

Statement Amendment to article 89 on seniority clearance pay

GMAC is aware that a number of factory distressed closure so far has prompted the government to come up with new policy to protect the workers from loss of salary and related compensation to which they shall be legally entitled.

We understand that the government is amending article 89 of the labour to require employer to clear the workers-employees' [past] seniority and also to pay the future seniority on a regular basis after a set period of employment service. While it is good for the workers-employees' protection, this will surely be another new financial burden for the employer side and possibly represent a human resource management challenge as well in the immediate term. Representing all of our members, GMAC would like to express the following concerns and seek the government's careful and thorough consideration on this issue:

1) In the last government mandate beginning 2014, the minimum wage has been increased by 70% while total labour compensation has been increased by about 100% taking into consideration as well the effect on overtime pay and other remuneration calculation as well as payment for the national social security fund. Our industry labour cost component has recently reached about 70% of the local added value, which doesn't look sustainable from an international competition point of view. Clearance of past seniority would additionally cost the employer huge amount of money and present a serious cash flow problem if full amount of compensation at maximum 6-month's pay is required to be paid off in one time rather than in phases. We strongly SUGGEST payment in phases. Alarmingly, this intended amendment of article 89 may have a far reaching ramification than just the financial burden. [Influx of resignation to collect the full amount of compensation at one time] may occur if the amendment won't stipulate certain conditions discouraging workers-employees from leaving the factory. Article 116 which states that "wage and indemnity of any kind must be paid within 48 hours following the date of termination of work" could be used to collect the full amount of compensation. This could happen among both workers and technical & office staff. We strongly SUGGEST a conditional clause preventing people from using article 116 in the case of past seniority clearance.

2) For future seniority pay, it's important to think and make clear in advance. First is the cap of a maximum 6-month pay equivalent, which shall be maintained in line with the current article 89. Also, since clearance of seniority pay might be made in every 6 months as the government hinted, [it's fairer to calculate the payment in proportion to the number of months worked, and we strongly propose as such]. The current article 89 allows time fractions of service of six month or more to be counted as an entire year, it workers' length of service is longer than one year.

Phnom Penh, 17 May 2018

