



Ministry of Labour and Vocational Training

The Implications of Cambodia's LDC Graduation on Productivity and Skills

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11th December 2024



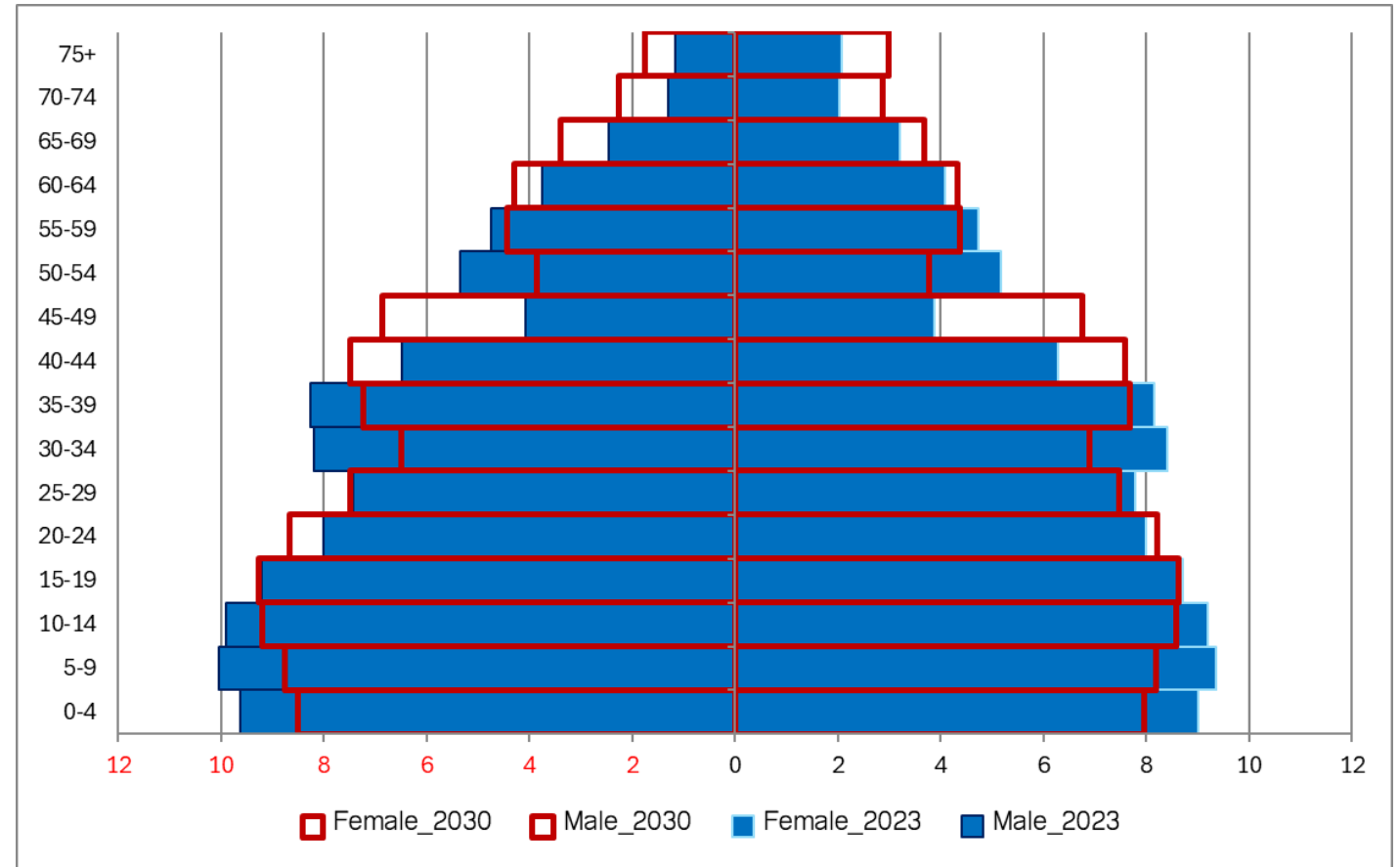
Labour Force and Skills Landscape



Cambodia is Currently Benefiting from Demographic Dividends

- **With young population, Cambodia has opportunities for promoting socio-economic development over the next three decades**
- **This is reflected in the percentage of young people under 34 years, which was 64.6% in 2023.**

Population Structure in 2023 and 2030 (% of total population)

