

REQUEST FOR PROPOSALS

Diagnostic of informality in the Cambodian Construction Sector

BACKGROUND

The construction industry is a significant driver of growth and development in Cambodia as it contributed to about 17 per cent of Cambodia's total GDP growth in 2015 and about 6 per cent in 2019. Cambodia's urban centres such as the capital city of Phnom Penh, the tourist attraction site of Siem Reap, the seaside town of Sihanoukville, and the border towns of Poi Pet and Bavet, have experienced, in the last decade, a rapid construction boom.

According to the 2022 Economic Census of Cambodia, the number of *establishments*¹ in the construction sector are 312, about half of which are not registered with the Ministry of Commerce or the General Department of Taxation. About half of the establishments are classified as engaged in construction of buildings, followed by utility projects (about one eighth of the total), and the remaining ones are distributed in several construction activities such as roads and railways, other civil engineering projects, electrical installations, and others. It shall be noted that the establishments surveyed by the 2022 Census hardly supply a significative picture of the actual construction sector enterprises landscape of Cambodia. An uncountable number of small-scale contractors operate in the sector, and these escape the surveying mechanisms of the Census which exclusively looks for establishment.

Indeed, the 312 surveyed establishments employ 6,326 workers (including proprietors, unpaid family workers, directors, regular employees, and other employees). Most of these workers are employed in registered establishments (5,921 workers in 179 registered establishments). However, the 2019 Labour Force Survey reports that about 10 per cent of the employed population, and 16 per cent of the male labour force are engaged in construction work. These correspond to 785,210 workers, of which 128,261 are female workers. This is strikingly different from the 2019 General Population Census results showing that the employed in the construction sector are 447,209 (91,000 female workers).

Still, according to the 2019 LFS, about 22 per cent of the youth 15-24 labour force are employed in this sector, which makes it the youngest 4th after manufacturing, agriculture, and wholesale and retail. The 2019 LFS estimates that the average and median wages in the construction sector are significantly lower than the national averages (KHR 970,000 and 870,000 versus KHR 1,100,000 and 910,000), while the hours worked significantly higher (52 weekly hours on average versus the national average of 46).

There are distinct categories of workers employed at various levels of the sector value chain. The construction labour market in Cambodia has a three-tiered structure based on a variety of job-roles, skill levels and employment arrangements (see Annex 1). The high skilled workforce, including engineers, architects, project managers etc., is usually employed at tier 1 in formal enterprises (higher earnings, lower vulnerability, and poverty risks). The workforce at the middle and lower end of the value chain is including of construction workers and machine operators is primarily Cambodian and is generally employed at tier 2 or tier 3 (lower earnings and high risks). In these lower tiers (2, 3), complex sub-contracting arrangements, and engagement through verbal contracts either daily or for a short period of time, with wage settlement period varying between daily, weekly, and monthly, are widely prevalent.

According to the National Social Security Fund's 2022 annual report, the Fund had registered a *cumulative* total of 327 enterprises and 16,244 workers (2,936 female workers) in the construction sector. If the registered members were assumed to be actively contributing, the social security coverage in this sector could range between 2.0 and 3.6 per cent, depending on the denominator used. Indeed, the 2019 LFS indicates that 97.2 per cent of workers in the sector are employed with informal arrangements. Legally, all persons defined by the 1997 Labour Law are mandated to be enrolled within the healthcare, employment injury, and pension schemes of the NSSF, as per the 2019 SS Law.

¹ An enterprise or part of an enterprise which is situated in a single location and in which a single (non-ancillary) productive activity is carried out or in which the principal productive activity account for most of the value added.

JUSTIFICATION

The ILO promotes the transition to formality to reduce decent work deficits, foster economic growth, including through the development of an enabling environment for sustainable enterprises, increase productivity and competitiveness, while respecting workers' rights, ensuring opportunities for income security, livelihoods, and entrepreneurship, and preventing the informalization of jobs in the formal economy. This takes into the diversity of actors and tailor formalization approaches to specific drivers of informality.

This study follows the continuous development of the RGC's "Strategic Framework and Programs for Economic Recovery in the Context of Living with COVID-19 in a New Normal 2021-2023", the "Operational Plan on Extending Social Security in the Formal Sector", the "Strategic Framework for Expanding Formalization", and of the "Cambodian Pentagonal Strategy". The study aims at contributing to the future design of an integrated policy framework to promote formalization in the construction sector underpinned by an institutional coordination mechanism for its effective implementation at the local and national levels, consistent with the ILO Recommendation No. 204 and other relevant ILS.

