



INDUSTRY COST STRUCTURE & CHALLENGES TO FIRM PRODUCTIVITY IMPROVEMENT

Cambodia Productivity Conference 2019

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Basic cost structure of a garments manufacturing plant									
							(\$)		(\$)
Turnover								xxx	100%
Less: <u>Costs of Sales</u>									
Materials							xxx	65%	
Direct Labour							xxx	22%	
Factory/Production Overheads							xxx	5%	(xxx) 92%
Gross Profit								xxx	8%
Less: Operating Expenses								(xxx)	4%
Net Profit								xxx	4%

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Material cost:

It is the cost of commodities supplied to an undertaking. This includes, cost of procurements, freight inward, taxes and insurances. These activities are included in material cost because; they are directly attributable for the acquisition of material. Here the material can be specified as any substance from which the item is made. It might be in a crude state as raw material, e.g., fiber for fabric and raw chemicals for dyeing, and so on. Additionally it may be also be in a made state — parts, e.g., buttons, zippers, and so on, materials can be direct and indirect.

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Labor Cost:

Human efforts used for conversion of materials into finished products or doing various jobs in the business are known as labor. Payment made towards the labor is called labor cost. It can also be direct and indirect.

Factory Overheads:

Indirect expenses are called overheads, which include indirect material and indirect labor.

Operating Expenses:

All expenditures other than direct or indirect costs incurred for manufacturing a product or rendering service are termed as “expenses”.

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Materials

65% ** basically fixed

Labor

22% ** can be reduced significantly via productivity improvement

Factory Overheads

5% ** relatively insignificant

Operating Expenses

4% ** relatively insignificant

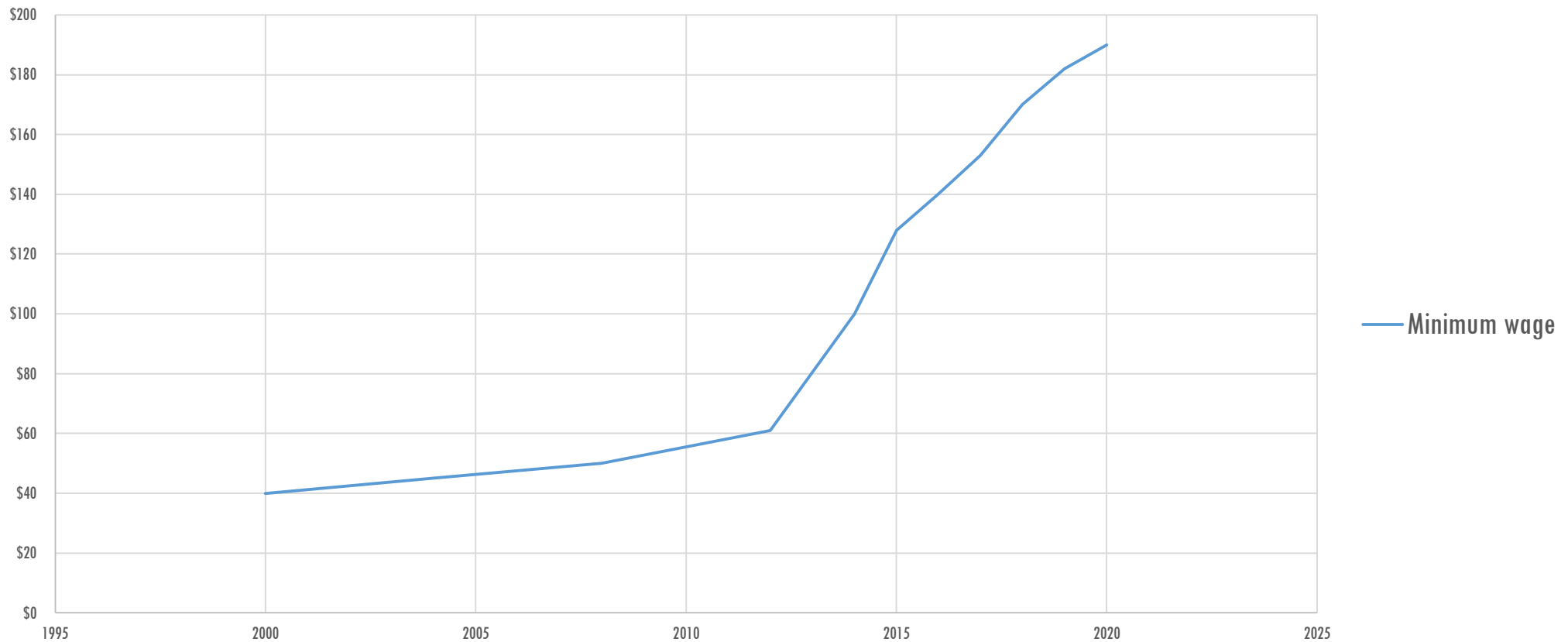
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Minimum wage changes over the years in Cambodia from 2000 to 2020

