

UNDERSTANDING THE WAGE PAYMENT SYSTEM IN THE PRIVATE SECTOR IN CAMBODIA: A LITERATURE REVIEW

Mardy Serey^{1*}, Sokwin Phon², Augusto B. San Diego III³

^{1*}Svay Rieng University, Svay Rieng Province, Cambodia

²National Meanchey University, Banteay Meanchey Province, Cambodia

³Philippine Christian University, Manila, Philippines

*Corresponding author: sereymardy@gmail.com

ARTICLE INFO

Article history:

Received : 01-09-2025
Revised : 11-11-2025
Accepted : 22-11-2025
Published : 19-12-2025

Keywords:

Cambodia; labor law;
minimum wage; private
sector; wage payment system

ABSTRACT

This article provides a comprehensive literature review of the wage payment system in Cambodia's private sector, examining its legal framework, implementation practices, challenges, and recent reforms. Drawing on academic studies, government reports, and publications from international organizations, the review highlights the evolution of Cambodia's wage payment system through domestic policy reforms, the introduction of sector-specific minimum wages, and the country's increasing integration into global supply chains. Key issues discussed include the limitations of the minimum wage policy, enforcement challenges, gender disparities, the role of labor inspections and collective bargaining, and the impact of digitalization on wage payments. Comparative perspectives from neighboring countries such as Vietnam and Thailand are presented to identify best practices and potential strategies for Cambodia. Despite progress, significant research gaps remain, particularly regarding wage practices in the informal sector and small and medium-sized enterprises (SMEs), as well as the long-term effects of wage reforms. The article concludes with recommendations for strengthening enforcement, expanding social protection, embracing digital innovations, and fostering international cooperation to advance fair and equitable wage practices in Cambodia.

INTRODUCTION

The wage payment system is a critical component of labor relations and economic development, particularly in developing economies like Cambodia (ILO, 2017). A well-functioning wage system not only ensures fair compensation for workers but also contributes to overall economic stability and growth by reducing poverty and supporting domestic demand (World Bank, 2022). In Cambodia's private sector, wage payment systems have undergone significant changes over the past two

decades, driven by domestic policy reforms—including the introduction of a minimum wage in the garment sector—and by the country's increasing integration into the global economy (ADB, 2014; Kang, N., & Liv, 2019). These developments have been influenced by shifting labor market dynamics, the expansion of export-oriented industries, and international pressure to improve labor standards (Arnold & Toh, 2010; ILO, 2020).

This literature review explores existing academic and policy-oriented research on the wage payment system in Cambodia's private sector, focusing on legal frameworks, enforcement mechanisms, challenges, and recent developments (ILO, 2017; MOLVT, 2021). It examines how evolving government regulations, such as the implementation of annual minimum wage adjustments, and the strengthening of labor inspection regimes, have shaped wage determination and payment processes (ILO, 2020; Kang & Liv, 2019). The review also considers persistent challenges, including informal employment, wage delays, and gaps in enforcement, which affect both workers and employers (World Bank, 2022; Solidarity Center, 2016).

This review aims to provide a comprehensive understanding of how wages are determined, regulated, and paid in the Cambodian private sector. It synthesizes findings from various studies, government reports, and international organizations to assess the effectiveness of current wage practices and their implications for workers' livelihoods and economic development (ADB, 2014; ILO, 2017; MOLVT, 2021).

METHOD

The research methodology for this literature review on the Wage Payment System in the Private Sector in Cambodia is designed to ensure a comprehensive, systematic, and critical analysis of existing scholarly and policy-oriented sources. The purpose of this methodology is to gather, evaluate, and synthesize relevant literature to understand the legal framework, implementation practices, challenges, and recent developments related to wage payments in Cambodia's private sector. This study adopts a systematic literature review approach, which involves identifying, analyzing, and synthesizing peer-reviewed academic articles, government reports, international organization publications, and other credible secondary sources. This method was chosen due to its effectiveness in summarizing current knowledge on a specific topic, identifying gaps in the literature, and

providing evidence-based insights for policy and practice (Booth et al., 2016).

