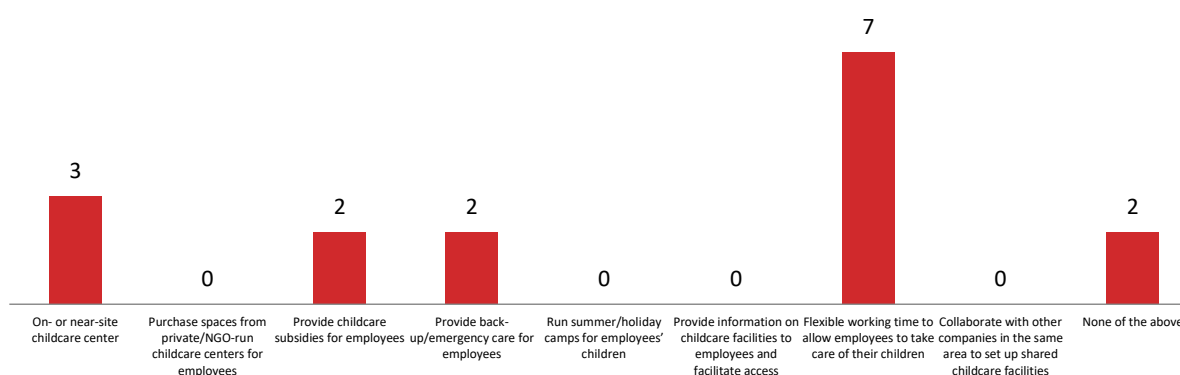
	<ul style="list-style-type: none"> - On average it takes 2.5 months to fill a frontline/admin position and 3 months to fill a management one³⁶ - Among the 10 industries surveyed by NEA, the highest percentage of hard-to-fill vacancies was found in finance and insurance (70%); 39 of companies said there is too much competition from other employers³⁷ - Poaching is an issue in the sector and the Association of Banks of Cambodia (ABC) has set up a system to address that. ABC keeps a database to track employment movement between banks; for each employee poached, the bank will need to pay at least US\$750 to ABC's Development Fund of ABC's Institute of Banking and Finance (IBF) for capacity building purpose. 75% of the fund will be used for IBF's operation, and 25% will be used either as training credits or channeled to members to support recruitment or internal training - Banking is one of the highest paid sectors in Cambodia. A junior staff (e.g. teller) can earn US\$250 to US\$300 per month, and senior staff can earn several thousands³⁸
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b) Existing Trends in Employer-Supported Childcare

There is generally low awareness on the legal requirements on childcare. Only 2 out of the 10 banks surveyed have a good understanding of the laws on employers' responsibility.

The most common type of support by banks is to allow employees to work flexible hours to look after their children, as 7 out of 10 banks surveyed practice that. Only three banks have on- or near-site childcare centers (one on-site and two near-site), and even fewer (two banks) provide childcare allowance.

Figure 12: Types of childcare supported by banks (n=10)



Competition for talent is intense in the banking sector, especially for the technical/professional and senior positions. According to the Association of Banks in Cambodia, a remuneration package that

³⁶ Interview with a bank

³⁷ Ibid.

³⁸ Interview with the Association of Banks of Cambodia (ABC)

includes childcare benefits is more attractive, particularly when good schools in Cambodia can be expensive. Moreover, new entrants to the sector may provide better packages to attract talents from their competitors. A new bank that entered into the market in 2015 used to provide a childcare allowance of US\$15 per child per month for up to 4 children per employee until they reach the age of 18. However, starting from June 2018, they have switched to providing healthcare insurance instead. It is unclear whether this will become a new trend.

The Cambodian Sustainable Finance Initiative

The Association of Banks in Cambodia launched the Cambodian Sustainable Finance Initiative (CSFI) in 2016, aiming to develop and strengthen finance sector safeguards and risk management standards related to social and environmental impacts that are potentially created through the private sector. Principle 2 stated that “We will assess and manage risks that could potentially negatively impact our people, in particular local communities, workers, and indigenous/minority populations.”

Among others, Principle 2 aims to contribute to compliance with national employment and labor laws, safe and healthy working conditions, and fair treatment, non-discrimination, and equal opportunity of workers. Commitment towards employer-supported childcare could be one of the good business practices to fulfill this Principle.

One characteristic of the banking sector is the presence of branch offices. This presents a set of challenges:

- **Feasibility of setting up on-site childcare.** The physical space of branch offices may vary and it could be difficult to use the same standard in setting up on-site childcare facilities.
- **Provision of consistent services.** Employees are scattered in different locations and not all employees can avail of the same childcare services with the same qualities. A human resources manager of a bank shared that they have conducted an assessment on employees’ childcare needs before and one of the reasons why employees preferred the cash allowance was the “perceived fairness”.
- **Communication.** Branch offices may not be aware of the company’s policy and plan on childcare because of the lack of communication. A bank interviewed provides childcare allowance but the branch manager in Siem Reap said that the company does not gather any information in relation to employees’ children and that it does not have any policies or provisions on childcare support.

6.3 Tourism and Hospitality

a) Industry Background

Significance to Cambodian Economy	<ul style="list-style-type: none"> - Tourism’s share of GDP has risen from 6.2% to 16.3% from 2010-17. Taking into account indirect contributions such as investment in tourism-related projects from other industries, the World Travel & Tourism Council has estimated tourism’s total contribution to Cambodia’s GDP to be 32.4% of the GDP in 2017³⁹
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³⁹ World Travel and Tourism Council

	<ul style="list-style-type: none"> - Underpinned largely by arrivals from China, growth in total tourist arrivals for 2018 reached 6.2 million. Cambodia has set a target of receiving 8 million foreign tourists in 2020⁴⁰
Composition and Ownership of the Industry	<ul style="list-style-type: none"> - Cambodia currently has more than 800 hotels, clustering in Phnom Penh, Siem Reap and Sihanoukville. Phnom Penh saw a 23% jump in the number of hotels, from 355 to 437 in 2018⁴¹ - Cambodia has 585 travel agencies and tour operators employing 3,230 licensed guides, 89% of whom are based in Siem Reap - Almost all of the local businesses are owned by Cambodian natives⁴²
Labor Demographics	<ul style="list-style-type: none"> - The tourism sector has generated about 3.5 million direct and indirect jobs⁴³ - In 2017, the tourism sector created 1,191,000 direct jobs (13.6% of all employment) and is projected to increase by 4.2% to 1,241,500 jobs (13.9% of total employment) in 2018⁴⁴ - By 2028, tourism will create 1,854,000 direct jobs, which will increase by 4.1% in the next 10 years⁴⁵ - Women represented 54% of the tourism workforce in 2015, and they tend to be employed in lower-skilled jobs paying lower wages⁴⁶ - The base wages at a five-star hotel is around \$70 a month; a monthly salary is around \$200 a month, including a percentage of the guest service charge⁴⁷ - The demand for skilled tourism workers is growing. According to the Ministry of Tourism, Cambodia needs to have at least 50 percent of skilled tourism staff certified through education programs and training that meet the set national as well as ASEAN standard by 2020⁴⁸

b) Existing Trends in Employer-Supported Childcare

There is not much awareness on the legal responsibility of employers to provide childcare; only two of the seven companies and industry associations interviewed were aware of such a regulation. One hotel in Siem Reap shared that “it is unlikely for us to provide a subsidy on childcare to employees unless it is imposed by the law.”

Although there is no systematic way to document the business impact of childcare responsibility, a few companies shared their observation:

⁴⁰ *Ibid*

⁴¹ <http://www.soksiphana.com/growth-in-cambodias-tourism-leads-to-hma-increase/>

⁴² Interview with Cambodia Tourism Federation

⁴³ <http://documents.worldbank.org/curated/en/740941525786311189/pdf/126030-WP-PUBLIC-may-10-9-am-cambodia-time-Cambodia-Economic-Update-V04.pdf>

⁴⁴ https://mpr.ub.uni-muenchen.de/88026/1/MPRA_paper_88026.pdf

⁴⁵ *Ibid*

⁴⁶ Tourism sector assessment, strategy, and road map for Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (2016–2018).