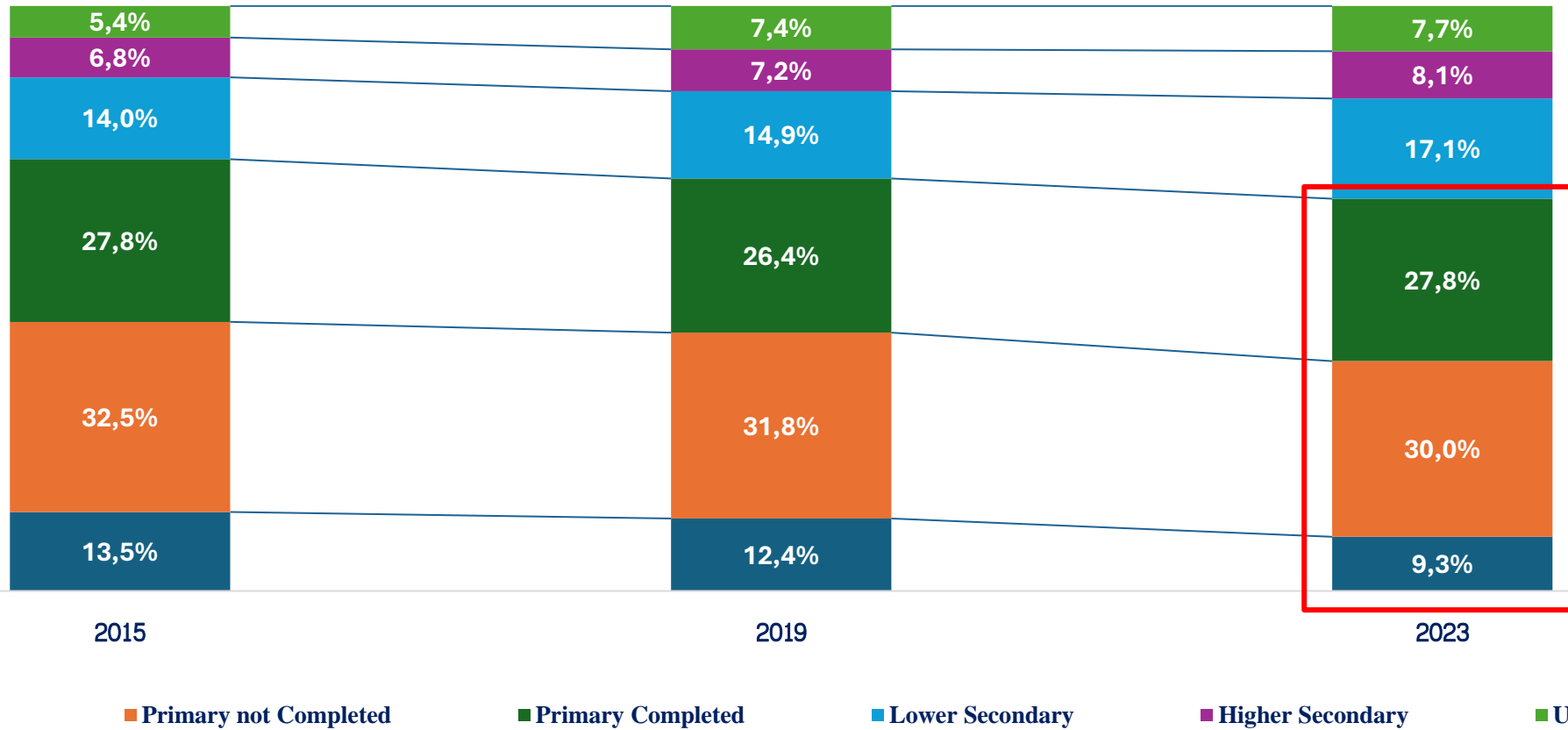


Source: World Population Prospects of the United Nations, Retrieved on Jan 2nd, 2024



Despite Good Progress, an Estimated 9.43 Million Working-age Population (15-64 years old) Have a Level of Education Lower than Secondary School