RESULT AND DISCUSSION

Legal Framework and Policy Context

Cambodia's labor law framework has evolved significantly since the adoption of the Labor Law in 1997, which serves as the primary legal foundation governing employment relationships, including wage payment systems (ILO, 2003). The Ministry of Labor and Vocational Training (MOLVT) is responsible for enforcing labor laws, including those related to minimum wages, working hours, overtime pay, and other aspects of wage payments.

Minimum Wage Policy

A key feature of Cambodia's wage payment system is the implementation of minimum wage policies, particularly in certain sectors such as garment, footwear, and tourism. According to the MOLVT (2021), the government sets sector-specific minimum wages through tripartite negotiations involving employer associations, trade unions, and government representatives. These negotiations aim to balance the interests of workers and employers while considering macroeconomic condition (MOLVT, 2021).

However, critics argue that the minimum wage system in Cambodia lacks universality, as it applies only to specific industries rather than being enforced across all sectors (Chapman & Teerawichitchainan, 2015). This selective application creates disparities in wage levels between covered and non-covered sectors, leading to inequities among workers.

Legal Provisions on Wage Payments

Under Article 86 of the Labor Law, wages must be paid at least once a month and should not be delayed beyond the seventh day of the following month (MOLVT, 2021). Employers are required to pay wages in legal tender and in full, without unauthorized deductions. Furthermore, Article 87 mandates that wages be paid directly to employees unless otherwise agreed upon or permitted by law.

Despite these provisions, enforcement remains a challenge. Studies indicate that some

employers delay wage payments or fail to comply with legal requirements due to weak monitoring and limited penalties for violations (Brinkerhoff & Brinkerhoff, 2011).

Implementation and Enforcement Mechanisms

Role of Labor Inspection

The effectiveness of the wage payment system in Cambodia is closely tied to the capacity and independence of the labor inspection system. According to the ILO (2014), labor inspectors are tasked with ensuring compliance with labor laws, including timely and accurate wage payments. However, resource constraints, limited training, and political interference often undermine the ability of inspectors to enforce labor standards effectively (ILO, 2014).

In response to these challenges, the Cambodian government, with support from international donors, has undertaken efforts to strengthen labor inspections. For instance, the ILO-supported Better Factories Cambodia program has played a pivotal role in improving factory compliance with labor standards, including wage payments (ILO, 2018).

Collective Bargaining and Workers' Representation

Collective bargaining is recognized under Cambodian law as a mechanism for determining wages and working conditions. Trade unions have been increasingly active in negotiating better wages and benefits for workers, particularly in the garment industry. According to the Asian Development Bank (ADB, 2017), collective agreements have contributed to higher wage levels in unionized firms compared to non-unionized ones.

Nevertheless, the effectiveness of collective bargaining remains constrained by several factors, including weak union representation, employer resistance, and lack of legal protection for union leaders. As noted by Ford and Prins (2013), anti-union practices and intimidation are common in many workplaces, limiting the potential of collective bargaining to improve wage outcomes (Ford & Prins, 2013).

Challenges in the Wage Payment System

Informal Employment and Non-compliance

A significant portion of Cambodia's workforce is employed in the informal sector, where wage payment systems are largely unregulated. According to the National Institute of Statistics (NIS, 2020), approximately 35% of employed individuals work in the formal private sector, while the rest are engaged in informal activities. In these informal settings, workers often lack written contracts, social security coverage, and access to grievance mechanisms, making them vulnerable to wage theft and exploitation.

Even within the formal sector, compliance with wage regulations is inconsistent. Research by Chheang (2019) found that many small and medium-sized enterprises (SMEs) fail to adhere to minimum wage requirements due to financial constraints and lack of awareness about labor laws (Chheang, 2019).