Years	Minimum wage	increment %
2000	\$40	
2004	\$45	12.50%
2008	\$50	11.11%
2012	\$61	22.00%
2014	\$100	63.93%
2015	\$128	28.00%
2016	\$140	9.38%
2017	\$153	9.29%
2018	\$170	11.11%
2019	\$182	7.06%
2020	\$190	4.40%

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Minimum wage trend 2000-2020



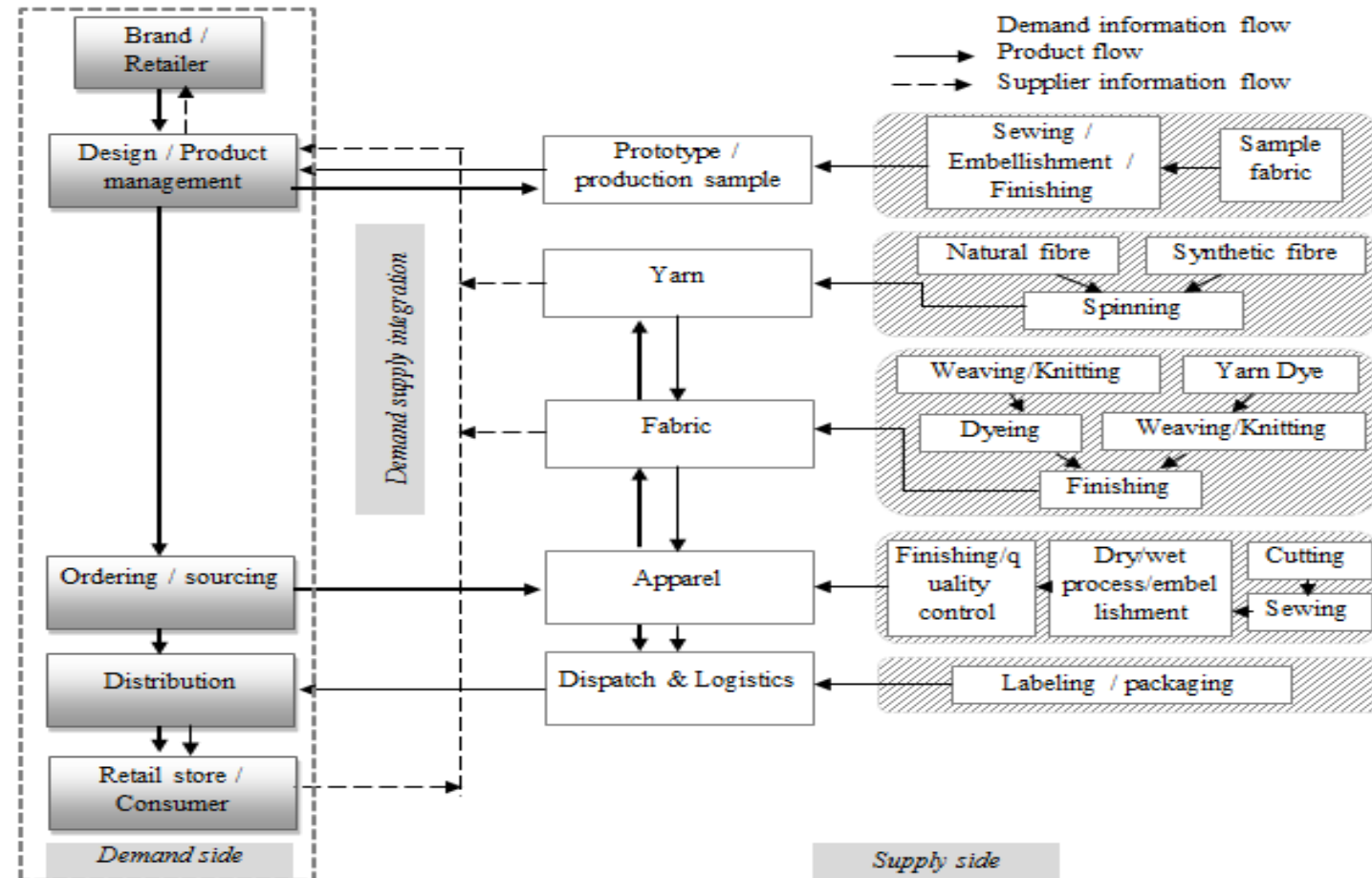
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Challenge : Basic education
Lacking in almost all aspects,
from basic infrastructure,
to qualified teaching professionals.



