

# BIPO TIMES



## Understanding Cambodia's Labour Law

### Kingdom of Cambodia

With an open market economy, Cambodia has experienced vast economic growth over the last decade.

The two largest industries are textiles and tourism, while agriculture remains the main source of income for many living in the rural areas.

The garment industry represents the largest portion of the country's manufacturing sector and accounts for 80% of exports.

### 1. Overview

- a. The Cambodian Labour Law is designed to protect employees and all employees are entitled to at least the minimum benefits set out in the Labour Law and its implementing Regulations.
- b. Cambodian Labour Law comes from various sources :

The Constitution	The Labour Law	Regulations of the Royal Government (Sub-decrees) and the Ministry in charge of Labour (Prakas, Circulars and Notices)	International Labour Standards of the ILO
Collective Bargaining Agreements	Employment Contracts, and	Employers' Internal Regulations	

**Capital**  
Phnom Penh

**Population**  
15.2 mil  
as at 2019 est

Cambodia

**Currency**  
Cambodian Riel KHR

**GDP Per Capita**  
USD4,645  
PPP, 2019 est

- c. All employees are required to pass a medical check by the Department of Labour Medical Unit. The employer is required to pay for this medical check.
- d. The minimum allowable age for regular employment is 15.

## 2. Employment Contracts

- a. Subject to common law, the employment contract establishes working relations between the worker and the employer, agreed upon by contracting parties :
  - Employment contracts can be written or oral.
  - Employment contracts may be of definite (fixed term) or indefinite period.
  - Fixed term contracts must be in writing while indefinite contract may be concluded verbally.
  - The Labour Law applies to most people who have employment contracts to carry out work in Cambodia.
  - The Labour Law does not generally apply to household employees (unless otherwise expressly stated in the Law) and people permanently employed by the state (such as civil servants, judges, and members of the police, army and military police).
- b. Employment contracts must contain a description of the following :
  - Wages
  - Working hours
  - Other working conditions (i.e. wage, hours or work, night work, weekly rest, paid annual leave, public holidays, and special leave).

## 3. Fixed Term Contracts

- a. A contract is a fixed term contract if :
  - it is written
  - duration is not longer than 2 years
  - and has a precise starting and end date
- b. A fixed term contract may be renewed more than once, however the total duration (including renewals) cannot exceed 2 years.
- c. A fixed duration contract may have an unspecified end date if it is concluded for the following reasons :
  - replacing a worker who is temporarily absent;
  - for work carried out during a season and
  - occasional periods of extra work or non-customary activity of the enterprise
- d. Such contracts are deemed to have expired under the following circumstances :
  - expires on the return of temporarily absent employee
  - end of the season and
  - end of the occasional periods of extra work or non-customary activity of the organisation
- e. Contracts of daily or hourly workers who are hired for a short-term jobs and are paid at the end of the day, the week or fortnight, are considered to be contracts of fixed duration with an unspecified date.
- f. The contracts without a precise end date can be renewed as many times as possible until the objective condition (for signing them at the first place) remains.
- g. A fixed duration contract must be in writing otherwise it is considered a contract of indefinite duration. If a fixed term contract is signed for a period of less than two years, however the worker continues to work after the end of that fixed period, then the employment contract is changed into a contract of indefinite duration.

## 4. Probation Period

- a. Employers may set out a probationary period of up to 3 months at the start at the start of the employment contract.
- b. The maximum duration of probationary period as specified by the law is:
  - 3 months for regular employees;
  - 2 months for specialized workers; and
  - 1 month for non-specialized workers (unskilled workers).
- c. During the probationary period, employers must cover the travelling cost of the workers employed far from their residence. An employment contract can be terminated by either of the parties without giving any notice during the probationary period.