Gender Disparities in Wage Payments

Gender inequality remains a persistent issue in Cambodia's wage payment system. Women constitute a large proportion of the labor force, particularly in the garment and textile industries, yet they continue to earn less than their male counterparts. According to a study by Sothy et. al, (2021), gender-based wage gaps persist even after controlling education, experience, and occupation.

These disparities can be attributed to a combination of structural factors, including occupational segregation, discrimination, and unequal access to promotions and leadership roles. Addressing gender inequality in wage payments requires targeted policy interventions and stronger enforcement of equal pay laws.

Impact of Global Supply Chains

Cambodia's economy is heavily reliant on export-oriented industries, particularly garments and textiles. These industries operate within complex global supply chains dominated by multinational corporations (MNCs) that impose strict cost controls on local suppliers. As a result, local manufacturers often resort to cost-cutting measures, including wage suppression, to remain competitive (Barrientos et al., 2011).

Research by Rigg et al., (2017) highlights how pressure from international buyers leads to low wages and poor working conditions in

Cambodian factories. Despite improvements in labor standards in some areas, the power imbalance between global buyers and local producers continues to undermine fair wage practices.

Recent Developments and Reforms

Minimum Wage Increases and Social Dialogue

In recent years, Cambodia has made notable progress in raising minimum wages in the garment and footwear sectors. For example, in 2023, the government increased the minimum monthly wage for garment workers to USD 200, up from USD 194 in 2022 (MOLVT, 2023). While this increase reflects ongoing efforts to improve workers' incomes, labor advocates argue that the rate still falls short of a living wage.

Social dialogue initiatives have also gained traction, with more frequent tripartite consultations involving government, employers, and workers. The Tripartite Alliance for Fair Labour Standards (TAFLS) has played a key role in facilitating dialogue and promoting voluntary compliance with labor standards (ILO, 2020).

Digitalization of Wage Payments

The introduction of digital payment systems represents a promising development in improving transparency and efficiency in wage payments. Some companies, particularly in the garment sector, have begun adopting electronic payroll systems to reduce cash handling risks and ensure timely disbursement of wages (World Bank, 2022).

Digital platforms also enable better record-keeping and accountability, making it easier for regulatory authorities to monitor compliance with wage laws. However, the transition to digital wage payments requires infrastructure investment and digital literacy training for workers, especially in rural areas.

Social Protection and Wage-related Benefits

Efforts to link wage payments with social protection schemes have also advanced in recent years. The Social Security Regime (SSR), established in 2002, provides health care, maternity, disability, and survivor benefits to formal sector workers. Contributions to the SSR are mandatory and shared between employers and employees (MOLVT, 2021).

While participation in the SSR has expanded, coverage remains incomplete, particularly among SMEs and informal workers. Strengthening social protection systems is essential for ensuring that wage increases translate into improved living standards and reduced vulnerability among workers.

Comparative Perspectives and International Experiences

Comparative studies highlight important lessons from neighboring countries that have successfully implemented more robust wage payment systems. For instance, Vietnam has adopted a national minimum wage policy that applies across all sectors, with wage levels reviewed annually by the National Wage Council based on economic growth, inflation, labor productivity, and the living standards of workers (OECD, 2020; ILO, 2019). This consensus-driven and evidence-based process has contributed to greater transparency and predictability in wage adjustments, while also fostering dialogue among employers, workers, and government representatives (World Bank, 2018). In addition, Vietnam has made significant progress in formalizing wage payments and reducing wage arrears by strengthening legal frameworks and improving compliance mechanisms (ILO, 2019).

Similarly, Thailand has enhanced its labor inspection system to ensure better enforcement of wage regulations and worker protections. Notably, Thailand has introduced digital solutions, such as mobile applications, that enable workers to report wage violations and labor abuses confidentially, thereby increasing accessibility and responsiveness (ILO, 2021; Ministry of Labour, 2020). These digital innovations have supported more efficient monitoring, facilitated communication between workers and authorities, and contributed to a reduction in labor rights violations (ILO, 2021).