Labour Force (Aged 15-64) by Education Level, 2015 - 2023

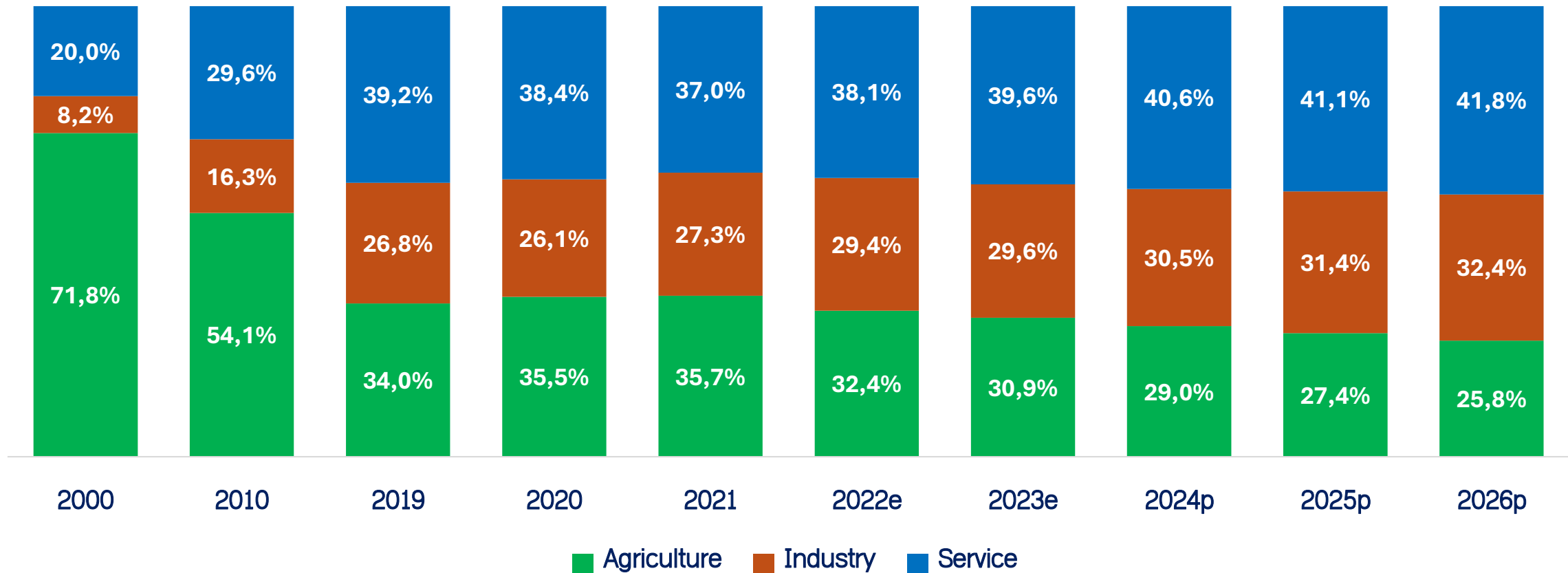


Source: Cambodia Socio-Economic Survey (2015, 2019/20) & MLVT



Structural Shift: Declining Agriculture Jobs, Rising Jobs in Industry and Services

Share of Employment by Sectors (Aged 15-64), 2000 – 2026p



Source: National Institute of Statistics, and the Projection by MLVT



...Highlighting the Need for Targeted Skills Development to Align with Emerging Economic Demands

The Estimation of Average Annual Employment Growth Rate 2024-2026 by Occupations

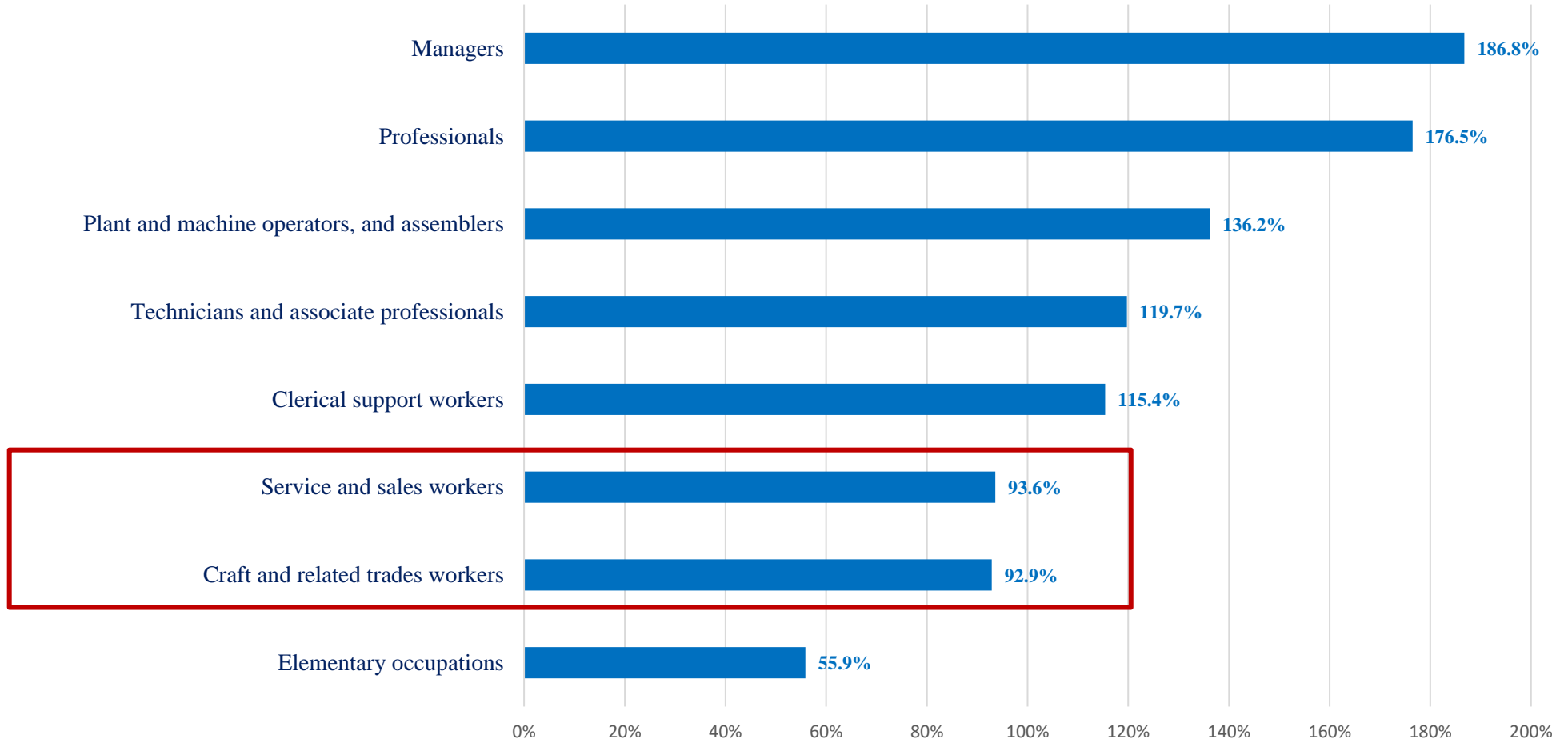
Occupation	% of Total Employment 2023	Employment Growth Rate	Employment/Year
Skill level 3 &4 : High { Managers	1.1%	3.4%	3,796
Professional	3.5%	2.5%	8,554
Technicians and associate professional	2.3%	3.4%	8,027
Skill level 2: Medium { Clerical support workers	3.6%	3.5%	12,375
Service and sales workers	21.3%	5.1%	109,464
Skilled agricultural, forestry and fishery workers	26.3%	-3.6%	-84,233
Craft and related trades workers	25.7%	5.2%	137,225
Plant and machine operators, and assemblers	4.7%	4.4%	20,686
Skill level 1: Low { Elementary occupations	11.5%	1.7%	18,747
Total	100.0%	2.5%	234,641

