PHNOM PENH EMPLOYABILITY AND ENTREPRENEUR POTENTIAL ASSESSMENT

EXTENDED SUMMARY
AIDE ET ACTION CAMBODIA
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INTRODUCTION

This document is a summary of a large study that delivers a thorough analysis of the Phnom Penh market economy and highlights the challenges and opportunities for employment for vulnerable youth in Phnom Penh titled “The Phnom Penh Employability and Entrepreneur Potential Assessment: 2014 (EEPA)” by Aide et Action (AEA).

The EEPA provides recommendations upon which AEA will base the program design and curricula for its Technical and Vocational Education and Training (TVET) program. The EEPA was informed by a joint study by The Australian Red Cross and AEA, “Identifying Barriers to Employment for Youth with Disabilities”[2013], funded by AusAID.

AEA's livelihood education program, the Initiative of Livelihood Education and Development (iLEAD) is an innovative, market-led TVET course that has improved the livelihoods of over 170,000 youth in South Asia. AEA will establish the first iLEAD center in Southeast Asia in Phnom Penh in 2015 and expand this project nationally and regionally to improve the livelihoods of dropout youth across Southeast Asia.

This summary outlines the following from the 2014 Phnom Penh EEPA; a description of iLEAD, the methodology used, a Market Profile, a Profile of Phnom Penh youth, the assessment tool titled the “Trade Selection Matrix” and a summary of conclusions.

iLEAD DESCRIPTION

Since 2005, AEA has been promoting the livelihood of youth from poor families and those with low educational qualifications through short term skill trainings. The Initiative for Livelihood Education and Development (iLEAD) – AEA's employability and entrepreneurship enhancement program is one of the longest-running AEA programs.

iLEAD has established over one hundred training centers catering to the needs of vulnerable youth to help them enter into new and emerging occupations. Conducting annual EEPAs ensures the program is highly sensitive to market changes and provides instruction only on trades which have demand in the local market as well as targeted entrepreneurial/business management training for self-employed youth.

The curricula are designed in consultation with the local business establishments and enterprises. This not only guarantees a match between the market or industry occupations and the skills of the iLEAD graduates, but also forms linkages and relationships with local businesses to help youth transfer successfully into the job-market.

The following are the specific objectives of the iLEAD program:

- Increase the number of youth and disabled persons in employment, as well as the productivity and wage potential of informal workers by developing technical and soft-skills via market-led TVET;
- Establish employment opportunities for iLEAD graduates by developing links with local businesses and promoting self-employment;
- Strengthen the resilience and future prospects of TVET trainees and families;
- Provide local and national authorities statistical data on the market supply and demand conditions in target areas.

There are two trajectories youth can choose from. The first is the Skill Training Program. This path instructs youth on the specific skills that are currently in demand in the local market. The second trajectory is the Start and Improve Your Business (SIYB) path. In this course, youth receive expert training, coaching and mentoring to become successful entrepreneurs by starting micro-level businesses or improving their current business. iLEAD’s unique training program is especially designed by experts and offers opportunities to learn through in-depth training on basic concepts, practical sessions, personality development, spoken English classes, apprenticeships for on the job training and guest lectures. With this model, trainees are provided regular interface with industries and offered employment assistance through pre and post job-placement support.
METHODOLOGY

To gain a keen understanding of existing TVET in Phnom Penh, the skills and aspirations of youth and the wants and needs of potential employers, this assessment had the following objectives:

1. To identify the most prospective trades (Industries) for employment generation;
2. To identify potential employers;
3. To identify potential collaborators;
4. To profile target area;
5. To profile target groups and their aspirations.

To meet these objectives, the EEPA used a mixed-method, single cross-section design using both primary and secondary data. Secondary data analysis of market assessments informed the development of the primary data collection strategy and tool development. Primary data were collected in two phases; first, targeting vulnerable and dropout youth in Phnom Penh.

384 Youth were surveyed to reach a 5% Confidence Interval with a 95% Confidence out of an estimated population of 31,563 youth aged 15-35 in 4 out of Phnom Penh’s 12 districts. The second phase of primary data collection targeted 10 businesses owners in each following five industries; Hospitality, Mechanics, Tailoring, Cosmetology and Retail/Wholesale.

Testing and analyses were then conducted on the data to meet the aforementioned objectives. However the crux of the assessment is the Trade Selection Matrix. This tool is used to determine the best industries for iLEAD to pursue by comparing industries along various parameters including Career Growth Opportunities, Salary, Industrial Growth and Accessibility.