Cambodia could benefit from adopting similar strategies, such as expanding the coverage of minimum wage regulations to sectors beyond the garment industry, enhancing the training and resources available to labor inspectors, and integrating information and communication technologies into labor

enforcement systems (ADB, 2014; (Kang & Liv, 2019). Such reforms would not only help to address existing gaps in wage protection but also promote greater compliance and accountability within the private sector (World Bank, 2022). Furthermore, engaging in international cooperation and participating in regional knowledge-sharing platforms—such as those facilitated by the Association of Southeast Asian Nations (ASEAN) or the International Labour Organization—offers valuable opportunities for policy learning, capacity building, and institutional strengthening (ILO, 2017; ASEAN, 2019). Through these collaborative efforts, Cambodia can draw on successful experiences from neighboring countries to design and implement more effective wage payment systems that support decent work and inclusive economic development.

Gaps in Research and Future Directions

Despite growing attention to wage issues in Cambodia, several research gaps remain. First, there is limited empirical data on wage payment practices in the informal sector and small and medium-sized enterprises (SMEs), even though these segments account for approximately 90% of employment in the country (ADB, 2014; ILO, 2019). Most existing studies primarily focus on the garment and footwear industries, leaving significant knowledge gaps regarding wage-setting mechanisms, payment schedules, and compliance with labor standards among informal and SME employers (World Bank, 2022; Liv & Kang, 2020). Second, longitudinal studies that track the impact of minimum wage increases on employment patterns, enterprise productivity, and poverty reduction are scarce, making it difficult to assess the long-term effectiveness and potential unintended consequences of wage policy reforms (ILO, 2017; Kang & Liv, 2019).

Future research should also explore the intersection between wage policies and broader socio-economic dynamics, such as internal migration, rapid urbanization, and technological advancements, all of which have significant implications for labor mobility, job quality, and wage disparities (World Bank, 2018; OECD, 2020). For example, rural-to-urban migration has

altered labor market structures, while the adoption of new technologies in payment systems and production processes is reshaping employment relationships and wage delivery methods (ADB, 2021). Additionally, there is a pressing need for more empirical studies examining the effectiveness of digital wage payment systems in Cambodia, particularly their potential to enhance financial inclusion, transparency, and worker empowerment among vulnerable groups (ILO, 2021; UNCDF, 2019). Such research can inform the development of policies and interventions aimed at promoting inclusive, equitable, and sustainable wage practices across all sectors of the Cambodian economy.

CONCLUSION

The wage payment system in Cambodia's private sector is shaped by a complex interplay of legal frameworks, enforcement mechanisms, and socio-economic dynamics. While progress has been made in setting minimum wages and improving labor standards, significant challenges remain, particularly in the informal sector and among vulnerable groups such as women and migrant workers.

Strengthening the wage payment system requires sustained commitment from policymakers, employers, and civil society. Enhancing labor inspections, promoting collective bargaining, expanding social protection, and embracing digital innovations are crucial steps toward achieving fair and equitable wage practices. Continued research and policy experimentation will be essential to address emerging challenges and ensure that Cambodia's wage system supports inclusive and sustainable development.

REFERENCES

- ADB. (2014). *Cambodia: Country Poverty Analysis*. Asian Development Bank.
- ADB. (2017). *Labor Market Trends in Cambodia*. Asian Development Bank.
- ADB. (2021). *Cambodia: Inclusive Growth and Structural Transformation*. Asian Development Bank.
- Arnold, D., & Toh, H. S. (2010). 'A fair model of