Asian Development Bank, 2017. <https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf>

⁴⁷ <https://www.solidaritycenter.org/a-union-makes-big-difference-for-cambodia-hotel-workers/>

⁴⁸ <https://cambodianewsgazette.com/cambodia-plans-to-increase-skilled-human-resources-in-tourism/>

1. **More leave application.** The HR Director of a hospitality group shared that female employees request more leave during rainy seasons, as their children are more likely to get sick, including being hospitalized because of dengue fever
2. **Higher turnover.** One hotel in Phnom Penh is open 24 hours (including a bar) and runs three shifts per day; it has an annual turnover of 25%. There is higher turnover among female employees after they get married and become pregnant as they have difficulty adjusting to the shifts. Another hotel in Siem Reap shared a similar experience: approximately 10 female employees resigned over the past five years because of childcare responsibilities (on average there are about 50 female workers, constituting one-third of the total staff strength)

Companies in the tourism and hospitality sector may operate branch facilities in different locations, which presents an opportunity to provide childcare support that meets employees' needs:

Artisan Angkor is a Cambodian social business creating job opportunities for young people in rural areas, while reviving traditional Khmer craftsmanship. It employs 1,200 full time employees, of which 60% are women. Artisan Angkor has 48 workshops in the country and most of them are located in villages. A survey is conducted every year to assess the social impact of Artisan Angkor, including the child development in the workers' families. There is a proposal to conduct an assessment on the needs, facilities and qualities of childcare centers.

Not all working stations have a nursery room. As of 2019, Artisan Angkor has set up nursery room in 6 out of 12 working stations in Siem Reap, providing childcare services to about 3 to 10 children (aged 18 to 36 months) in each facility. Each nursery room is managed by one caretaker.

A union is organized within Artisan Angkor, and 50% of employees are union members. Childcare support is one of the items on the agenda in the discussion between management and union representatives.

Bodia Spa operates seven spas in Cambodia, employing around 400 workers, of which 80% are women. Eighty percent of workers are migrants from other provinces and Bodia Spa provides them with accommodation. There is a social stigma for people working in massage parlors, and the company aims to provide decent job opportunities to employees that they can be proud of.

The turnover is quite high (105 employees resigned in 2019, about 25%), including some who resigned because of childcare responsibilities. As Bodia Spa is growing, "we want to prevent the risk (of women resigning) and try to support them on childcare." The company tackles this in two ways:

3. Provide information on public kindergartens to employees
4. Allow workers to bring their children to work, and arrange a nanny and/or other workers who are not on shift to take care of them

7 SUPPLY FOR CHILDCARE SERVICE

7.1 General Overview

The main users of private childcare centers are segmented in urban and rural areas based on the predominant economic activities in respective regions. For instance, urban centers attract large number of internal migrants to work in labor-intensive industries (e.g. garment and footwear), and rapid urban growth also fuel the development of the service industry such as hospitality and banking. A large percentage of Cambodia's population still lives in rural areas, and work in the agriculture, forestry and fisheries sectors.

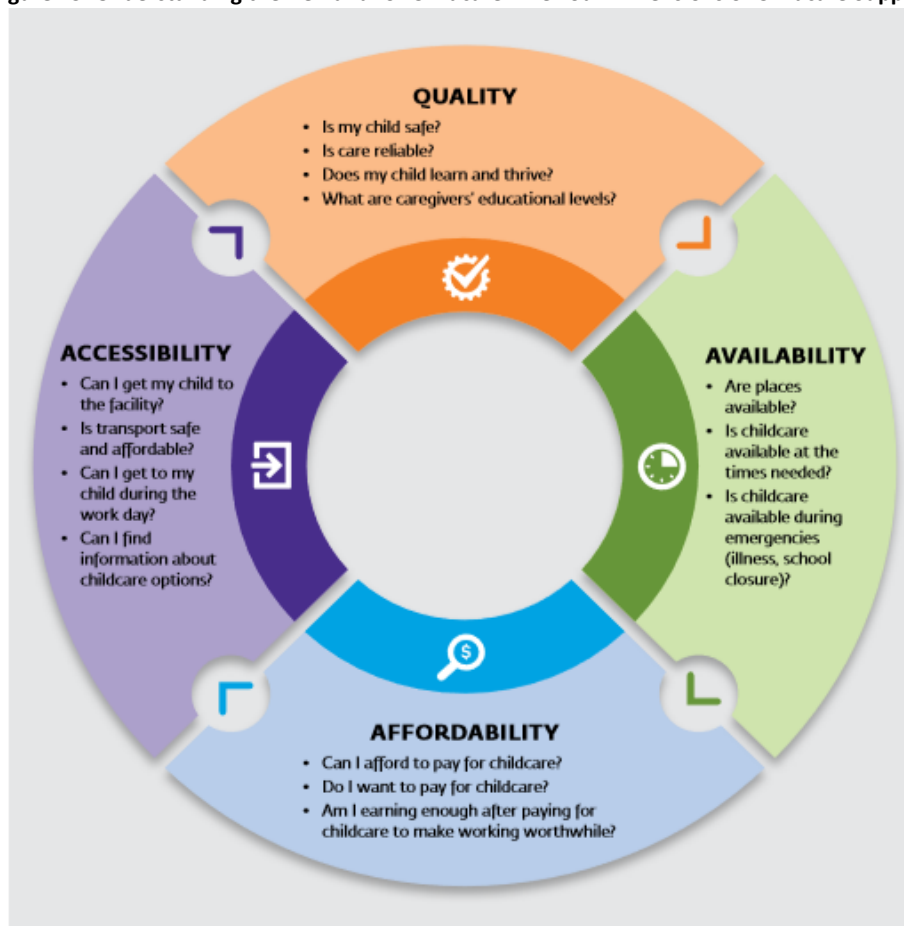
Less than half of the service providers who participated in this study provide both daycare (under 2 years old) and pre-school (3 – 5 years old), and most of them are located in urban areas, with only one center in a rural area (Kampot) serving children aged 0 to 5.

Provinces	Targeted group of children	
	3-5 years old (pre-school only)	0 – 5 years old (pre-school and daycare)
Urban		
Phnom Penh	1	5
Sihanoukville	3	1
Siem Reap	8	5
Urban Total	12	11
Rural		
Kampong Speu	10	0
Kampot	3	1
Kampong Chhnang	6	0
Rural Total	19	1
Total (Urban and rural)	31	12

7.2 Framework

Four dimensions are used to assess the childcare services provided by the private providers⁴⁹:

⁴⁹ IFC Tackling Childcare: The Business Case for Employer-Supported Childcare, p.43

Figure 13: Understanding the Demand for Childcare: The Four Dimensions of Childcare Support


7.3 Accessibility

a) Limited Information on Service Providers

There is very limited public information available about the childcare service providers. There is no official consolidated school directory with all categories in Cambodia and it is even more difficult to locate the private service providers through public registry. When information is available from the Department of Education, Ministry of Education and Vocational Training, the records usually only include basic information such as names of the schools, their locations, and age ranges of children that they provide service to.

A number of employers interviewed during the research expressed interest to partner with private childcare service providers but could not locate them. Information that can inform the decision-making of employers and parent is often missing, such as:

- a. Proximity of the center to the workplace or employees' homes
- b. Type of service packages for employees
- c. Detailed fee schedule for different services
- d. Quality and certification of the caretakers

Lack of information is not conducive in building trust between the employers and childcare service providers, which in turns limits the opportunity of partnership.

"We have limited information about the preschool or nurseries that are providing the service. To use their service, we also would like to know more about quality and certification of the nannies" – a Bank

Employer-Targeted Campaign Pays Off

Childcare service providers that are more active in marketing their services tend to develop more partnerships with employers. Angkor Kids Club, a private school in Siem Reap that provides daycare service and preschool education to children of age 3 months to 6 years, has a company-targeted advertising plan. It has an active presence in social media and distributes leaflets about their services and courses. It is estimated that the focused campaign has increased business with employers. For example, they are currently partnering with banks in Siem Reap like ANZ, ABA, Canadia bank, Vattanak Bank, ACLEDA, and WB Finance; Angkor Kids Club provides a discount of 10 to 20 percent to parents who work in these companies.

b) Physical Barriers to Access Childcare Centers for Low-Income Employees

Low-income employees usually do not have their own transportation means to send their children to childcare centers, and the situation is worse in rural areas than urban centers. Factories in rural areas are usually located along the highways on the edges of the provincial centers, whereas the childcare service providers are clustered in the provincial capitals; the distance between them can be as far as 15 kilometers. Parents who avail of these services either need to pay more for transportation arranged by the centers/schools, e.g. US\$5 to US\$10 per month, or drop their children off at the centers as early as 6:30am so they can arrive at work on time. However, it is still very challenging for parent workers to leave work early to pick up their children.