CHALLENGES

Several challenges were faced during the course of this assessment. Firstly sampling businesses during the second part of the primary data collection phase took longer than anticipated. This was partly because the time constraints of business owners prevented them from participating in in-depth interviews. Secondly a lack of awareness and trust made many business owners reticent to share their HR policies and business plans. Once iLEAD is more established and builds credibility this second challenge may be overcome. The third challenge was that the youth sample was not equally distributed between male and female youth but rather skewed toward male youth. This impacted the data analysis and perhaps the findings.

The fourth challenge was the time and capacity constraints of the research team. These constraints did not allow for the two primary data collection phases (interviewing youth and businesses) to be conducted simultaneously. As a result, important industries may have been overlooked and youth aspirations may have had a disproportionate impact on the Trade Selection Matrix. Furthermore the small research team only allowed for 5 industries to be targeted, limiting the scope of the assessment.
MARKET PROFILE

GENERAL OVERVIEW OF CAMBODIA

The economic context of Cambodia has dramatically changed in the last decade. Characterized by steady economic growth; the market is transitioning from an agricultural based economy to one more evenly distributed between the three sectors (agriculture, industry and service). Economic forces are also changing the social fabric of society as Cambodia is quickly urbanizing as industries like the garment factory industry, construction and hospitality can offer higher wages in cities than jobs in rural settings.

This trend is expected to accelerate with the ASEAN integration in 2015 which will cause a growth in the demand for medium skilled labor. However there is already a distinct “skill mismatch” as the majority of workers in Cambodia are low skilled and there is already a dearth of qualified talent to meet the growing need for medium and high skilled jobs. The existing TVET system, though intended to mitigate this, is still in its infancy and is unable to bridge this gap. Part of the challenge for the TVET system is the lackluster graduation rates of the Cambodian secondary education system. Even those who graduate from the system are frequently ill prepared to actively and productively participate in the market economy.

Despite the shift in economic trends, Agriculture is still a defining presence in the Cambodian economy as it is the largest employer (though the largest contributor to the GDP is the tertiary or service industry). Unemployment is also remarkably low in Cambodia with an unemployment rate of 1.5% (ILO, 2012). Despite this there is cause for concern when investigating wage productivity as the work that is available is generally labor intensive and low paying. Furthermore, labor force participation as well as income are hugely dependent on age and geography. While employment rates are much higher in rural areas incomes are generally substantially lower than in urban centers like Phnom Penh. Gender also plays a substantial role in employment and income as women are less likely to be employed and generally earn substantially less than men. Furthermore the industries that are available to women are relatively few.

The informal sector plays a huge role in the Cambodian economy. It is estimated that over 70% of the Cambodian workforce work in the informal sector; which has far reaching consequences for the livelihoods and overall health of the Cambodian workforce as the most vulnerable are much more likely to participate in the informal sector. This further compounds their vulnerability because the informal sector lacks certain safety nets, including leave with pay, insurance and other services which makes those who participate in the informal sector especially sensitive to economic shocks and downturns.
OVERVIEW OF PHNOM PENH MARKET

The general composition of the Phnom Penh market economy is different to Cambodia’s as a whole. Namely, the Phnom Penh economy is much less dependent on the primary sector and has a much larger presence of the secondary and tertiary sectors. With a population of over 1.5 million people, a robust service sector is able to thrive.

A sector breakdown of the Phnom Penh economy is as follows (ILO, 2012):

- Primary: 3.8%
- Secondary: 19.6%
- Tertiary: 76.6%

Furthermore, as discussed above, the unemployment rate in Phnom Penh is notably higher than in the rest of the country. According to the ILO (2012), the labor force participation rate for all working age people in is 74.0%, though the majority of the labor force participates in self-employment activities in the informal economy.

YOUTH IN THE LABOR FORCE IN PHNOM PENH

The unemployment rate in Phnom Penh is even further pronounced among Phnom Penh youth. The implications are simultaneously encouraging and some cause for concern. Youth in Phnom Penh make up 52.2% of the workforce and are far more likely to be unemployed than adults; resulting in youth unemployment having residual consequences on the unemployment rate and economic health of Phnom Penh (ILO, 2012). However, some argue (World Bank, 2014) that the low participation rate of youth is encouraging as it indicates longer school survival. At first glance the low graduation rates appear to disprove this. However, considering over half of the EEPA sample dropped out of school after the age of 16 and many left school in their late teens and early twenties (highlighting a problem of overage students), this theory may have some truth to it.