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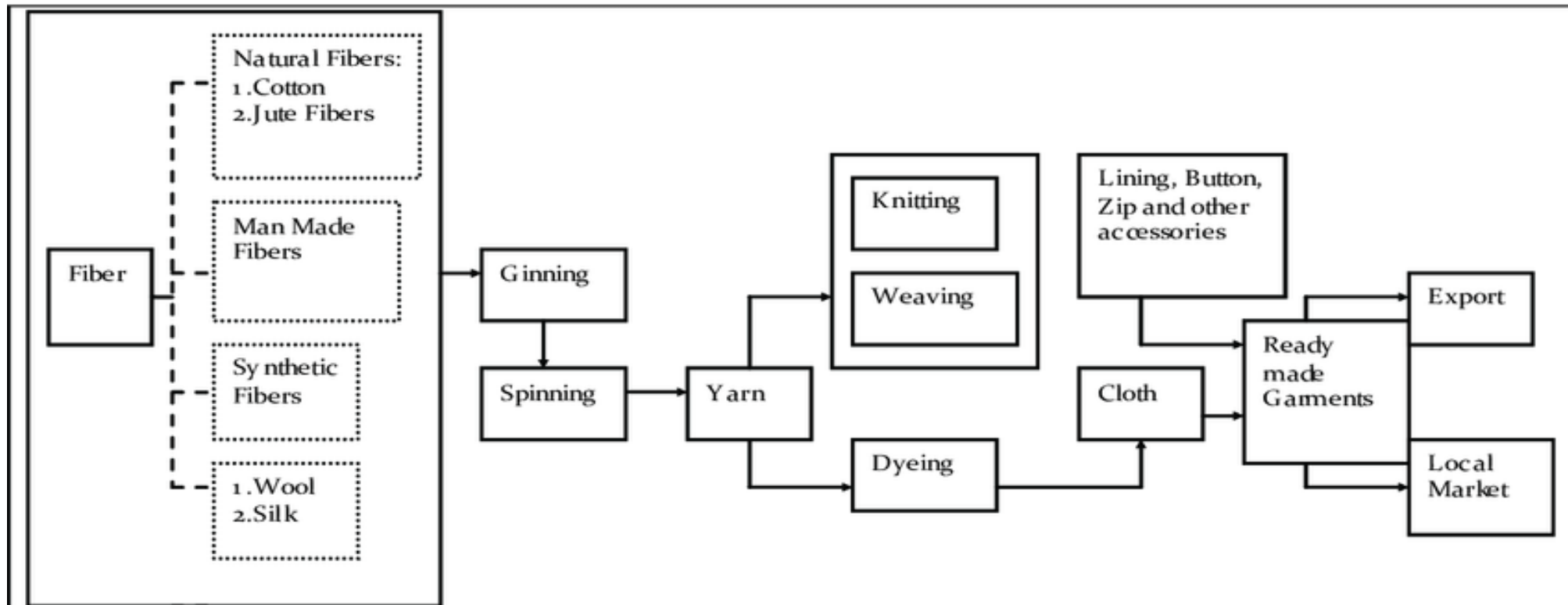
Challenge : technical skills
 Struggling to fill up various jobs along the lengthy process chain



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Challenge : Vertical setup – capital Vs ROI

There are virtually zero “vertically setup textiles Company, due to various reasons, like high energy costs, lack of support, etc.



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Challenge : vocational training
 Suitably adequate vocational
 Training centres lacking
 e.g. CGTI



CGTI គឺជាវិទ្យាស្ថាន បណ្តុះបណ្តាលជំនាញ សម្រាប់វិស័យកាត់ដេរសំលៀកបំពាក់ និង សាច់ក្រណាត់ ដំបូងនៅកម្ពុជា ដែលមានទិសដៅកាត់បន្ថយគំលាត និងកង្វះខាតការបង្ហាត់បង្រៀនដែលចាំបាច់ និងគំលាតក្នុងការជ្រើសរើសជំនាញ ដែលសាកសមតាមចំណង់ចំណូលចិត្ត និងសមត្ថភាព ដែលជាឧបសគ្គមួយនៅទ្រទេសកម្ពុជា។ ដោយមានការធ្វើសហប្រតិបត្តិការជាមួយ GMAC យើងផ្តល់ជូនអ្នកសិក្សាទាំងអស់នូវ សមត្ថភាពពេញលេញ ក្នុងការកសាង និងបំពេញគោលដៅ តាមបំណងប្រាថ្នារបស់ខ្លួន។