"The preschool charges around \$ 10 per month for picking up the kids. I put my child in the school because it is nearby, and they can also report to their grandparents anytime" – a female worker in a footwear factory

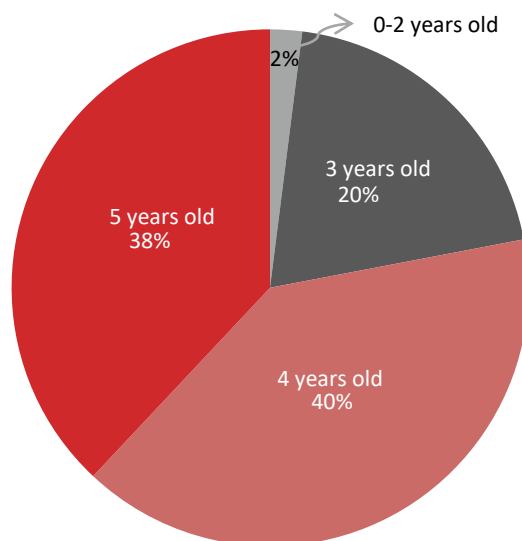
7.4 Availability

a) Infants and Younger Children from 0 to 2 Years Old are Underserved

Fewer childcare service providers serve children under 2 years old, as only 12 out of 43 (28 percent) of those interviewed are providing daycare services to this age group. Infants and young children are more underserved by private providers in rural areas, as only 2 out of the 12 childcare service providers are located in rural areas.

Private childcare service providers are mainly serving children from 4 to 5 years old, with this cohort of children making up 78% of the total number of children served. Children from 0 to 2 years old only constitute 2% of the total; both urban and rural centers have a similar distribution.

Figure 14: Age Distribution of Children in Childcare Centers



From the perspective of some service providers, the main challenges to providing services for 0-2 years old include:

- Inadequate space and ECCD tools
- Not familiar with the standard curriculum. This is further complicated by the fact that there is no clear official guidance on the *specific* standards of operations and age-appropriate curriculum for daycare centers
- Lack of human resources, especially qualified caretakers. This contributes to the lack of trust among parents towards private childcare centers, as parents feel particularly uncomfortable to send their infants and young children to such centers

b) Inconvenient Opening Hours

The majority of the childcare service providers interviewed (38 out of 43, 88 percent) run both morning and afternoon sessions. Morning sessions usually run from 7:30am to 10:30am and afternoon sessions from 1:30pm to 4:30pm. In *urban* areas, 8 out of 11 or about 76 percent of daycare providers provide on-premises lunch and nap-time to bridge the 2-3 hour gap in between the two sessions for those aged 2 years and younger. However, only 9 out of 20 or about 44 percent of daycare providers in *rural* areas do the same.

Centers that run on these routines from 7:30am to 4:30pm can hardly cater for the needs of working parents, especially those who do not have extra help at home.

“Many parent workers have asked us if we can provide longer services in the afternoon so they have enough time to pick up their children after work” – Urban childcare service provider

Even when most of the centers provide all-day sessions, most of the children only attend one session per day. Parents are used to picking their children up from the centers for lunch, then leaving them under the care of their grandparents at home. Some factory workers mentioned that the long working hours and frequent overtime make it inconvenient for them to pick up their children before the childcare center closes.

7.5 Quality

a) Uneven Quality and Number of Teachers and Caretakers

Teachers and caretakers are instrumental in ensuring children’s safety and the quality of care and education in the centers; their qualifications and integrity also heavily influence parents’ decision on whether to send their children to childcare centers or which one to send their children to. Studies show that lower class sizes and smaller teacher-child ratios may improve child outcomes, help reduce behavioral problems, reduce teacher stress, and helps improve retention among teachers.

Among the 43 childcare service providers interviewed, about half of them (22) provide training to their teachers and caretakers; more urban centers are doing so than their rural counterparts (13 vs. 9). Training content varies. Six of them received training from external experts, NGOs, individual foreign experts, or from the state authority such as certified teachers from public schools to train on state curriculum. Notwithstanding a number of peer leaders, the majority of the service providers interviewed that provide training rely on self-developed materials and their own internal trainers. Moreover, childcare service providers usually do not train their teachers/caretakers on basic medical care; most of them also do not have in-facility healthcare workers (e.g. nurse).

“We adopted the State curriculum, and modify it to conduct our own internal training for teachers” – a preschool in Kampong Speu

Other factors that contribute to the quality of care are the teacher/caretaker to child ratio and the maximum class size.

There is no targeted teacher/caretaker to child ratio for different age groups among the service providers interviewed. The average ratio is 1 caretaker to 18 children, whereas the global standards for caretaker-to-child ratio are 1 caretaker for 5 children of 3-17 months, 1 caretaker for 10 children of 18-36 months, 1 caretaker for 15 children of 37-60 months.

Service providers located in urban areas have a better ratio (1:15) than rural ones (1:21).

The main reasons for higher teacher/caretaker-child ratio include:

- Difficulty recruiting caretakers for under 3-year-olds, especially in rural areas
- Expenses related to the training of caretakers

“It is hard to find certified caretakers. So, I mainly select those who are interested and passionate first. Then I conduct training for them later.” – a daycare center in Phnom Penh

b) Lack of Clarity on Standard Setting and Quality Control

There is no clear national standard of the types of childcare services to provide to the corresponding age groups. For example, there is no law or sub-decree/Prakas (ministerial order) to provide guidance and operation manual for the quality of childcare service for children aged 0 to 36 months.

“There is no national standard curriculum for both daycare and preschool that I could find. Therefore, I have adopted a curriculum based on knowledge on the internet and observations at 72 kindergarten in Cambodia by myself” – an owner of a daycare center and kindergarten in Phnom Penh

Most of the childcare service providers rely on self-monitoring of the service’s standard, conducted by its own management or administration team. Foreign-owned service providers are inspected by foreign experts to ensure adequate standards are met. Only one service provider indicated that they send monthly reports to the Ministry of Education, Youth and Sport on its operations.

7.6 Affordability

In urban areas, the majority of the centers interviewed run full-day preschool programs for children aged 3 to 5 and charge an average fee of US\$100 per month, which is 7.7 times more expensive than the fees charged by the service providers in rural areas (US\$13 per month on average). Full-day daycare for children aged 0-2 is the most expensive among all services provided in urban areas, which costs an average of US\$155 per month. Half-day daycare is available but the fee is only about 25 percent lower than the full-day service.

Similar to urban areas, the majority of the service providers interviewed offer full-day preschool. However, services provided to children aged 0 to 2 are very limited.

The fee difference between service providers is wider in urban areas than in rural ones. For example, the childcare center that charges the highest fee for full-day preschool in urban areas is almost 34 times more expensive than the one that charges the lowest which offers the same type of services in rural provinces (US\$373 vs. US\$11). This is probably because of the more diversified client base (from lower to middle-higher income class) in urban areas.

Table 1: Monthly fees charged by childcare service providers (USD)

	Urban				Rural			
	Half-day fee		Full-day fee		Half-day fee		Full-day fee	
	Daycare (0-2) (n=6)	Preschool (3-5) (n=5)	Daycare (0-2) (n=7)	Preschool (3-5) (n=17)	Daycare (0-2) (n=0)	Preschool (3-5) (n=6)	Daycare (0-2) (n=1)	Preschool (3-5) (n=12)
Highest	233	277	373	373	-	90	10	40
Lowest	26	85	30	11	-	15	10	2.4
Average	118	141	155	100	-	29	10	13

*Excluding service providers that provide free services

a) High Cost in Urban Childcare Centers Deter Usage from Low-Income Employees

Only 6 out of 23 centers in urban areas admit children from poor families, including four centers that are run by NGOs/charity and serve children in vulnerable communities such as slum areas. Admission is restricted to children of very poor families, e.g. those who are unemployed or work in the informal sector. Low-income working parents (e.g. factory workers) are not eligible to the subsidy, and it is a financial burden for them to have their children attending other private centers.