Note: Skill level 1: primary level, Skill level 2: from lower secondary to post-secondary, Skill level 3: first stage of tertiary, Skill level 4: first and second stage of tertiary education
 Source: MLVT's calculation based on CSES of NIS



Higher-skilled Roles Showing the Greatest Percentage Growth in Average Monthly Earning, While Medium-skilled Roles Exhibit Relatively Moderate Growth

Average Monthly Earnings of Employees by Occupation in 2021 Compared to 2012 (in %)



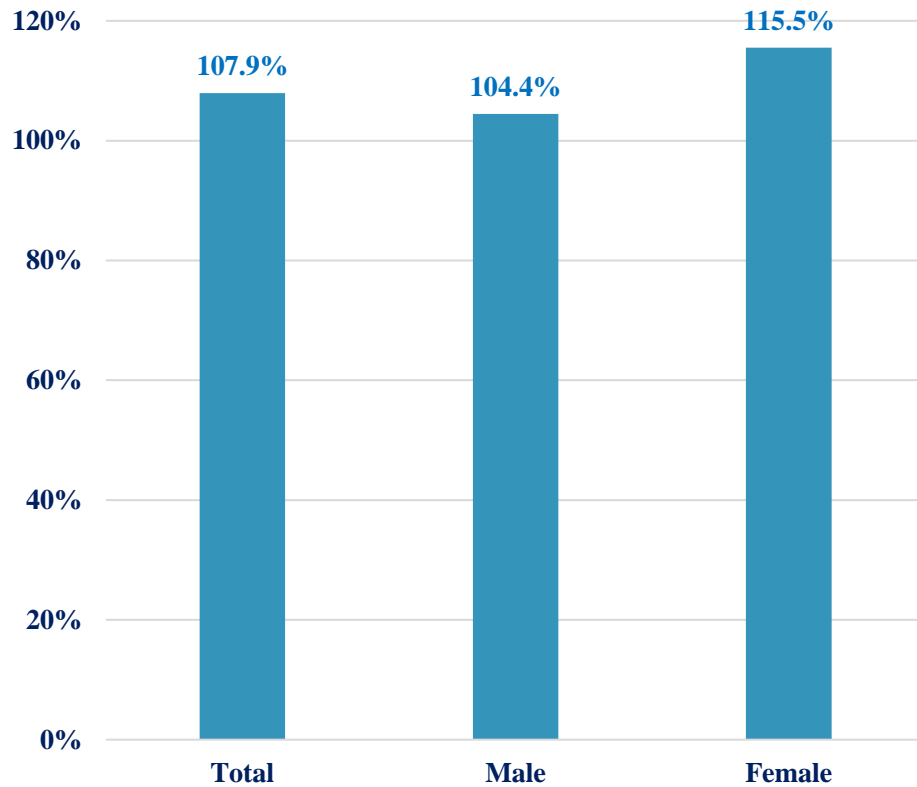
Skill level 2: Medium

Source: MLVT's calculation based on CSES of NIS



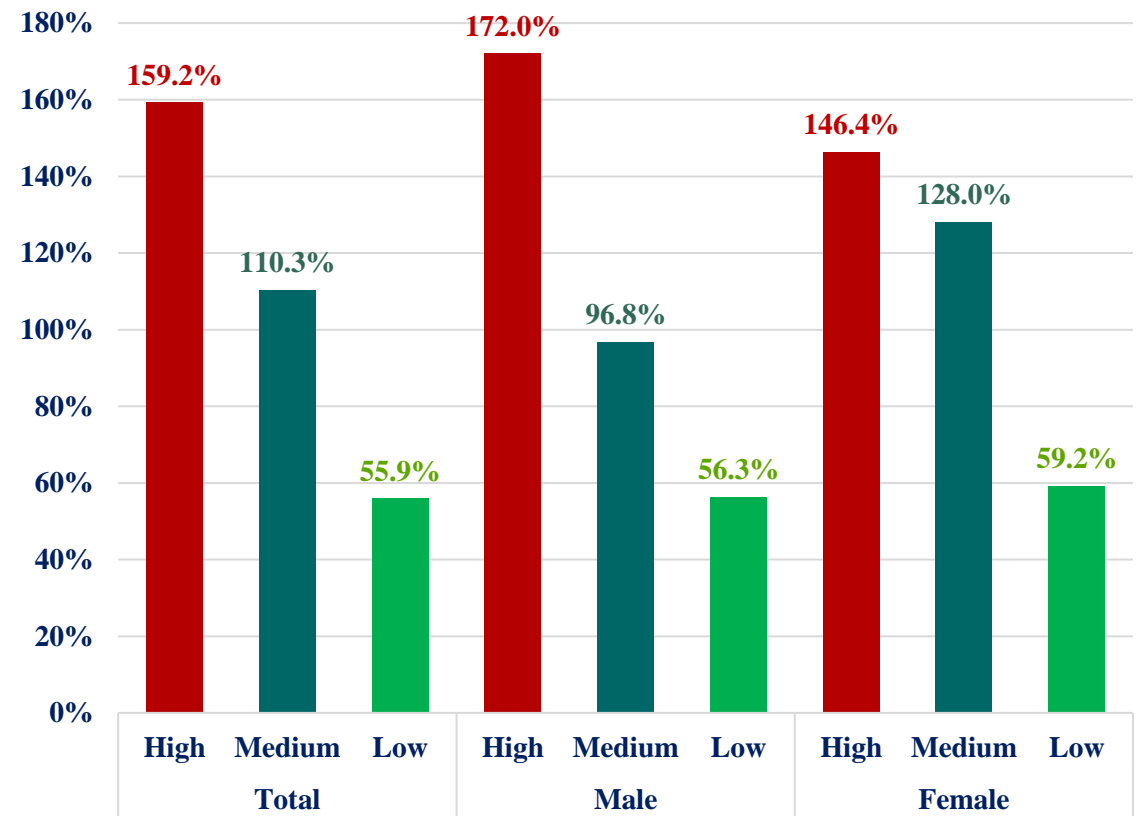
Higher-skilled Roles Showing the Greatest Percentage Growth in Average Monthly Earning, While Medium-skilled Roles Exhibit Relatively Moderate Growth (Con't)

Average Monthly Earnings of Employees by Sex in 2021 Compared to 2012



Source: MLVT's calculation based on CSES of NIS

Different of Average Monthly Earnings of Employees by Sex and Skills Levels in 2021 Compared to 2012