The ILO has been working together with the RGC for the promotion of evidence-based dialogue between the different stakeholders, capacity building activities, and the production of evidence to feed the national debate on formalization. The ILO is implementing "Advancing Social Protection in Cambodia" under financial support from the European Union aiming (among other outcomes) to increase the percentage of workers covered by social security schemes, and to support the modernization of the social protection system through ICT applications, improved business processes, data sharing, performance management and a learning & development framework. Since 2023, the ILO is also implementing the project "Promoting the transition to formalization through integrated approaches in Cambodia". The latter project specifically aims at supporting the policymaking and implementation processes in businesses formalization through sectoral approaches.

Within this framework, ILO is will engage an experienced **team of consultants** to undertake a diagnostic assessment of the drivers of informality in the construction sector, with the view to identify practical and action-oriented recommendations for starting the discourse of transitioning enterprises and workers into formalization.

OBJECTIVE

The diagnostic's main goal is to provide the necessary evidence to allow national actors to come, as far as possible, to a common understanding of the situation of informal workers and economic units, and the diversity of constraints and bottlenecks preventing these actors from transitioning to formality. Accordingly, the diagnostic is expected to collect, analyse, share, and discuss qualitative information on the informal economy in the construction sector, and support the ILO in creating conditions for reaching a consensus about the situation and agreed priorities. The diagnostic is expected to include the following aspects and to rely on the ILO Methodological Note on diagnostics for informality:

- A concise description of the construction industry and market in Cambodia: this shall include the recent and emerging trends and development in the industry, the evolution of the demand, the key factors driving the market, and the status of the labour market.
- An assessment of the formal business environment: including the regulatory and procurement frameworks. These shall map and detail all registration and licensing requirements including issues of costs and effort to operate, the existing (specific) forms of taxation, existing (specific) forms of organization for businesses to work and operate jointly, the regulatory environment, the procurement systems, and any other requirement or relevant point (e.g., compulsory commercial insurances, government subsidies to production, main assets, minimum wages, commercialization, etc.).
- An assessment of the formal and informal supply sides of the economy within the construction sector: extent, characteristics, and nature of the informal economy, with a description of the types of economic units and qualification of the sub-contracting arrangements, and a typology of the employment relationships involved at the lower tiers of the production chain.

- An understanding of the barriers and challenges, both for enterprises and workers, on the conditions for formalization, informed by qualitative in-depth interviews and focus group discussions.
- A review of current policy approaches, in South-East Asia, of specific programmes and measures and their impacts on easing construction enterprises and workers transition to formality.

DUTIES AND RESPONSIBILITIES

Under the supervision of the ILO Office of Phnom Penh, the **team of consultants** will perform the following activities:

1. Develop an Inception Report.
<p>a. Report based on preliminary consultations with the ILO. The report will include a desk review on the topic of formalization of the construction sector, a proposed data collection strategy, and a workplan.</p> <p>i. The desk review shall cover, at least but not only:</p> <ul style="list-style-type: none"> • Existing studies and surveys on informality in Cambodia. • National development plans and relevant sectoral strategies. • Review of the legal and regulatory framework, including procurement regulations. • Relevant evaluations and other studies on the informal economy, interventions, and mechanisms in South-East Asia. <p>ii. The data collection strategy shall include:</p> <ul style="list-style-type: none"> • Identification of key stakeholders • Draft questionnaires for key informant interviews and focus group discussions
2. Primary data collection.
3. Prepare a draft diagnostic report.
<p>The report should cover:</p> <p>a. Profile of the informal economy workers and economic units. With ILO support and based on the analysis of existing surveys and study reports, quantify, and qualify the extent and composition of the informal economy. This includes:</p> <p>i. Extent and degrees of informality and prevalent forms of informality including an analytical description of the sub-contracting arrangements and the nature and composition of workers and economic units.</p> <p>ii. Main factors that contribute to or constrain the survival and development of the informal economy in the sector, regarding notably:</p> <ul style="list-style-type: none"> • Labour-related factors: composition of employment within the economic unit (socio-demographic and socio-economic features of the owner and dependent workers, including forms of employment, skills, decent work deficits). • Production-related factors: access to the property, access to finance, amount, and source of capital, access to building materials, machines or equipment, to technology. • Business environment factors: customers, suppliers, and competitors. • Administrative factors: taxation, regulations, awareness, and perception of the bureaucratic procedures involved. • Perceptions and needs: understanding of social security duties and rights, perceptions of trust towards the system, and needs; identification of public