Service providers in rural areas have a broader customer base: 12 of them (65 percent) reported admitting children of factory workers, and half of them admitted children of informal workers.

There are scholarship schemes in place to support children from less well-off families. Sixteen out of 43 (9 urban centers and 7 rural centers) service providers give full scholarships or partial scholarships (50 percent discount) to children from either poorer families or staff. Some centers also negotiate with parents on the fees.

b) Service Providers that Provide Low-cost or Free Services may Struggle to Sustain Operations in the Long Term

Running a childcare service involves *set-up costs* and *operating costs*. Fixed costs include building construction costs, licensing fees, rental and utilities etc. Operating costs include classroom and caretaking materials, food, office and administration, salaries, training costs etc.

Table 2: Operating cost of childcare service providers against different target customers (USD)

Main target customers	Average numbers of children	Average monthly fee* (and range)	Set-up cost	Monthly Operating cost	Financial subsidy (if any)
High to middle income (n=9)	103	\$148 (\$43 - 373)	\$50,000 – \$ 100,000	\$10,000	N/A
Low income (e.g. factory workers) (n=16)	13	\$19 (\$8 - 40)	\$5,000	\$3,000 (Rental cost \$ 500)	Case by case negotiation
Poor and vulnerable	19	\$2.6	Not Available	Not Available	Scholarship or free

Main target customers	Average numbers of children	Average monthly fee* (and range)	Set-up cost	Monthly Operating cost	Financial subsidy (if any)
(e.g. informal workers) (n=2)		(\$2.4 – \$2.75)**			

*Full-day session

**Excluding free service

The set-up cost of those facilities that cater for middle to upper class employees is about 10 to 20 times more than the ones serving the lower income class, as these service providers invest mainly in building, facilities and pedagogy. Assuming that each facility is taking an average of 103 children, they earn an income of US\$15,244 per month. In contrast, those facilities that admit children of low-income employees tend to admit fewer children (13 on average) because of spatial constraints, and earn a monthly income of US\$247 on average. As their monthly operating cost is still quite high (at \$3,000 per month on average), these facilities have to rely on other funding sources such as donations to sustain their business.

“Parents want low school fees. Schools can therefore not generate the revenue and develop the school as expected.” – Service Provider A in Kampong Chhnang

“School fees are US\$120 per year. This school fee cannot cover the total cost, because of the high investment and quality of services.” – Service Provider B in Kampong Chhnang

Centers run by charities that serve the poorer families are kept afloat by donations as it is not possible to break even when they charge a maximum of US\$2.75 per child per month.

8 FUTURE OUTLOOK OF CHILDCARE

8.1 Future Demand for Childcare

There is a consensus among companies interviewed that the demand for childcare services will rise in the coming years.

a) Expansion of Workforce and Parent Workers

As the economy of Cambodia continues to grow at a rapid rate, the demand for workers, both semi-skilled and skilled, is going to increase for many industries. The workforce in Cambodia remains young and they enter into the job market during their reproductive years. Thus, many of them will become parents and have childcare responsibilities during their working lives.

A number of *garment and footwear* factories interviewed said they have plans to expand in the next few years. One footwear factory will hire 500 new workers every year, i.e. about one-third of the existing workforce; another garment factory has recruited 320 sewing operators (about 40 percent of the workforce) and plans to hire 400 more. A factory manager interviewed expected 10 percent of his workers to become parents in the next few years. Many of these workers are migrants, and according to a HR manager, “the demand for childcare in the city will increase as workers want to keep their children (with them) in Phnom Penh”.

National Social Security Fund

In September 2017, the Cambodian government introduced a scheme under the National Social Security Fund (NSSF) to provide a benefit of US\$100 to garment workers who gave birth to a child, US\$200 to workers who had twins and US\$300 to workers who had triplets. The NSSF has paid out nearly \$1.3 million to around 13,000 garment workers who gave birth in the first two month of 2019, an increase of about 55 percent compared to the same period in 2018⁵⁰.

Employers in other sectors such as *agribusiness* and *banking* have similar predictions in terms of increasing numbers of parent workers. A rice miller and exporter that employs 200 full-time staff and 100 indirect workers in four provinces expected that around 15 percent of frontline staff will become parents in the next three years. Two banks interviewed also have a similar projection.

b) Emergence of Nuclear Family

Cambodia’s traditional family structure is undergoing transformation amidst economic growth and internal migration. As the general manager of an agribusiness observed, “young people in Cambodia have started to adapt to life in cities, living in live condominiums or apartments as nuclear families. They both need to work and do not have the support of their parents or grandparents; therefore the demand for childcare support will increase.”

⁵⁰ <https://www.khmertimeskh.com/50585497/nssf-pays-out-nearly-1-3-million-to-workers-who-gave-birth/>

c) Perceived Business Benefits

For companies that have yet to introduce childcare support, increasing numbers of them are seeing the business benefits of doing so in the future.

In a labor-intensive industry such as the garment sector, workers join the factory at a young age (e. g. 18 years old) and are still very young when they become parents for the first time, e.g. 24 to 25 years and still have many productive years ahead.

For the service industry such as banking, remuneration packages that includes childcare benefits could be a competitive edge. Even for the garment and footwear sector, a prioritization of childcare as an employment benefit is aligned with the industry's strategic goal to become a high value-adding, talent-intensive (instead of labor-intensive) business⁵¹.

Childcare as a Long-term Competitive Edge

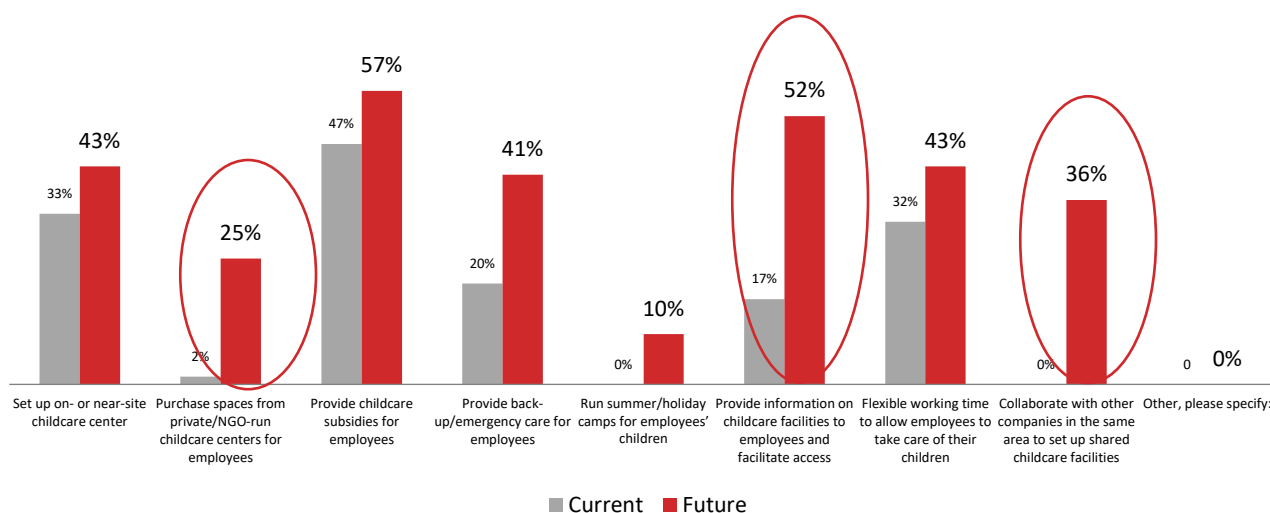
"Some employers do not invest in daycare or subsidize employees' childcare cost because they are only concerned about short-term expenditure; they are not making a long-term investment in the country, nor are they thinking about ways to sustain their business." – HR Director, Pactics Cambodia

Preferred Types of Employer-Supported Childcare in Future

Although most companies still prefer to provide childcare subsidies to employees in the future (39 out of 68, 57 percent), the following solutions have gained more traction compared to existing practices:

1. Provide information on childcare facilities to employees and facilitate access
2. Purchase spaces from private/NGO-run childcare centers for employees
3. Collaborate with other companies in the same area to set up shared childcare facilities

⁵¹ Interview with Better Factories Cambodia

Figure 15: Current vs. Future Childcare Support (n=68)

Twenty-eight out of 66 companies surveyed (42 percent) are interested in partnering with community-based childcare centers in the future. Regardless of whether employers are only doing the referral or actively collaborating with private service providers, trust is the primary concern when entering into a partnership.