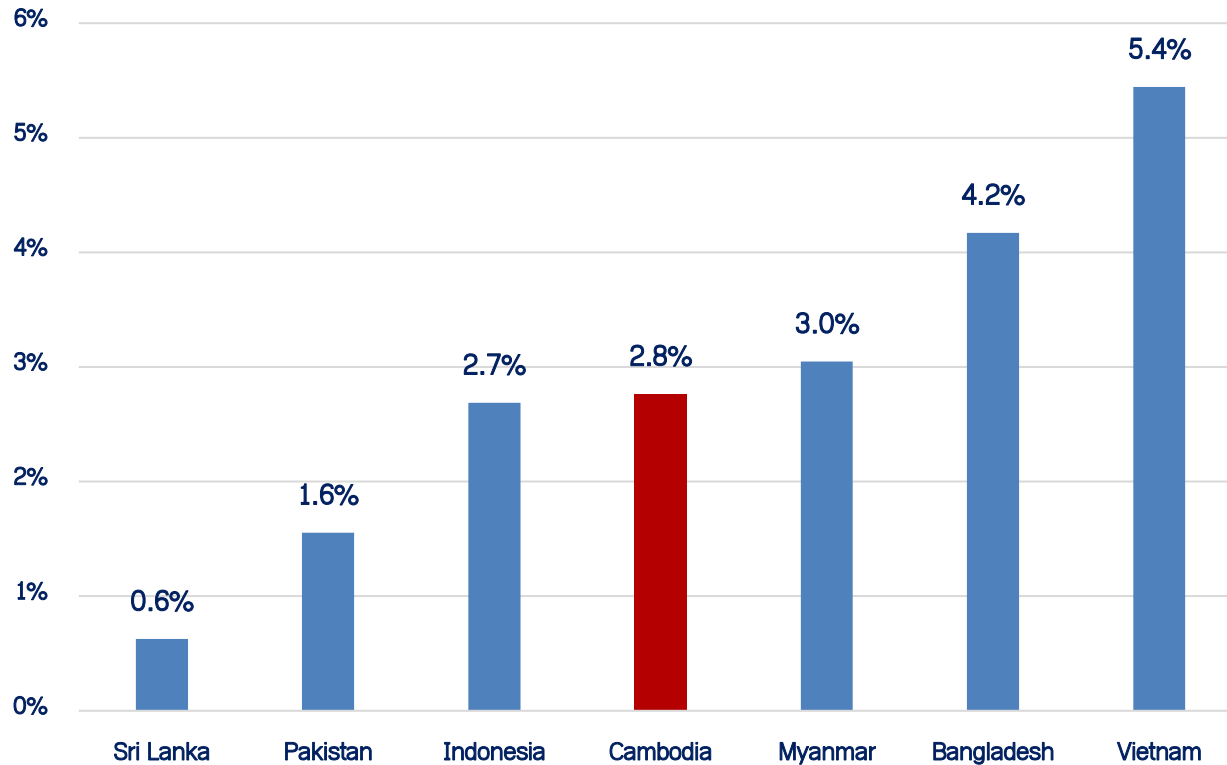


Source: MLVT's calculation based on CSES of NIS



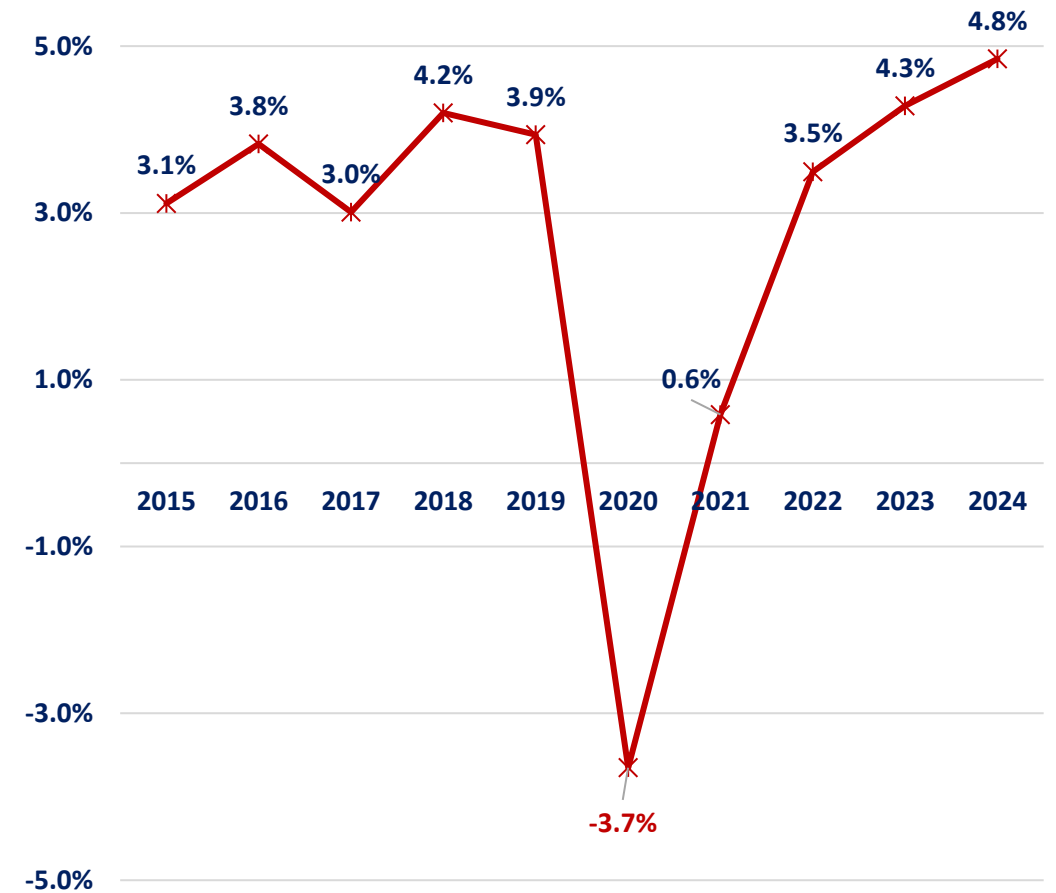
Despite Experiencing Continuous Growth, Cambodia's Labour Productivity Appears Lower than That of Some Countries

Output per worker growth rate, aggregated all sectors 2015-2024 in selected countries (%)