## 5. Minimum Wages

- a. In accordance with the provisions of the Labour Code 1997, workers' salaries must at least be equal to the minimum wage, which may vary according to region.
- b. Minimum wage for piece-rate employees in the garment, textile and footwear industries is also the same as regular employees. In the event this is less than the above referred minimum wage, employers must add the remaining amount to make it equivalent to the minimum wage.
- c. Employers may be fined up to KHR40,000,000 for failure to provide a minimum wage. If payment is lower than the specified minimum wage, employers are required to pay back the full amount to such workers, as well as the interest at a rate applicable by law.
- d. Employers who fail to pay wages at least equal to the guaranteed minimum wage are liable to a fine of 61-90 days of base daily wage or subject to imprisonment for between six days and one month.
- e. The daily base wage is the minimum wage set by the government by ministerial order. Joint Prakas No. 659 specifies such daily base wage as 40,000 riels.

### Minimum Wage - Cambodia

- Valid in November 2020
- Minimum wage with effect from January 1, 2019
- The amounts are in Kampuchean Riel

### Textile, Garment and Footwear Sectors

	Per month
Probationary worker	KHR709,947.00
Regular employee	KHR730,002.00

Note:

- Workers paid based on performance will also be guaranteed the new minimum wage, or more to reflect their productivity (as it is currently the situation).
- An attendance allowance is for those who have been showing up for work, and are punctual and have not taken any unauthorized leave.

## 6. Seniority Bonus

- a. Workers are also entitled to seniority bonus after first year of service, ranging from USD2-11 per month, equal to the year of service except those who have seniority beyond 11 years, they receive seniority bonus of the 11th year, i.e., USD11 per month.
- b. Other bonuses include attendance bonus, health care allowance, and housing/transportation allowance.

## 7. How Wages are Paid

From January 2019, based on Prakas 042/18, workers/ employees get payments twice per month, i.e. the first payment shall be made in the 2nd week and the second payment shall be made in the 4th week of each month in accordance with :

- The first time should be 50% of the net wage per one month, and
- The second is the remaining net wage, other remunerations and benefits that the workers/ employees have received in each month.

## 8. Overtime

Normal working hours are 8 hours a day and 48 hours a week. If workers are required to work overtime, the total working hours, inclusive of overtime, must not exceed ten (10) hours per day, except for a case of preventing a disaster or repairing damage caused by a disaster.

- a. Overtime must be exceptional and urgent

Overtime is only allowed for exceptional and urgent work.

- b. Overtime must be voluntary

- Employees must be allowed to choose to work overtime or not.
- Employers must not impose any penalty on an employee who chooses not to work overtime.

- c. Permission for overtime is required from the Ministry in charge of Labour Employers

According to overtime authorization letters issued by the Ministry in charge of Labour, overtime is usually limited to 2 hours per day.

Employees must be paid extra for working overtime.

The table below sets out the rates.

Time of work	Rate
Overtime on Monday to Saturday(not worked at night)	150%
Overtime on Monday to Saturday (worked at night,22:00 - 05:00)	200%
Sundays	200%
Public Holidays	200%(normal pay+ extra 100%)

d. Night Work Compensation

- Deemed to be a period of at least 11 consecutive hours, including from 22:00 to 05:00 of the following day.
- Paid at a premium rate of 130% of the normal hourly salary paid during the day.
- If the night work is performed as overtime, it is paid at 200% of the normal wage rate during the day.
- Employers are required to provide the night workers with sleeping place or otherwise provide them with the transportation when they finish work at night.

## 9. Public Holidays, Leave & Other Benefits

a. Paid Public Holidays

If a public holiday falls on a Sunday, employees can take the following Monday off. Time off for public holidays does not interrupt the length of service (seniority) or reduce paid annual leave. Employers must pay employees their normal wages for public holidays. Employers who run businesses that cannot stop operating on public holidays may ask employees to work on these days. This work must be voluntary. An employer must pay employees their regular wage plus 100% for working on a public holiday. This means that they get one extra day’s pay on top of their normal pay.

b. Paid Annual Leave

All employees have the right to take paid annual leave. Full-time employees receive 1.5 days of annual leave a month, equivalent to 18 days per year. Employees working less than 48 hours per week get leave on a pro-rata basis. For example, if an employee works half of regular working hours they get 0.75 days of annual leave a month.

c. Extra Leave for Long Service

Employers must give employees one extra day of leave in every 3 years of continuous service without limitation.