9 PRIORITIES FOR ACTIONS

This section outlines a range of possible actions to be taken by employers, childcare service providers and the government to help increase access to affordable, accessible and quality childcare services for parent workers in Cambodia.

Some of the key lessons emerging from IFC's global work on tackling childcare include:

1. There is no "one-size-fits-all" approach to childcare solutions. The companies that benefit the most are those that provide a variety of childcare options – from back-up care for emergencies, to flexible working arrangements to on-site childcare services.
2. Offering childcare support as part of a holistic strategy yields the greatest results. This includes integrating childcare strategies into wider diversity policies and combining them with other approaches to support employees' work-life needs.
3. Encouraging and enabling fathers to use policies as actively as mothers is key to yielding returns, particularly through the business benefits of diversity.
4. Low-income parents often have the greatest need for childcare options – it boosts early childhood development and helps parents retain their jobs.
5. It takes government and private sector collaboration to create markets for employer-supported childcare. Exploring options for public private partnerships can be integral for developing sustainable childcare solutions.

9.1 Recommendations for Business to assess Employee's Child Care needs

When deciding whether and how to offer childcare support, it is important to gather information about the demand for childcare, including parent workers' preferences regarding how care is provided, and the supply of childcare services, including the implications of possible gaps in on-site and off-site childcare provision.

Employers can ask the following questions to determine childcare needs in the company:

A: What is the potential size and nature of the demand for childcare?	<ol style="list-style-type: none"> 1. How many employees, including direct and indirect employees, have children (under 18 months, 18 months to 3 years, and 3 to 5 years)? 2. Which departments/functions/branch offices have the highest number of employees with children? 3. Is the demand for children likely to change in the future? How is it going to change in terms of the proportion of different age groups and the mix of local and migrant employees? 4. How many employees, including new recruits and existing ones, are likely to become parents?
B: What are the gaps in existing childcare services?	<ul style="list-style-type: none"> - How do parents currently fill their childcare needs, such as through family members, private childcare center, or home-based care? - What are their preferences for childcare services? - What is the availability of local childcare services and how developed (or underdeveloped) is the childcare market?

	<ul style="list-style-type: none"> - What are the biggest barriers to accessing childcare—cost, reliability, quality, location, transport? - When is childcare needed—full-time or part-time, during vacation periods, outside of normal childcare hours (early, late, weekends), in emergencies?
C. What is the potential impact of childcare constraints on the business?	<ol style="list-style-type: none"> 1. Does the company have a system and mechanism to collect and analysis employee-related business data such as absenteeism, turnover, recruitment lead time and cost, performance, and staff satisfaction? 2. Are absenteeism rates particularly high for parents of young children? What is the impact of absences or distractions on output and quality? 3. How many employees have left because of childcare issues? How easy is it (and how much does it cost) to replace an experienced employee? 4. How are recruitment, productivity, errors, accidents, turnover, performance, tardiness, and/or morale impacted by childcare challenges? 5. Is the company having trouble increasing gender diversity, particularly among women who have or want to start a family? 6. How do the company's existing benefit offerings compare with those of competitors?

Employers can use several methods to collect input on childcare needs and expectations:

- Sex-disaggregated employee data
- Employee survey, e.g. staff satisfaction survey
- Employee focus groups/management-workers' committees/union/women's committees
- Insights from line managers/exit interviews
- National and industry survey data from government (e.g. National Employment Agency), business associations, and human resources consultancy firms

9.2 Recommendations for Employer-supported Childcare Solutions

There is no one-size-fits-all approach to employer-supported childcare. Each company has its unique set of needs, opportunities and challenges. For childcare support to be effective and sustainable, it is best to be integrated into the company's holistic manpower policy and employees' benefit package.

In addition to being compliant to the law to set up a childcare center or provide childcare allowance, childcare support can be delivered in a variety of interventions with different resource requirements. The interventions outlined below range from low resource intensive to high resource intensive. Having a range of options can help ensure that parents are able to access the support that best suits their need. Moreover, it is critical to secure senior management buy-in when rolling out interventions; companies that are in the early stage in supporting childcare can start with the low resource ones, then expand to more options to *go beyond compliance* after taking feedback from parents and management.

Low resource intensive

a. Formalize childcare policy, including communications to all employees:

Many companies already have some childcare benefits in place but they are not transcribed in a written document. Employers can formalize the policy, which should include various childcare benefits, eligibility and administrative procedures to access them. It is an opportunity to develop a *family-friendly policy*, which encompasses guidelines and measures on leave, breastfeeding and childcare/education, as well as a consistent approach for managing childcare benefits, e.g. application for extended paid/unpaid maternity leave.

The policy should be communicated to all employees, including (existing and prospective) fathers and mothers.

b. Referring employees to private childcare providers:

Business can collect information on private childcare service providers to share with employees. The following information is considered to be critical for parents and employers can collect them through desk research and/or in-person site visits:

- Physical facility, hygiene, and proximity (including the road conditions/transportation means)
- Opening hours, and whether centers provide extended services for parents who work late
- Admission criteria
- Availability of (nutritious) snack and lunch
- Qualifications and skills of caretakers/teachers
- Measures to ensure children's safety and quality of care
- Regular communication on the child's progress to parents
- Professional demeanor

Employers can reserve a number of spaces in selected centers to facilitate employees' access to reliable and quality childcare services. Employers may negotiate a *bulk bargain* with the service providers and even subsidize the cost in some instances.

c. Work adjustment, including workstations and flexitime:

Companies can make *administrative*, *physical* and *functional* adjustments to help parents balance their work and childcare responsibilities. *Administrative* measures can include allowing employers to start later or finish earlier to allow parents to drop off or pick up their children from school; for companies that run multiple shifts around the clock, employers can minimize night shifts for parents, especially new ones. Employers should also comply with the law on breastfeeding breaks and agree with the mother on the timing. For companies that operate branch offices, they can *physically* relocate employees to the one closer to their homes. *Functionally*, employers can offer options of job rotation, e.g. moving parents from frontline to back office for an agreeable amount of time.

d. Provide parenting training to employees:

Parenting training can be integrated into the company's training and development plan. Training can include a range of support mechanisms and tools to help employees overcome the challenges of being a

parent, including topics on the needs and rights of children at different stages, health and nutrition of infant and young child (including the benefits of breastmilk) and basic first aid.

Since migrant workers constitute the majority of the workforce of labor-intensive industries such as garment and footwear, parenting training can address the set of challenges associated with being a migrant parent, e.g. detect signs of abuse and effective remote communications skills. Practical advice could be given to parent workers to help them make better childcare decisions.

e. Create parents' peer group:

Establishing or formalizing a parents' peer group can create a channel for parents to share and discuss the challenges they face as working parents. The experience of having children connect people from different backgrounds and ranks, and participatory parents' peer groups can help to break the barriers between management and workers and serve as a consultative platform to assess childcare needs and collect feedback for continuous improvement.