Note: Output per worker (GDP constant 2017 international \$ at PPP)
Source: ILO's estimates, ILOSTAT, accessed on 1st December 2024

Output per worker growth rate, aggregated all sectors, 2015-2024 in Cambodia (%)





Productivity Is Notable Gains in Industry with Slower Gain for Service between 2017-2021

Productivity Growth Rate by Economic Activities, 1997 - 2021p

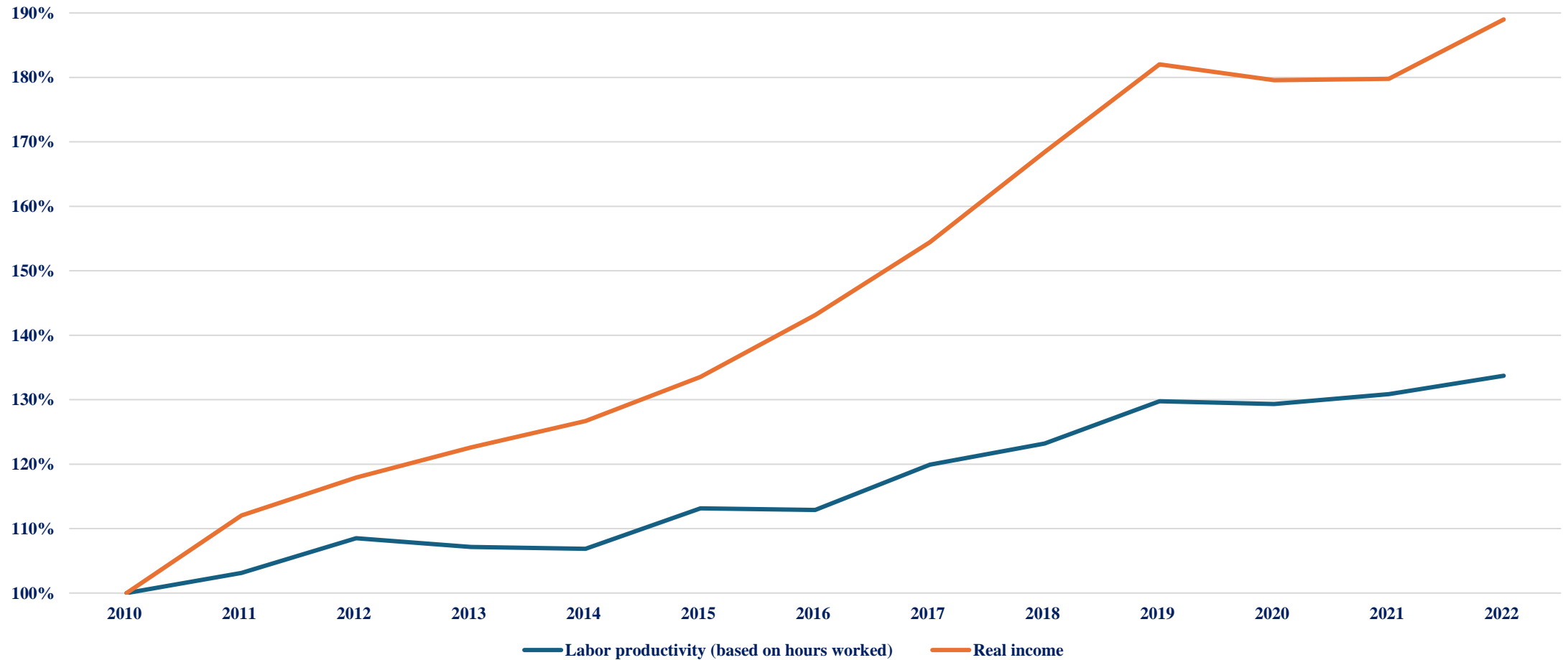
Economic Activities	1997-2001	2002-2006	2007-2011	2012-2016	2017-2021
Agriculture	0.9%	4.7%	2.3%	8.4%	1.7%
Industry	3.6%	3.6%	-2.9%	<u>-1.4%</u>	<u>5.6%</u>
<i>Mining</i>	2.4%	20.5%	1.5%	25.1%	8.9%
<i>Manufacturing</i>	5.7%	3.3%	-1.4%	<u>-1.3%</u>	<u>4.3%</u>
<i>Construction</i>	2.2%	1.5%	2.4%	<u>-10.0%</u>	<u>1.9%</u>
<i>Utilities</i>	-6.5%	-1.1%	-10.4%	15.2%	5.9%
Service	1.7%	2.1%	2.6%	-0.1%	0.8%
<i>Trade</i>	-2.5%	-3.0%	5.9%	3.7%	1.7%
<i>Hotel & Restaurants</i>	2.8%	2.5%	-4.8%	<u>-7.4%</u>	<u>-10.0%</u>
<i>Transport & Communications</i>	-3.8%	-2.4%	4.7%	-1.6%	5.6%
<i>Public administration</i>	-0.4%	-2.7%	7.6%	-2.2%	8.1%
<i>Real estate & Business</i>	6.6%	-1.5%	-19.4%	-0.8%	2.5%
<i>Other services</i>	8.1%	11.5%	7.4%	-2.5%	-0.5%