CGTI is the first-ever fashion and textile training institute in Cambodia that aspires to narrow the gap between



COURSE FEE	
GMAC Member:	1050 USD
Non-GMAC Member:	1500 USD
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Challenge : Health

健康=财富
健康的人才，
是一个国家最宝贵的财富。
人民健康强壮，
国家才能繁荣富强。

Health = wealth
health of talent,
is a country most precious wealth.
Only when the people are healthy and strong,
can the country prosper and prosper

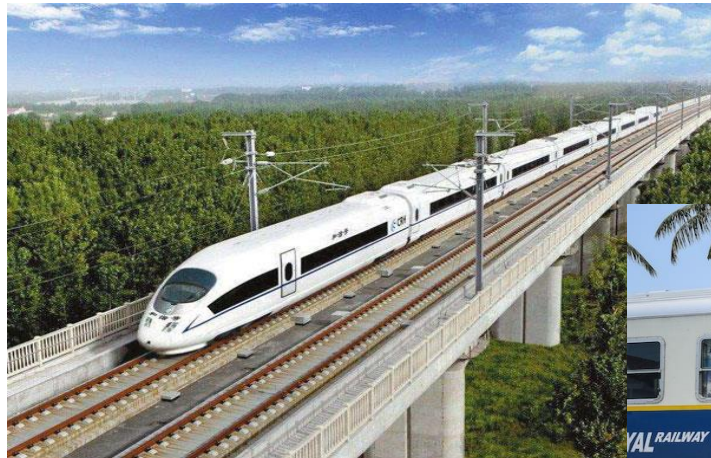
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Challenge : Health
food nutrition & hygiene
Lethargic, medical leave, fainting, etc.



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Challenge : Infrastructure transportation system



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Challenge : Infrastructure

housing (includes lacking in basic infrastructure, water, electricity, etc)



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Challenge : Unionized factories

➤ factory with ineffective disciplinary actions, inefficient production system

“According to the ministry, as of the first quarter of this year, there were 4,949 vocational training organisations registered with the ministry. Among them, there are 4,722 union bases, 189 labour union federations, 29 confederations of trade unions and nine employers’ associations.”



The screenshot shows the top of a news article on the website 'The Phnom Penh Post'. The page includes a navigation menu with categories like HOME, NATIONAL, BUSINESS, LIFESTYLE, SPECIAL REPORT, TRAVEL, SPORT, OPINION, INTERNATIONAL, MULTIMEDIA, and JOBS. The main headline is 'Law on Trade Unions amendment sent to Council of Ministers' by Long Kimmarita, published on 19 September 2019. A large photograph shows a man in a suit speaking at a press conference. To the right of the photo is a 'RELATED ARTICLES' section with three items: 'Trade union bill changes passed', 'International Workers' Day march snuffed by police near National Assembly', and 'City Hall to prohibit May Day protests by unions'.

Ministry of Labour and Vocational Training spokesman Heng Sour said the Supreme Consultation Council supported its decision to submit the amendment of the Law on Trade Unions to the Council of Ministers.

The proposed amendments affect Articles 3, 17, 20, 21, 27, 28, 29, 54, and 59 of the current law and are mostly related to the rights involved in holding demonstrations.

Discussions on the amendment concluded recently.

The leader of the Cambodian Indigenous Democracy Party Sroy Khet led the Council in a discussion on the amendment with a delegation led by the Minister of Labour and Vocational Training Ith Sam Heng on Wednesday.

Sour told The Post that although some bills had been removed and some others had been accepted, the Council of Ministers supported and welcomed the amendment.

“After discussions and getting the Council’s support, the ministry will propose that the bills be included in the meeting agenda with it [the Council],” Sour said.

The ministry said the amendment is aimed at protecting employers and employees.

According to the ministry, as of the first quarter of this year, there were 4,949 vocational training organisations registered with the ministry.

Among them, there are 4,722 union bases, 189 labour union federations, 29 confederations of trade unions and nine employers’ associations.

Klamer Rise Party (KRP) president and Council member Sok Sovann Vathana Sabung supported the amendment even though none of the suggestions from the council was accepted.

He will continue to monitor the law’s implementation when it is put into effect, he said.

“The drafted bills have many good points and KRP supports the policy. The amendment looks good, but

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When pulled in so many directions, how to move forward?



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