Parents' peer groups can evolve to become a supporting network, e.g. as a source of information of community childcare services and *employee-supported childcare* (for employees to take turns during their down time to take care of colleagues' children who come to spend time at the workplace).

f. Create Return-to-Work Benefits:

Many women intend to return to the workplace after giving birth but are not able to do so because of different constraints at home and in the company. Employers can create a holistic approach to support women *before, during and after* their maternity process to facilitate their return to work. When developing such a scheme, it is important to consider:

- Start offering support before the employees go on maternity leave, e.g. provisions of information of childcare options, both within and beyond the company
- Engage with employees' supervisors, including existing and future ones, if employees are to be relocated to other functions or locations
- Options for a phased return-to-work schedule
- Regular conversations with employees to detect early signs of frustration
- Create role model within the company and promote experience sharing
- Develop best practices but remain flexible to individual needs

High resource intensive

a. Expand the eligibility of childcare:

Employers can go beyond compliance to expand the eligibility of childcare benefits to employees:

- Extend childcare benefits to male employees, including paternity leave, providing childcare allowance and allowing children of male employees to avail of the services on-site or at near-site childcare centers
- For companies that are paying childcare allowance, include children aged 0 to 18 months and consider continuing providing an allowance to children beyond 36 months. Cash allowances should not be calculated arbitrarily, but should take reference of the actual cost of childcare of different age groups

- Companies that run on-site childcare, especially in agricultural or rural settings, can open the center to seasonal/indirect workers and community members

b. Operate functional on-site or near-site childcare center:

Based on employees' demands, preference and company objectives, it may make business sense for some companies to set-up an on-site childcare center or collaborate with others to operate a near-site facility. For companies that already have an on-site childcare center, the set-up cost is already a *sunk cost* and employers can make additional investments to make them functional, for example:

- Training of caretakers
- Expanding eligibility of children and provisions of age-appropriate early childhood and educational activities
- Facilitate access through flexible/extended opening hours and provisions of safe transportation means
- Provide childcare information and supporting tools to parents, so the center can serve the function as both a physical center and an informational hub

Employers can also collaborate with private/NGO childcare service providers to run childcare centers in the community.

c. Reflect on the pay and incentive structure of employees

The basic pay of low-incoming working class, e.g. those working in the manufacturing sector, is usually a fraction of employees' take-home pay, and they are required to work long hours for overtime payment in order to earn a living wage. As part of the family-friendly policy, companies can reflect on its own pay and incentives structure to determine whether employees are earning adequate wages in reasonable working conditions to allow them to balance their work and childcare responsibilities.

d. Support and advocacy roles of business associations

Business associations can play a supportive and influencing role in promoting employer-supported childcare. First and foremost, they can raise awareness on the laws and regulations related to employers' responsibilities among their member companies. They can also conduct research on current practices in their industries, shared resources and information, and document and promote good company practices.

9.3 Recommendations for Childcare Service Providers

It is important for service providers to be in tune with the needs and demands of employers and employees to effectively tap into this segment of the market and ensure the viability and growth of their business. The following measures could be employed by childcare service providers with respect to the above.

a) Understand the needs of employers and employees

Childcare service providers need to understand the needs of employers and employees if they want to develop partnerships with companies to provide childcare. They will need to be aware of:

- Drivers for employers to support childcare. Each company may have a different reason to (or not to) support childcare. Some employers are driven by compliance requirements, others by their CSR commitment or expected business benefits. Service providers that can gauge the specific needs of companies will be able to provide more appropriate services and use the right instruments to measure impact.
- The need to build trust. Trust of employers and employees derive from the reliability and quality of the services provided. In the absence of industry standards, childcare service providers should invest in its staff, including their training on early childhood development and child safeguarding, and have a quality assurance mechanism in place.
- Needs of working parents. Parents have constraints with regards to working hours and childcare service providers should be prepared to provide extended hours of care. Service providers can also organize summer camps and provide care during school holidays. Some employers may be interested in organizing such activities but lack the expertise and experience to do so; service providers can invite partnering companies to participate in the planning and implementation of those activities.

b) Design marketing materials for employers

Childcare service providers can design marketing materials such as leaflets, brochures and videos to target companies. In-person meetings are useful in pitching the services and clarifying doubt.

c) Create tripartite structure with employers and parents

Regular and formal communications between teachers/caretakers and parents are helpful in tracking the child's development and building trust. For employer-supported childcare initiatives, service providers can include employers' representatives in such meetings as it is an opportunity to develop deeper engagement with employers, give them an opportunity to learn and provide feedback, as well as evolve the services to serve the needs of more employees.

d) Develop a sustainable business model

Childcare service providers should conduct a market analysis and create value propositions for their targeted clients. Providers that serve middle/upper class are in a better position to expand their business, and those serving the lower/middle class have a greater urgency to develop sustainable business models through measures such as funding diversification, product differentiation (e.g. provision of childcare services and meals in the evenings and weekends) and proactive client outreach, etc.

e) Explore collaboration with other childcare service providers

Employees may be scattered in different locations and employers may find it difficult to select the right service providers to serve *all* the needs. When collaborating with others, childcare service providers can enjoy economies of scale in client outreach and service coverage. In the longer term, it will also be conducive to the standardization of curriculum and capacity building of childcare practitioners.

9.4 Recommendations for Government

The Cambodian government can play a triple role in being a regulator, an enabler and a service provider for ECCD. This includes:

a) As a regulator:

The government is instrumental in establishing and monitoring the standards and quality of childcare centers. It can promulgate the **minimum standards of daycare and preschool service providers**, covering all types of operators (government, private, NGOs and company/workplace). Standards should include facility requirements, safety standards, teacher/caretaker quality and age-appropriate teacher/caretaker-child ratio. **Standardization of caretaker training curriculum and accreditation of qualification** can further improve the quality of childcare, and create a viable employment pathway for the practitioners.

The mandate for business to support childcare is clearly stipulated in the Labour Law. The government can **raise awareness on employers' responsibility** through campaigns. As sectors other than garment and footwear are less aware of their legal obligation, such campaigns should be aimed at a broader business audience, potentially in collaboration with different business associations.

The government can also provide **clear guidance on the implementation of the law**, particularly on the definition of a functional daycare, the calculation of childcare allowance and the legal consequence of non-compliance.

b) As an enabler:

The government (the Ministry of Education, Youth and Sport and/or the National Committee on ECCD) can develop a **childcare financing policy** to provide guidance on resource mobilization. The IFC's Tackling Childcare report 2017 presented a number of successful examples of public-private partnerships (PPPs) that can be taken as reference.

One way to create an enabling environment is to provide incentives to reduce the cost of private childcare to make it more affordable, especially for the low-income working class. There is no one-size fits model but generally speaking incentives can be channeled to parents, employers and private service providers. The government can provide **financial or tax benefits to employed parents**; in a low-income country such as Burkina Faso, parents receive a family allowance for up to six children under the age of 15.

To incentivize employers to support childcare, the government can consider **providing tax benefits to employers** that operate *functional* daycare and/or provide other forms of childcare support. In the Dominican Republic, for example, employers who pay for the education of their low-income employees' children aged 0-6 years are eligible for tax deductions.

The government can also **grant private or social business entity childcare providers with tax and/or non-tax benefits**. In Vietnam, for example, the government leases land, provides budget support, and offers preferential interest rates on loans to private childcare centers.

c) As a service provider:

The government should consider providing childcare as one of their social services expansions as outlined in the Decentralization and De-concentration framework (D&D), and allocate resources to establish childcare services or support to local childcare service providers.

There are over 200,000 civil servants across Cambodia, with about 80 percent of them serving in provinces. The quality of public service is partly dependent on the stability and quality of civil servants, and the government could face challenges in recruiting and retaining talents, sometimes in direct competition

with the private sector. The **provision of childcare to civil servants** is one of many ways to attract and motivate employees, especially women.

The Ministry of Women's Affairs became a pioneer in establishing a daycare center in 2018 for its employees' children aged 3 months to 5 years. The model can be replicated and adapted in other ministries at the national and sub-national level to help public sector employees meet their childcare needs. The government can start to assess the needs by collecting the basic data (see recommendation 9.1a), then pilot different models based on that.

10 CASE STUDY

10.1 EXO Travel Cambodia



Destination Management Company, Phnom Penh and Siem Reap

a) COMPANY BACKGROUND

EXO Travel was founded in 1993. It operates in 10 countries in Asia, organizing personalized tours for inbound and outbound tourists. EXO Travel started its operation in Cambodia in 2000, with offices in Phnom Penh and Siem Reap. The company has more than 700 employees at the group level, and there are almost 100 employees in Cambodia, 51 of them are women. Sixty staff are based in Phnom Penh and another 40 based in Siem Reap. The inbound and the operations in Phnom Penh are the biggest departments and are managed by women⁵². There are more female employees working in the sales positions than technical ones.

b) EXO TRAVEL'S BUSINESS CONTEXT FOR SUPPORTING CHILDCARE

EXO Travel focus mostly on inbound travelers coming from Europe and North America. It is a competitive industry; several reputable agents are targeting the same markets and the rising popularity of online booking has increased the competition.