Years of service	Days of leave pre year
1 - 3	18
1 - 3	19
7 - 9	20
every 3 years	add one more day

d. Special Leave

Employees may ask for up to seven days special leave for personal reasons :

- the employee is getting married;
- the employee’s wife gives birth;
- the employee’s child is getting married; or
- the employee’s husband, wife, children or parents have died or are ill.

If employees have not already used their annual leave, their employer may deduct special leave from the remaining annual leave for that year. If the employees have no annual leave, the employer may require them to work to make up for their special leave. But there are also some restrictions on this – for example the total working hours must not exceed 10 hours per day or 54 hours per week. That means workers can only work-additional hours up to 6 hours per week with regular pay.

e. Sick Leave

Paid sick leave must be provided for by employers :

- Sick leave with a medical certificate
  - An employer must give an employee sick leave for up to 6 months if an employee:
    - is absent from work because of illness; and
    - has a certificate from a qualified doctor.
- An employer may dismiss an employee if the employee is on sick leave for more than 6 months.

f. Payment during Sick Leave

- Although the law does not require paid sick leave, however, following the policy of the Ministry in charge of Labour, employers should consider providing paid sick leave to workers follow its internal regulations.
- Employees are entitled to sick leave benefits and entitlements through NSSF regulations. The Arbitration Council has found that where employees are certified sick by an authorized and legally recognized doctor then the employer must pay the attendance bonus in full.

g. Maternity Leave

Employers must give employees who give birth 90 days (3 months) of maternity leave. An employer may not terminate an employee:

- because she is pregnant;
- while she is on maternity leave; or
- immediately before taking maternity leave.

Employers must pay employees who have at least one year of service half of their wages and benefits during maternity leave. Employers should calculate the payment on the basis of the employee’s average pay during the 12 months prior to departing on maternity leave, not on the minimum wage or basic wage. Workers should receive their maternity benefits before their 90 days of leave. During the first 2 months after returning from maternity leave employees may only be required to perform light work.

In addition, Pregnant women or women who have given birth or had a miscarriage within the last two months shall not move objects over 5 kilograms.

## 10. Termination of Fixed Duration Contracts (FDC)

A fixed duration contract (FDC) can come to an end by expiration or by cancellation. Such contracts normally expire on the end date of the contract. There are two main legal reasons for the cancellation of such contracts before the end date: 1) by agreement, or 2) serious misconduct.

- Cancellation by agreement
  - This agreement must be in writing and witnessed by a Labour Inspector.
- Cancellation for serious misconduct
  - Employers can cancel such contracts before the end date if the employee commits an act of serious misconduct
- Cancellation without legal reason
  - Either the employer or the employee may cancel such contracts for other reasons. However, if an employer cancels an FDC without legal reasons, the employer must pay the employee the full amount that the employee would have received if they had been allowed to work until the end of the contract. Similarly, if an employee cancels his/her FDC without legal reasons, the employee must pay the employer for any damages suffered by the employer as a result.
- Severance pay on termination
  - When an FDC is terminated or expires, the employee has a right to receive severance pay. However, probationary period is excluded. Severance pay must be at least 5% of the total wages paid to the employee during the length of the FDC.
- Notice before the expiry of an FDC

The employer must notify the employee in advance according :

Length of contract	Notice period
6 months or less	No notice required
More than 6 months	10 days
More than 1 year	15 days

## 11. Termination of Undetermined Duration Contracts (UDC)

An employee can cancel a UDC for any reason. An employer can cancel the UDC only for a valid reason related to the employee's skill, behavior or the requirements of the enterprise.

- **Notice of Termination**

An employer or an employee who wishes to terminate a UDC must give written notice. The notice period is based on the length of employment (see table below) if the employer has not paid the 5% severance pay to worker for each and every FDC contract.