Youth unemployment is gendered in Phnom Penh in an interesting way. Male youth are more likely to be unemployed using the “strict” definition of unemployment which means they are without work and are actively seeking work. However female youth make up a larger proportion of the “inactive” youth. This suggests that there is a group of young female youth that are not actively engaged in the market economy, i.e., not in school and not seeking employment. This may be accounted for by the large presence of young women in the unpaid family worker population.

There is also a disparity in youth employment between age groups. The ILO (2012) notes that the proportion of youth participating in some sort of employment is different for younger youth (15-19) than older youth (20-24). Older youth are much more present in the labor force than younger youth. As stated above some believe that this is an encouraging finding as it reflects increased school-survival. Though graduation rates are still low the trend suggests that youth will continue to stay in school longer in the future.

INFORMAL/ VULNERABLE EMPLOYMENT

The informal sector, though unstable and difficult to track, plays a huge role in the Phnom Penh economy. Vulnerable employment is defined as the sum of own-account/self-employed workers and unpaid family workers. Those who participate in the informal economy are frequently unpaid family workers, street vendors or self-employed tuk-tuk or motor drivers. Street vending is especially popular as it is less labor intensive and has more flexibility.

Interestingly, the informal market often can offer higher wages than the formal sector, especially for low-skilled youth who work as street vendors. Most street vendors earn 150 USD a month. However, the potential for increased income over time is relatively low, meaning that a youth the age of 15 earns a similar wage as an adult of 35. This is appealing in the short term but the income potential stagnates of those who work in this sector. Despite this the vulnerable/informal economy is an important source of income for nearly half of residents in Phnom Penh. However there is movement within this sector: between 2012 and 2013 the proportion of the workforce participating in vulnerable employment decreased from 44.4% to 36.4% (CSES, 2013) which resulted in an increase in the proportion working as paid-employees. This could be a sign that the market as a whole is becoming more formal and centralized.
PHNOM PENH YOUTH PROFILE

EDUCATION

As is common across Southeast Asia attrition is one of the largest challenges in the education sector. This trend extends into Phnom Penh and is well documented in this assessment. On average, youth in Phnom Penh drop out of school around grade 7.

This includes both male and female youth; however female youth tend to dropout earlier than their male peers, generally sometime in year 6. This trend has long-term consequences on the livelihood and quality of life of female youth as the lack of education and skill limits youth from accessing higher paying and more productive forms of employment.

USAID notes (2014) there are “peak” dropout periods at “key entry points” in the education system. For example 20% of all dropouts occur during the transition from primary to lower secondary school (7-9 grades). These data highlight the challenges outlined above. In fact it is estimated only 6% (CSES, 2013) of Cambodian youth complete secondary school. These indicators are echoed in the findings from the Phnom Penh EEPA where the majority of the sample dropped out of school between the 6th and 8th grade (from a sample of “dropout” youth). However it is encouraging that nearly 30% of the sample continued their education until higher secondary school. Furthermore, despite the high enrollment rate (98%), official data can be misleading as many children enroll but do not attend and therefore should be interpreted with caution.

SKILLS

It is well documented that the education system in Cambodia does not adequately prepare youth to enter into the workforce. This is true across all educational levels including tertiary education. As a result, businesses find it difficult to find talent that possesses the skills required in the market economy. These missing skills include more than the trade/hard skills, but also vital soft skills like teamwork and communication. These soft-skills are especially important in the service industries.

The data on school survival highlight the attrition problem in Cambodia but do not shed any light on the quality of education provided or inform on the skills and capabilities of the students. Inferences can be surmised, supported by secondary data to glean some insight into the abilities of youth, but any conclusions are limited. Therefore, to gain a complete understanding of this problem among dropout youth in Phnom Penh, data were collected on various skills that are in demand. Youth were asked to rate their ability from 1-5 for the following skills;

- Literacy and Numeracy skills: Reading, Writing and Arithmetic
- Computer Skills: Ability to use a computer, use Microsoft Word and the Internet
- English Skills

Some notable findings include; approximately 10% of the youth surveyed reported that they could not read, write or do basic arithmetic and only 15-20% were fully literate and numerate. Additionally, the majority of youth had “some” level of reading, writing and arithmetic ability.