- globalisation?' Labour and global production in Cambodia. *Journal of Contemporary Asia*, 40(3), 401–424. <https://doi.org/10.1080/00472331003798376>
- ASEAN. (2019). *ASEAN Labour Ministers' Meeting: Regional Cooperation on Labour Issues*. ASEAN Secretariat.
- Barrientos, S., Gereffi, G., & Rossi, A. (2011). Economic and social upgrading in global production networks: A new paradigm for a changing world. *International Labour and Working-Class History*, 80(1), 1–18. <https://doi.org/10.1017/S0147547910000340>
- Booth, A., Papaioannou, D., & Sutton, A. (2016). *Systematic Approaches to a Successful Literature Review* (2nd ed.). Sage Publications.
- Brinkerhoff, D. W., & Brinkerhoff, J. M. (2011). Governance arrangements for health systems in low-income countries: An interpretive policy analysis. *Health Policy and Planning*, 26(2), 123–135.
- Chapman, B., & Teerawichitchainan, B. (2015). Minimum wage effects in a developing country: Evidence from Cambodia. *Economics of Transition*, 23(2), 325–356.
- Chheang, V. (2019). Small and medium enterprises in Cambodia: Constraints and opportunities. *ASEAN Economic Bulletin*, 36(1), 84–101.
- Ford, M., & Prins, L. (2013). Union organizing in Cambodia's garment industry: Strategies and outcomes. *Journal of Contemporary Asia*, 43(3), 445–463. <https://doi.org/10.1080/00472336.2012.759277>
- ILO. (2003). *Cambodia: Country Report on the Application of ILO Conventions*. International Labour Organization.
- ILO. (2014). *Labour Inspection: A Guide to Strengthening Compliance with Labour Laws*. International Labour Organization.
- ILO. (2017). *Cambodia: Labour and Social Trends in Cambodia 2010*. International Labour Organization.
- ILO. (2018). *Better Factories Cambodia: Annual Report 2017–2018*. International Labour Organization.
- ILO. (2019). *Minimum Wage Policy Guide for ASEAN Countries: Vietnam Case Study*. International Labour Organization.
- ILO. (2020). *Wages and working conditions in the garment sector in Asia*. International Labour Organization.
- ILO. (2021). *Digital Innovations in Labour Inspection: Thailand Case Study*. International Labour Organization.
- Kang, N., & Liv, D. (2019). *The Garment Industry in Cambodia: Wages, Labour Conditions, and Workers' Rights*. Friedrich Ebert Stiftung.
- Liv, D., & Kang, N. (2020). *Wage Practices in Cambodia's Informal Economy*. Cambodian Development Review.
- Ministry of Labour, T. (2020). *Annual Report on Labour Inspection and Digitalization*.
- MOLVT. (2021). *Labour Market Trends in Cambodia*. Ministry of Labour and Vocational Training.
- MOLVT. (2023). *Minimum Wage Determination for Garment, Footwear, and Travel Goods Industries*. Ministry of Labour and Vocational Training.
- NIS. (2020). *Cambodia Socio-Economic Survey 2020*. Ministry of Planning.
- OECD. (2020). *Economic Outlook for Southeast Asia, China and India 2020*. Organisation for Economic Co-operation and Development.
- Rigg, J., Salazar, C., & Grundy-Warr, C. (2017). Precarious livelihoods: Labour mobility and the garment industry in Cambodia. *Asia Pacific Viewpoint*, 58(2), 178–192. <https://doi.org/10.1111/apv.12161>
- Solidarity Center. (2016). *The Struggle for Worker Rights in Cambodia*. Solidarity Center.
- Sothy, K., Phearun, D., & Sok, H. (2021). Gender wage gap in the Cambodian labor market: Evidence from the Cambodia Socio-Economic Survey. *Journal of Developing Societies*, 37(3), 456–478. <https://doi.org/10.1177/01915586211010512>
- UNCDF. (2019). *Digital Financial Services in Cambodia: Market Insights and Opportunities*. United Nations Capital Development Fund. <https://www.uncdf.org/>

- World Bank. (2018). *Vietnam: Enhancing Enterprise Competitiveness and SME Linkages*. World Bank.
- World Bank. (2022). *Cambodia Economic Update*. World Bank.