Length of employment	Notice period
Less than 6 months	7 days
6 months to 2 years	15 days
More than 2 years and up to 5 years	1 month
More than 5 years and up to 10 years	2 months
More than 10 years	3 months

In the event the employer has paid the 5% severance pay to workers for each and every FDC contract, the length of employment for notice period will be counted from the date of which FDC became UDC. The notice period will be based on the length of employment as provided in the table above.

## 12. Failure to Give Notice

An employer who fails to give notice to an employee must pay the employee the wages and benefits that the employee would have earned during the notice period. The basis for this calculation is average daily earnings over the past 12 months, not the minimum wage.

In case of	Notice required
Serious misconduct	No
Probationary employees	No
Insanity or permanent disability	Yes
Apprentices	No
Force Majors in article 85	No
Imprisonment of the employee	No

There is generally no notice requirement in cases of serious misconduct or if an employee is on probation. However, the employer must give prior notice when terminating a UDC when an employee becomes chronically sick, insane or has a permanent disability.

## 13. Conclusion

Some regulations that employers need to be aware of when opening / closing a business in Cambodia :

- Every employer must keep an establishment register listing the name of the establishment, the type of activity engaged in, the name and address of the employer, the number and initial signature.
- Employers must keep used registers for 3 years and allow a Labour Inspector to examine them at any time.
- The payroll ledger must include information about:
  - each employee
  - their salary
  - the work they perform
  - their time off

The payroll ledger must be kept at the cashier's office or the business office of the employer. Payroll records must be kept for 3 years. The payroll ledger is only valid if every page is numbered and signed by a Labour Inspector. The Labour Inspector must be allowed to inspect the payroll ledger at any time.

- Employment Card and Employee Workbook (For Cambodians and Foreign Employees)
  - Every Cambodian citizen and foreigner working in Cambodia is required to have an employment card and employment book. No one is allowed to be employed without these.
  - Employers must record the hiring and dismissal of employees, their salary and any changes of salary on their employment card.
  - Within 7 days after an entry has been made in an employee's employment card, the card must be presented to a Labour Inspector for his/her approval.
  - The record must be approved by the Labour Inspector within 7 days.

Source :

[Cambodian Labour Law](#)

[Guide to Cambodian Labour Law for the Garment Industry](#)

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## Around the World with BIPO

### Hong Kong & Macau

BIPO's ongoing webinar series continues in November with key updates on Macau and Hong Kong's labour laws as part of our efforts to pay it forward to the business community. Q&A sessions at the end of webinar facilitated the sharing of information and provided a platform for the HR community to interact with industry peers.

### Asia Pacific

In yet another first, BIPO launched its blog with a feature on #WomenInTech. In our inaugural issue, we spoke with Karen Lee, MD – SEA & Oceania of BIPO. Visit our blog to read Karen's thoughts about women in leadership, tech trends across the region, and advice about managing teams amidst the current pandemic.

## About us

At BIPO, we help businesses transform and digitalise, enabling them to thrive and realise their growth ambitions. Around the world, we support over 1,600 clients across 87 countries and regions with a new generation of HR solutions. Our comprehensive suite of service products from our award-winning cloud and mobile-based HR Management System (HRMS), multi-country payroll calculation, overseas landing services, Business Process Outsourcing (BPO) to attendance automation provide clients with a multi-regional, integrated and seamless user experience.

Our global R&D Centres are the foundation of BIPO's HRMS and Workio platforms, providing cutting-edge, agile, and innovative technology solutions to meet the needs of Industry 4.0. We are also ISO-27001 certified with multi-country compliance, providing clients with the trust and confidence to champion their international growth plans.

Founded in 2004, BIPO is a leading, one-stop global HR service provider with a vast network of offices situated in key gateway cities across Asia: Singapore, Cambodia, Mainland China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Myanmar, Philippines, Taiwan, Thailand and Vietnam, including subsidiaries in Australia and New Zealand. Our APAC Headquarters in Singapore serves as our hub for the region.

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