From Diagnosis to Policy

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Country Context

LMIC with a heavy dependence on FDI and exports

- GDP growth = 7.7% annually (2000-2015)
- Per capita GDP increased fivefold during 1993-2017, Cambodia is now a LMIC
- Poverty declined from 50.2% to 17.7% during 2004-2012
- Exports of good and services – textiles & tourism – grew by 20% annually during 2000-2015
- Interrupted structural transformation; industry continues to increase

Job quality is the challenge for the small and growing labor force

- Nearly 8 million jobs, increase by 135k annually
- 80% of adults are working (76% of women) v. 62% in EAP
- Unemployment <2%
- 94 percent of jobs are in low-skilled occupations; 72% in informal jobs

Distribution of jobs by type

- Family farmers: 38%
- HH enterprise owners: 17%
- Employees, informal: 17%
- Employees, formal, FDI: 15%
- Employees, formal, domestic: 8%
- Public sector: 5%

Source: CSES, 2016
4 Key Jobs Problems

1. FDI & Exports
Concentration in low-value segments of value chains, rising labor costs, and mega-trends may threaten the quality job creation through the foreign sector, with especially negative consequences for young women.

2. Domestic firms
Constraints to productivity growth and an unbalanced playing field limit the growth (employment and profits) of domestic household enterprises and SMEs.

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**Mean value added of exports, by country**

![Graph showing mean value added of exports by country](image)

Source: Author's calculations based on data from UNCOMTRADE, the World Bank's Business Environment and Enterprise Performance Surveys, and Shirotori et al. (2010)

**Number of workers in a firm that has been operating at least 5 years**

![Graph showing number of workers in firms](image)

Source: Author's calculations for Cambodia. Hsieh and Klenow (2014) for India, Mexico and USA
3. Linkages
The poorly performing domestic sector results in weak linkages between exporting firms, domestic firms, and household enterprises thus limiting job creation and job upgrading.

4. Human resources
Workers are low-skilled and faced with an inadequate skills-development system, constraining productivity & wages.

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**Percent of supplies and inputs locally sourced by garment firms**

- Bangladesh 2013, 60%
- Cambodia 2012, 80%
- India 2013, 70%
- Indonesia 2013, 50%
- Pakistan 2013, 30%
- Vietnam 2013, 40%

Source: Derived from WB Enterprise Surveys

**Return to education, by years completed**

- Year of schooling: 0-2, 3-5, 6-8, 9-12, College

Source: Author's calculations using CSES 2014

**Share of employers unhappy with the skill level of the labor force**

- Vietnam, 25%
- Myanmar, 20%
- Philippines, 15%
- Indonesia, 10%
- Bangladesh, 5%
- Sri Lanka, 25%
- Cambodia, 15%
- Lao PDR, 20%

Source: Derived from CSES 2016
Source: Derived from WB Enterprise Surveys
Strategies

- Principles
  - Few
  - Simple
  - Unified story
  - Data driven

- Process
  - team debate
  - government & stakeholder consultations
  - On-going country-priorities (action plan)
  - Actionable areas

7 Policies for More and Better Jobs

Domestic Economy
- Boost Household Enterprise Productivity
- Support Small and Medium Enterprise Expansion
- Ensure Efficient Labor Mobility

Export Sector
- Enhance Skills Development
- Strengthen Linkages Between Exporters and Domestic Firms

Domestic Sector
- Though small, domestic firms are numerous and could create more jobs

Linkages
- Workers benefit when cooperation increases between the export and domestic sectors

Labor Force
- Cambodian workers need to upgrade their skills to compete for the best jobs

Macroeconomic Stability
Conclusions

• The standard analysis – macro, demand, supply – resulted in a somewhat different policy mix

• Important to look at the past (FDI & X were drivers of jobs) and toward the future (mega-trends)

• Go heavy on “not obvious” (firms) first and then present the “obvious” (labor) after

• Hard to narrow it down – it is a time investment