	<p>services that informal economy entrepreneurs would like to receive that could make them keener on formalizing their activities.</p> <ul style="list-style-type: none"> iii. The level and types of organizations formed by informal workers (including business owners); their knowledge and perception of existing workers' and employers' organizations and interactions they have developed with these organizations. <p>b. A review of the legal and regulatory frameworks and their application: how the existing framework limits or enhances the transition to formality.</p> <ul style="list-style-type: none"> i. Scope and coverage of labour law and social security law, regulations aiming to facilitate the transition to the formal economy. ii. Identify existing laws and rules affecting business environment and their impact on the informal sector. iii. The current government strategy of enforcement and compliance with Labour and Social Security Laws in the sector. With an analysis that contrasts law and practice: <ul style="list-style-type: none"> • From an Enterprise Perspective: lack of legal registration and jurisdiction, limited access to formal financial services or banking, digital payments, contractual arrangements to employ construction workers, Income and taxes reporting, degree of compliance with regulations, public procurement and contracts. • From a Job Perspective: unregistered and unprotected workers (including OSH), skill formation and recognition, low and irregular earnings, absence of benefits including social security, limited job security, collective bargaining power. <p>c. Main drivers of informality and obstacles to formalization: this includes. in addition to drivers associated to the legal framework (covered above), drivers as part of the macro-economic context and the capacity of the economy to create formal jobs and absorb informal economy workers and units; and micro level determinants of informality such as the level of education, discrimination, poverty, voice and representation, access to credit, to services or to markets that constrain the capacity of workers and enterprises to enter into the formal economy.</p> <p>d. The identification and assessment of the current policy approaches to reduce decent work deficits in the informal economy and to facilitate the transition to formality. This shall include the key actors in the sector interested in promoting formalization and their potentials to contribute.</p>
	<p>4. Submit to the ILO a draft diagnostic report and review it after the ILO feedback and comments.</p>
	<p>5. Present the main findings of the assessment to the ILO and social partners in at least one dissemination and consultative workshop.</p>
	<p>6. Provide well-structured and agreed upon recommendations aimed at creating the conditions for developing a national strategy for formalization of the construction sector.</p>
	<p>7. Review the second draft report according to the inputs gathered during the multi-stakeholder validation workshop.</p>

DELIVERABLES AND TIMELINE

Deliverables	Deliverable deadline
Deliverable 1: Inception report with the proposed analytical framework, methodology, and research tools based on preliminary consultations for ILO review and approval	1.5 month from starting date
Deliverable 2: The draft diagnostic report as specified above. Raw data from the collection phase (transcripts).	4 months from starting date
Deliverable 3: A Final report and PowerPoint presentation on the findings of the study to be discussed with the ILO and the stakeholders in consultative meetings.	5 months from starting date

CONTRACT SUPERVISION

The ILO Social Protection Manager and the ILO Technical Officer on Social Protection will provide guidance and supervision of the contract. The ILO Senior Technical Specialist on Formalization will provide technical supervision as required.

REQUIRED PROFILE

As a team, the required profiles must have

- A proven understanding of the informal economy in Cambodia: of the laws, regulations and procedures for workers and enterprises, as well as of the institutions/agencies that support them.
- A proven record of industrial analyses including rapid market assessments, value chain analyses or similar.
- An advanced academic degree in Economics, Development Economics, Labour Economics, Industrial Relations or similar.
- Proven ability to conduct qualitative studies and analyses and to mobilize and train field researchers in Cambodia.
- Familiarity with the Cambodian construction sector is an advantage.
- Fluency in English and Khmer
- Experience working with the UN and in particular the ILO is an advantage.

SELECTION CRITERIA

Interested experts are invited to submit their technical and financial proposals with a daily rate for their services based on the number of working days. The technical proposal should demonstrate the specific experience required and to provide reference of previous related work. The applications will be evaluated based on the profile of the experts and on the quality of the technical proposal. A two-stage evaluation process will be applied, with technical evaluation done in the first stage. The second stage concerns the evaluation of the financial proposals from those that technically qualified.

SUBMISSION OF APPLICATION

The applicants should send their technical proposal including CVs and previous similar works to PN2-SOCPRO@ilo.org. The financial proposal shall be submitted separately to kanhchana@ilo.org. Subject: "Diagnostic of informality in the Cambodian Construction Sector". Both technical and financial proposals are to be submitted by October 9th, 2023, at 7am, local time in Phnom Penh, Cambodia. Late submissions will not be considered.

PAYMENT

The amount of this contract is all-inclusive and based on the consultancy rate proposed for the number of days of work.

1. First payment of 30% will be made upon submission of Deliverable 1.
2. Second payment of 30% will be made upon submission of Deliverable 2.
3. Final payment of 40% will be made upon submission of Deliverable 3, to the satisfaction of the ILO.

Annex 1