EXO Travel Cambodia's Employee Profile in 2019:

- 51 percent of 100 employees are women
- One-fifth of women employees have children from 0 to 5 years old

EXO Travel supports **employees with children** through:

- On-site childcare center
- Flexible work and leave arrangement
- Support childcare in community

Core Value: Yes We Can & Yes We Care

People are everything and EXO is committed to developing, training, and keeping our people happy and healthy.

People are considered to be valuable assets and sustainability ambassadors to the company, and it has invested in training (annual EXO Academy) and development of its employees. Specifically, employees are trained on different sustainability topics, including responsible tourism.

The turnover rate had increased from 8 percent in 2017 to 23% in 2018, and female employees' turnover is significantly higher than men's (67 percent vs. 37 percent). Among the female employees who resigned, most of them did so after maternity leave as they found it difficult to balance work and childcare responsibilities. The company currently employs 20 mothers with children aged 0 to 5 years old. The company is currently not tracking the number of would-be parents.

The company has a strong commitment towards sustainability. It is certified by Travelife, an international sustainability certification scheme which helps its members to improve their environmental, social and economic impacts cost-effectively. EXO Travel has a dedicated sustainability coordinator in Cambodia to ensure that its Responsible Travel Policy is well understood and implemented.

As one of the indicators of Decent Work, employees' satisfaction should be regularly monitored. EXO Travel conducted a 'Satisfaction at Work' survey in 2018 and included questions on workers' happiness,

⁵² <https://exofoundation.org/wp-content/uploads/2018/01/Sustainability-report-2016-Cambodia.pdf>

salary, personal goal, and career development, among other questions. Seventy-seven percent of the respondents suggested the company to improve the working environment, of which the issue of childcare was raised⁵³. Respondents particularly mentioned that they are sometimes required to work on public holidays because of the business nature, and it is difficult for others to take care of their children.

c) HOW EXO TRAVEL SUPPORTS EMPLOYEES WITH CHILDCARE NEEDS

On-site Children's Center

In response to employees' demand on childcare, the management of EXO Travel decided to set up a children's center in the office. The company rented another floor in their office building in July 2018 and kept one room as a 'Kids' Club'. The company allocated a small budget and asked staff to bring new books and toys to furnish the club.

The purpose of the Kids' Club is to allow mothers or fathers to bring their children to the office when there is no one to take care of them at home or when they are on holidays. It is also a way to minimize employees taking leave to take care of their children. There is no age restriction and there are currently 10 children aged 22 months to 10 years old using the Kids' Club.

On-site Childcare Center Use (as of August 2019)

10 children served, ages 22 months to 10 years old.

20 mothers served (10 percent of Phnom Penh staff)

"We have decided to give it a try (the Kids' Club) as we expand our office. We are willing to listen to our employees and responded to their suggestions from the satisfaction survey. It is still an ongoing process. Even if it is not used by the children on a daily basis, we are happy to have a room like this to provide an alternative to our employees, both women and men. So far everyone finds it beneficial."

Sustainability Coordinator

ECCD Activities

There is no babysitter in the center and parents are expected take turn to take care of the children when they are on their breaks. There are no specific ECCD activities for the children at the moment, but the company organizes an employees' family gathering every Friday evening, and employees can bring their children to have fun in the office. Parents celebrate Kids Day at the office, and all children are invited to play and enjoy snacks

together.

Flexible work and leave arrangement

The company accommodates employees' childcare needs with flexible work and leave arrangement. For example, one female employee's child was sick and requested a two month leave to take care of the child. EXO Travel granted her leave with a full salary, which is not a usual practice in the industry.

On another occasion, a female employee who works on system in the sales department requested to work from home as there was no one to take care of her child. The company evaluated her job nature and decided that it does not require her to be present in the office and agreed to her request. The core value

⁵³ https://exofoundation.org/wp-content/uploads/2019/04/FINAL_2018_Sustainability-Annual-Report_Cambodia.pdf

of the company also contributes to the decision, as EXO Travel believes in team spirit and everyone is expected to share the responsibility and be supportive to other colleagues.

Pregnant employees can take rests at the Kids' Club when they feel tired and receive a bonus between US\$100 and US\$200 for each childbirth.

Support Childcare in Community

Through the EXO Foundation, EXO Travel's philanthropic arm, the company supports various initiatives in child protection, including a project by Improving Cambodia's Society through Skillful Parenting (ICS-SP), a national NGO, to prevent unnecessary child-family separation through positive parenting support. EXO Travel finds the purpose of ICS-SP aligned with its values about the care of children; it therefore provides financial support to them to identify at-risk parents and caretakers and train them on positive parenting⁵⁴.

⁵⁴ <https://exofoundation.org/project/ics-sp-support-skilful-parenting-instead-of-orphanages/>

10.2 Pactics Cambodia

Microfiber Product Manufacturing, Siem Reap

a) COMPANY BACKGROUND

Pactics Cambodia is the Cambodian manufacturing arm of Pactics, a Dutch manufacturer of microfiber products. Pactics started as a 15-person factory in Shanghai, China in 2004. Spurred on by its founding ambitions, Pactics set up a pilot plant with a small team of employees in Siem Reap, Cambodia, in 2010; the plant was then expanded in 2014ⁱ. The Cambodian factory produces high grade microfiber accessories for luxury brands such as Tiffany, Ray-Ban, Oakley, Burberry, and Luxottica Group, the biggest eyewear company in the world. In total, Pactics produces approximately 50 million products each yearⁱⁱ and has a turnover of \$7 million in 2017ⁱⁱⁱ.

The Siem Reap factory employs 500 workers, of who 404 are women (81 percent). Two women hold management positions and there are 10 female supervisors.

b) PACTICS CAMBODIA'S BUSINESS CONTEXT FOR SUPPORTING CHILDCARE

Similar to China, large numbers of young women were migrating from far flung rural areas to work in cities. Instead of establishing a factory in Phnom Penh, Pactics chose to “bring the factory to the people” and set it up in Siem Reap, then a less industrial city. On the one hand, the labor cost is lower because of less competition for workers from other factories, on the other hand, young women can stay closer to their families and have more disposable income.

“Staff make or break your product, when you see them as disposable, you will ultimately fail.”

Owner

The owner of Pactics has a strong commitment towards workers' well-being. Workers receive 44 days of paid holiday a year which consist of 18 days of annual leave and 26 days of public holidays. Moreover, they are supported in further study and training workshops – two of Pactics' factory workers are currently studying engineering at university, funded by the company.

The company currently employs 25 mothers, or 5 percent of its total workforce. In the year when the factory was first established, the company experienced a high turnover of women workers because of their childcare responsibilities, and the company needed to come up with solutions to address the issue.

c) HOW PACTICS CAMBODIA SUPPORTS EMPLOYEES WITH CHILDCARE NEEDS

On-site childcare center

Although currently only a few of the employees are mothers, the company decided to set up a childcare center to strengthen the opportunities for them and attract new talents.



In 2019, **women represented:**

- 81 percent of 474 employees

Pactics Cambodia supports **employees with children** through:

- On-site childcare center
- Partnership with childcare service provider to expand childcare provision
- Childcare subsidies for employees
- Breastfeeding support

Main **business impacts** of offering childcare support:

- Attract and retain workers in a competitive labor market
- Improved productivity of workers with young children

Pactics's childcare center officially opened in October 2014. As of August 2019, the center serves 16 children aged 3 to 12 months from 16 mothers. To assess and anticipate the needs of childcare, Pactics provides the service based on the needs forecast on an annual basis and collect the following data:

1. Number of children who are expected to enroll in on-site childcare center
2. Number of children who are expected to enroll in private daycare
3. Number of children who are expected to enroll in preschool
4. No. of caretakers required for the on-site childcare center'

On-site Childcare Center Use (as of August 2019)

16 children served, ages 3 months to 1 year

16 mothers served (workers/staff)

Pactics has an annual forecast for the potential childcare needs. The company has a record of all the employees' information regarding their maternity start date, delivery date and return date. Moreover, personal information of the children is recorded in a Day Care Application Form for enrollment in the on-site childcare and private childcare. By having the database, the Human Resource Management team will be able to forecast the number of children that will enrolled in the on-site care center, and the number of the children that will move from the on-site facility to a private daycare center when they have reached the age. The data records are being regularly monitored and updated by the lead care takers.