To summarize and compare skill levels a combined “skill score” was calculated. This score is the mean of each observation and presented as a percentile. Despite the fact that youth are not entirely without skills; their proficiency in marketable skills is limited with an average skill score of 28.48%. There is a clear gender-based divide in skill score with a 5.33 point skill score gap between male and female youth (30.6 and 25.27 respectively). This is perhaps indicative of the wider gaps that impact the livelihoods of young women, namely education, employment and income.
EMPLOYMENT

Youth unemployment is much higher than unemployment among adults (24-64), especially in urban areas such as in Phnom Penh. However unemployment among youth is not especially high and there are other factors that are in need of attention. The indicators on economic productivity, for instance, highlight that livelihoods and income are of concern and need to be improved.

Youth in Phnom Penh are working long hours, generally work between 6 and 7 days per week and it is not uncommon for youth to have multiple jobs, indicating that their primary mode of employment is insufficient to pay for their expenses. On average dropout youth in Phnom Penh earn approximately 130USD per month. Within this there is great variation based on sector and industry, employee v. self-employed status, gender and geography.

UNEMPLOYED YOUTH PROFILE

As outlined above youth unemployment among urban youth is the highest among all groups. In Phnom Penh the percent of youth sampled who did not have a job was 11.4%. This is substantially higher than the 6.6% unemployment rate of urban youth provided by ILO (2013).

Within this figure there is variation as different groups are more likely to be unemployed than others, for example, female youth are more likely to be unemployed than male youth. This assessment found that 17.6% of the dropout female youth surveyed did not have wage-paying jobs and that young women account for 57% of the total unemployed in the sample. One of the main challenges to accessing employment for young women is lack of childcare with a third of the female sample noting it as a key obstacle. This is especially challenging for young unemployed women with 44% of unemployed in this group unable to enter the workforce due to lack of childcare.
TRADE SELECTION MATRIX

TRADE SELECTION MATRIX DESCRIPTION

The Trade Selection Matrix (TSM) is a model designed to gain a general understanding of the various industries included in the EEPA (Cosmetology, Hospitality, Tailoring, Mechanics and Retail/Wholesale), compare them to each other and to identify the industries that are most suitable for iLEAD in Phnom Penh.

The TSM is comprised of 10 parameters. The parameters, listed below, were chosen for the model because they offer a broad array of important considerations for the livelihoods of youth. Each parameter is a key to determining the appropriateness of the industry for iLEAD. The model is designed to choose industries that provide long-term, meaningful and productive employment as well as offering opportunities that will support the continued learning and development vulnerable youth.

Each of the 10 parameters is weighted as to its level of importance in the model. For example the “Salary” Parameter is weighted with 15 possible points out of a total of 100. The parameters are built up of indicators and each indicator is an observation, variable or combination of variables. The indicators are assigned a specific weight and the sum of the weighted indicators results in the parameter score. The result of this process is presented below;

TRADE SELECTION MATRIX

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<td>4.8</td>
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<tr>
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</table>

Parameter A: Adequate Number of Employment  
Parameter B: Salary  
Parameter C: Industry Growth  
Parameter D: Career Growth  
Parameter E: Desirability  
Parameter F: Accessibility for Women  
Parameter G: Accessible for Persons with Disability (PwD)  
Parameter H: Working Conditions  
Parameter I: Self-Employment  
Parameter J: Difficulty Finding Skills
CONCLUSION/DISCUSSION

HOSPITALITY

Hospitality comes in third in the TSM. However this industry “wins” the majority of the parameters; meaning it scores the highest in 6 out of the 10. The parameters in which this industry leads include; industry growth, career growth, access for women (hires women and will hire women) and good working conditions. HR managers in this industry also have the most difficulty finding qualified talent, creating an opportunity for iLEAD to fill a stated need.

The parameters where hospitality is weak in the TSM are desirability and self-employment. The desirability indicator in this case is problematic. Firstly the sample was skewed towards male youth and the desirability of industries is gendered. The result being industries that are predominantly dominated by men score higher in this parameter. It is also important to note that the hospitality industry does not have a score for the desirability parameter. It was decided early on in the EEPA that bias was not to be introduced into the survey when inquiring into youth aspirations by providing possible responses. This means that responses that were provided only include those that the EEPA participants had heard of before or encounter regularly. It does not mean that posed with the opportunity youth would not wish to pursue this industry.