Source: Author's Estimation based on National Account Database, 2022 and Employment Projection by the Ministry of Labour and Vocational Training, 2022



Yet, Real Income/Wage Growth Have Exceeded Labor Productivity Growth: Lead to Reduce Competitiveness While Cambodia Is in Transition of LDC Graduation

Labour Productivity and Real Income (Index, 2010 = 100)



Source: APO's Database, accessed on 1st December 2024



Implication of LDC Graduation



The Implication of LDC Graduation

Loss of Trade Preferences and Economic Adjustments

The lose of access to LDC-specific trade preferences, Cambodia will face increased competition from other emerging economies and developed countries.

Creates pressure to enhance productivity to remain competitive in global markets with higher tariffs and stricter rules of origin.

Transition to Higher-Value Industries

A shift away from low-value, labor-intensive sectors toward higher-value, technology-driven industries (e.g., electronics, digital services, and green technologies).

A workforce with advanced technical and vocational skills will be critical to support industrial diversification. Digital literacy and STEM are needed.

Reduction in Development Assistance

A decline in official development assistance (ODA) and concessional financing, which could impact funding for productivity-enhancing projects and skills development programs.

The government and private sector must invest more in education, training, and human capital development without reliance on external funding.

Pressure to Improve Institutional and Workforce Efficiency

Institutional reforms will be needed to create a conducive environment for productivity and skill enhancement, including better labor policies and governance.

Strengthening institutions such as TVET institutions and universities will be crucial to produce industry-ready graduates.

Socioeconomic Challenges and Labor Market Adjustments

Economic restructuring could lead to temporary displacement of workers in low-skill, low-productivity sectors.

ALMPs will be needed to reskill and redeploy workers into emerging sectors. Social safety nets and inclusive training programs can support vulnerable groups.

FDI Attraction Through Productivity and Skill Development

Attract FDI will depend on the availability of a skilled and productive workforce.

Aligning workforce skills with investor needs will be crucial to create a competitive investment climate. PPP can play a vital role in skill-building initiatives.



Policy Responses



Pentagonal Strategy Phase I: Focus on Education and Training Reform and Building Quality Human Capital

Side 2 of the Pentagon 1 on Human Capital Development: Technical Skills Training

1

Strengthening governances' system, and governances of technical and vocational education and training (TVET) institutions

4

Promoting and strengthening upskilling programs; expanding skills training, reskilling, and skill recognition testing program, promoting research, innovation, and practical techniques

2

Continuing to improve the teacher's capacity and qualification

5

Establishing loans mechanism for students to encourage the acquisitions of technical and vocational skills

3

Strengthening the quality of technical and vocational skills through the full implementation of training programs based on capacity and industrial needs

6

Continuing to strengthen public-private partnership, promoting regular dialogues between public and private sectors, development partners, and mobilizing funds to support R&D.



Pentagonal Strategy Phase I: Create More Jobs, Both in Quantity and Quality

Side 1 of the Pentagon 3 on Development of Private Sector and Employment: Development of Labour Market

1. Developing additional investment planning, M&E mechanisms for training institutions and modernizing supportive infrastructures

2. Continuing to create job opportunities, expanding employment-seeking services, and career counselling and guidance; continuing to organize job fairs and assigning lead trainers and career focal persons

3. Strengthening the compliance and efficiency of the management of foreign labour in accordance with international standards, establishing mechanisms for skills transfers to Cambodian youth

4. Continuing to strengthen the implementation of apprenticeship obligations including apprenticeship programs, internships, upskilling and reskilling, to enhance work productivity

5. Continuing to strengthen quality and efficiency of labour inspection, professionalizing labour inspectors, and providing a boost for and strengthening inter-institutional inspection mechanisms.

6. Continuing to improve the living standards of workers, continuing to raise the minimum wage and other benefits

7. Continuing to improve occupational safety and health, introducing occupational safety and health laws, improving the quality of transport, and promoting affordable nurseries, accommodation and canteens

8. Continuing to strengthen the harmonization of industrial relations; strengthening labour dispute resolution mechanisms

9. Continuing to expand labour market abroad; preventing illegal Cambodian labour migration



Pentagonal Strategy Phase I: TVET and Social Protection Are Top Priority

Pentagonal Strategy-Phase I also Sets High Priority and Urgency

**Expanding healthcare services
towards achieving universal health
coverage**

**Providing vocational and technical
training for the youth from poor
and venerable households
nationwide**



The Government Is Pro-active in Planning and Aligning National Policies and Strategies to Ensure a Smooth Transition and Readiness for Cambodia's Graduation from LDC Status





Thank you!