The forecast has been used to plan and propose the expenses needed for the on-site childcare management and recruitment of care takers.

Caregiver Training

- Duration: 5 hours
- Objective: Caregivers will be able to take care of children aged 3 to 12 months
- Methodology: Lecture and practicum under trainer's supervision
- Topic: Child protection policy; safety, hygiene and nutrition; stages and milestones of child development; practical ideas on childcare, gross/fine motor activities, music and arts; use of toys and other resources

Pactics employed six caretakers, including a lead caretaker. They were recruited through public announcement and were required to be able to read Khmer and have at least one year of childcare experience; experience working in childcare center was considered as advantageous. The company took reference of the practices of various private childcare centers in Siem Reap when deciding on the caretaker to children ratio. Ratio of private service providers is 1 caretaker to 3 children, whereas the ratio in Pactics's childcare center is approximately 1 to 4. All caretakers received training from Tree House International School on pedagogical skills.

ECCD Activities

At the beginning, women were reluctant to bring their children to the new childcare center because of trust issues, as they are not used to having strangers take care of their children. Monthly meetings between caretakers, mothers, and HR staff are held to discuss child development (e.g. every child's weight and height is recorded on a monthly basis) and challenges; these frequent contacts are conducive in building trust and confidence, not only towards the center but also towards the caretakers. Workers who place their children in the childcare center are required to take turns to clean the facility.

In anticipation of increasing childcare needs, especially among the 1 to 3 year age group, Pactics is planning to build a new childcare center within the factory's premises. The use of an on-site childcare center is free as of the time of this study, but the company is considering charging workers with children aged 1 to 3 years old a fee when they expand the childcare services.

Partnership with childcare service provider to expand childcare provision

Angkor Kids Club Use (as of August 2019)

11 children served

Pactics has signed a contract with Angkor Kids Club, a private institution founded in 2017 to provide daycare service and preschool to children aged 3 months to 6 years old (daycare: 3 months to 2 years old; preschool: 2 - 6 years old). As of August 2019, 11 children of Pactics's workers were enrolled in Angkor Kids Club, constituting about 12 percent of the total number of children enrolled in the center (90).

Under the agreement between Pactics and Angkor Kids Club, children of Pactics' workers aged 1 to 6 years old who attend the center can enjoy a 33 percent subsidy from Pactics, equivalent to US\$20 per month. Employees are responsible to pay for the admin and enrollment fee (US\$100) but Pactics has negotiated a discount for its employees.

Childcare subsidies for employees

Pactics provide free daycare for all employees' children between three months of age up until 12 months, and after that the company subsidize 33 percent (US\$20 a month) for all employees' childcare.

Support for breastfeeding mothers

The on-site childcare center provides a clean and private space for mothers to breastfeed their children. New mothers can take 1 hour per day to breastfeed on-site. Mothers who use the facility are required to record their usage in a logbook; as of August 2019, 16 female employees have been using the facility. Pactics holds literacy classes for all workers and all of them are expected to have basic literacy and numeracy.

BUSINESS IMPACT OF CHILDCARE SUPPORT

Pactics has not done any cost and benefit analysis so far. Siem Reap is a tourist center and it is difficult to find workers who want to work in a factory, even more so to find those who have the right skills, e.g. sewing. It is expected that benefits such as childcare can attract more talents.

10.3 Grandis Timber Cambodia

Grandis's products include hardwood, such as teak (70%), mahogany, eucalyptus, sugarcane and raising cattle to complement the hardwood business.

Commercial Reforestation

a) COMPANY BACKGROUND

Grandis Timber started its business in 2009. By 2016, Grandis Timber had acquired 7,896 ha of land with a 50-year contract in Kampong Speu Province.

The company is committed to sustainable production of forestry products and has a dedicated sustainability department to take care of its environmental and social responsibility initiatives. Childcare services for its employees is managed by this department.

b) GRANDIS TIMBER'S BUSINESS CONTEXT FOR SUPPORTING CHILDCARE

Plantation work is seasonal in nature. During the peak season (e.g. harvesting time), the company needs to find more labor to do the work. It has become increasingly difficult for Grandis Timber to hire male adults as most of them have migrated to work elsewhere. As a result, all of the seasonal workers are women.

Prakas 106/04 on the Prohibition of Hazardous Child Labour lists 38 types of hazardous work that may jeopardise a child's health, security, or morals, including:

- Handling pesticides and herbicides
- Lifting heavy loads
- Logging
- Under conditions of excessive heat, cold, vibration, sound and abnormal lighting that could pose risks

The female seasonal workers commute daily from surrounding villages to the plantations. As per Cambodian tradition, women play a key role in taking care of children, and these workers usually bring their children along to the plantations.

There are many hazardous processes in plantations and children who accompanied their mothers may end up helping. Moreover, women are less motivated to come to work if there is no place for their children in the worksite. Thirty-nine out of 95 seasonal workers in the plantations have children under 6. Grandis Timber has not done any need assessment on childcare.

Employees of Grandis Timber are more than 80% female:

Nursery: 15 seasonal workers (13 women)

Plantation: 43 permanent employees (4 women); 80 seasonal workers (all women)

Grandis Timber supports **employees with children** through:

- On-site childcare center near the plantation for employees and community members
- Flexible hours for parent employees

Main **business impacts** of offering childcare support:

- Retain workers for at least 2 years
- Decrease the risks of children in hazardous plantation environment

c) HOW GRANDIS SUPPORTS EMPLOYEES WITH CHILDCARE NEEDS

On-site daycare center

Grandis Timber used to operate two tree nurseries in different areas. At each tree nursery, a daycare center was built to take care of children of workers and community members who did not work for the company. Both centers are currently not in use.

In 2018, Grandis Timber opened a daycare in its site office in Kampong Speu province. The company bought a building next to its nursery department and children of workers and non-workers are welcome. Grandis promotes the daycare center during work meetings with seasonal workers.

All children under six years old are eligible to be admitted. As of August 2019, there were 19 children, aged from 2 to 6 years old, using the service; 10 percent of them are children from the community (non-workers). There are two caretakers and the caretaker-to-child ratio is about 1 to 9. The opening hours of the center is from 6am to 5pm, whereas the working hours is from 7am and 5pm.

The daycare center is equipped with the following:

- Study materials
- Toys and playground
- Personal hygiene items

The center serves meals and organizes learning activities following a lesson plan, e.g. singing, story-telling and etiquette. Grandis is planning to develop standards for its childcare activities, including a proper curriculum.

After the child turns 6 years old, parents are encouraged to send their children to nearby public schools.

Challenges in accessibility remain. Some parents do not want to bring their children to the center because of the inconvenience of commuting. The average distance from workers' homes to the facility is about 25 km, and parents will need to take their children with them on motorbikes. Grandis provides a fixed transportation allowance to all workers regardless of their distance to work. The company is considering to collaborate with other plantation companies in the same areas, as it could drive down the operating cost of the daycare center.

Grandis on-site daycare center:

- 19 children served
- Provides service for all staffs/workers and mothers in the community
- Currently serving children from 2 – 6 years old
- About 50 percent of seasonable workers with children under 6 are using the center

BUSINESS IMPACT OF CHILDCARE SUPPORT

Grandis has not conducted any analysis on the business impact of childcare provisions. It is expected that such a service helps to retain seasonal workers and motivate them to work, as they are less distracted by their children in the work sites. It also helps to mitigate the risk of child labor, which is a major compliance and reputational concern.

“Our daycare center can attract mothers to work for us. If they put the children in the center, we might retain them for at least 2 years.”

CEO

ⁱ See Pactics Cambodia <https://www.pactics.com/our-company/>

ⁱⁱ <https://southeastasiaglobe.com/founder-siem-reaps-pactics-factory-pays-pay/>

ⁱⁱⁱ <https://www.reuters.com/article/us-cambodia-socialenterprise-textiles-fe/the-cambodian-textile-factory-that-craves-normal-idUSKCN1N702L>