Hospitality is also the only industry that is entirely formal. The majority of restaurants sampled had medium to large staff and large premises meaning that hospitality is an industry that does not lend itself to self-employment. However it is an industry that scored very well in terms of career growth, salary and industry growth. Considering the Phnom Penh economy is formalizing, this industry should not be overlooked.

COSMETOLOGY

This industry scored highest on the TSM and leads in the following parameters; adequate number of employment opportunities, salary, self-employment opportunities and access for women. This industry is quickly growing in Phnom Penh as the service sector as a whole also continues to thrive.

This industry is especially appealing to young women who wish to work from home. Working from home in small enterprises is very attractive to young women as it will allow them to attend to their other obligations and take care of their children.

The salary potential from this industry is quite high in comparison to the other industries; scoring a 12/15. However it is important to note that the analysis of the salary only compared the average salaries in each industry to the industries included in the TSM. Therefore we cannot say that the salary potential for this industry is any more/less than industries outside the scope of the EEPA.

Where cosmetology is limited is long-term career growth. Within the formal sector of this industry, long-term career opportunities are limited. Entry-level employees frequently receive raises in recognition of good performance, however promotions are very rare. This is most likely attributed to the small sizes of most salons. However, if working from home is what motivates most women, then limited career growth may be less of a consideration.
TAILLORING

Tailoring also scored highly in the TSM. This industry in Phnom Penh seems especially relevant as the Garment Manufacturing industry in Phnom Penh is one of the largest in the country. Those who choose to leave this industry do so with some level of skill and it is a natural transition from working in a factory to a small tailoring shop or to begin a small enterprise. Furthermore this industry is accessible to both men and women.

This industry stands out as being the most open to hiring Persons with Disabilities. This is an important consideration. Though only a few tailors currently employ PwD, the majority of tailors indicated that they would be open to hiring PwD in the future. Therefore it is essential to explore how shop owners can best support PwD in their employ.

Tailoring also scored well on the self-employment parameter. Like cosmetology it is possible to open small tailoring enterprises out of a home or small work space. However the start-up costs are a bit higher than cosmetology. Entrepreneurs would require a certain amount of resources to open a tailoring shop including a sewing machine and enough space to expand if necessary. However the salary potential in tailoring is quite high providing potential for economic upward mobility.

MECHANICS

This industry is considered the most desirable out of the industries included in the EEPA. However, as noted above, the sample of youth was skewed towards men, which may account for the high desirability score for this industry. This score was determined by analyzing job-satisfaction levels and also includes the industries and skills youth most wish to pursue. This industry is also growing rapidly. The increase presence of motor vehicles, especially in Phnom Penh, supports the growth of supporting industries like mechanics.

An important caveat to this industry is the training infrastructure. Mechanics frequently take on trainees for 4-8 months to learn the skills of the trade. These trainees are charged between 300-800 USD for the apprenticeship. In the EEPA large and internationally owned mechanics do not participate in this apprenticeship system. Large mechanics are also intending to hire many new staff in the next six months. This skews the data and gives the impression that there are adequate employment opportunities.

Frequently the shop owners do not hire the apprentices when they complete the training. However self-employment is high in this industry. It seems that upon completion of this training, former apprentices frequently move into the informal sector, starting small enterprises. The costs of entry for this industry are potentially quite high. Employers in this industry also face difficulties finding and retaining qualified talent for the long-term, indicating that this industry has a lot of potential. This is important to account for in the analysis and training to build a strong relationship with local businesses it seems vital not to disrupt this income. However the fees are a barrier to access for the poorest and most vulnerable in the community.

If iLEAD chooses to target this industry in the future, the center should reach out to larger establishments with long term career opportunities before designing the curriculum and strong relationships should be forged to ensure that the trainees enter into a more formal infrastructure. The formal side of this industry seems like a viable option for iLEAD trainees. However the industry as a whole seems risky for the initial iLEAD center.

RETAIL/WHOLESALE

This industry comes in last in the TSM. Though the service sector is growing rapidly and there is a growing population with expendable income, this nebulous industry may not be the best to pursue. Despite this industry scoring well in the working conditions and industry-growth parameters, this industry scored quite low in the desire and access for PwD parameters.

Additionally the skills associated with sales (communication and customer service) are required by the other industries discussed above. By ensuring that the iLEAD trainees are schooled in these skills they will be able to fully participate in the market economy.
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