TOWARD INCLUSIVE FORMALIZATION:

EVIDENCE FROM CAMBODIA'S INFORMAL WORKERS AND MICRO-ENTERPRISES

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ABBREVIATIONS AND ACRONYMS

Acronym	Full Term
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CSES	Cambodia Socio-Economic Survey
CLFS	Cambodia Labour Force Survey
GDP	Gross Domestic Product
ILO	International Labour Organization
KHQR	Khmer Quick Response Code
LPM	Linear Probability Model
MFI	Microfinance Institution
MLVT	Ministry of Labour and Vocational Training
MSME	Micro, Small, and Medium Enterprise
NIS	National Institute of Statistics
NSSF	National Social Security Fund
NUM	National University of Management
OECD	Organisation for Economic Co-operation and Development
OSH	Occupational Safety and Health

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EXECUTIVE SUMMARY

Cambodia's informal economy remains a central pillar of employment, household livelihoods, and local economic activity. It absorbs a large share of workers and micro-enterprises across construction, services, handicrafts, street vending, market trading, and home-based activities. While informality provides income opportunities for people who may otherwise be excluded from formal labor and enterprise systems, it is also associated with low and unstable earnings, long working hours, limited savings, weak access to finance, lack of written contracts, low social protection coverage, and high exposure to shocks. For many workers and micro-enterprises, informality is not simply a legal status; it is a livelihood condition shaped by survival needs, household responsibilities, limited institutional support, and weak pathways to decent work and business upgrading.

This study, conducted by the National University of Management in 2025, examines Cambodia's informal economy through two primary surveys: one covering informal micro-enterprises and home-based businesses, and another covering informal workers in key sectors and locations including Phnom Penh, Siem Reap, and Kampot. The study applies a five-pillar analytical framework covering socio-demographic characteristics, informality intensity, economic performance, risk and vulnerability, and willingness or pathways to formalization. The analysis combines descriptive statistics, cross-tabulations, and logit marginal effects models to identify the factors associated with willingness to formalize among micro-enterprises and preference for formal jobs among informal workers.

Key Findings

The findings show that Cambodia's informal economy is highly diverse but structurally vulnerable. Among surveyed micro-enterprises, most businesses are unregistered, family-based, very small, and relatively young. Many operate from homes, streets, markets, or customer locations. Written contracts are virtually absent, and business operations are often closely mixed with household survival strategies. Although these enterprises provide important income, their economic performance is generally weak. Business income is modest and unstable, savings capacity is limited, and many operators face low demand, high costs, and exposure to shocks such as forced eviction, wage theft, or loss of goods.

Informal workers face a different but related set of vulnerabilities. Many are migrants, especially in Phnom Penh and the construction sector. They tend to have low education, unstable housing arrangements, and limited documentation. Most work without written contracts and are paid daily, weekly, by task, or through irregular arrangements. Working hours are long, income is modest and unstable, and many workers face occupational injuries, payment problems, health risks, and limited bargaining power. Social protection coverage remains very low, leaving workers heavily dependent on family support, borrowing, or stopping work when they become sick or unable to work.

The study also highlights the close relationship between informality and housing insecurity. Irregular income, lack of written contracts, limited savings, weak access to formal finance, and absence of business or employment documentation make it difficult for informal workers and micro-enterprises to access secure rental housing, housing loans, or affordable housing programs. Informality therefore reinforces not only labor and enterprise vulnerability but also broader household and urban insecurity.

Formalization Willingness and Regression Insights

The regression analysis shows that formalization is not driven by registration alone. For micro-enterprises, willingness to formalize depends strongly on whether formalization is linked to clear economic benefits. Higher business income is positively associated with willingness to formalize, suggesting that more viable enterprises are better positioned to enter a formal pathway. Support for finance, training, and documentation also increases willingness to formalize. In contrast, cost and tax concerns and lack of perceived benefits reduce willingness. This indicates that micro-enterprises are unlikely to formalize if they see formality mainly as taxation, paperwork, or regulatory burden.

For informal workers, the main logic is different. Preference for formal jobs is strongly associated with education, social protection, income instability, loan obligations, shock exposure, and the perceived benefit of stable employment. Workers are attracted to formality when it offers regular income, written contracts, social protection, safer working conditions, and greater security. Social protection is one of the strongest predictors of preference for formal employment, confirming that formalization for workers must be closely linked to decent work and protection rather than employment registration alone.

The regression results therefore reveal two distinct pathways to formalization. For micro-enterprises, the main pathway is business upgrading through finance, training, documentation support, simplified registration, and reduced compliance burdens. For informal workers, the main pathway is decent work through stable employment, written contracts, social protection, occupational safety, income security, and realistic transition support.

Policy Implications

The study supports a gradual, incentive-based, and differentiated approach to formalization. Formalization should not begin with enforcement or taxation. It should begin with visible benefits that respond to the actual needs of informal workers and micro-enterprises. For micro-enterprises, policy should link simplified registration with access to finance, credit guarantees, KHQR and digital payment records, bookkeeping support, tax guidance, business training, and market access. A light-touch micro-enterprise certificate could serve as an intermediate step before full registration and compliance.

For informal workers, policy should prioritize social protection, written contracts, regular payment, occupational safety, wage protection, and job-matching support. Expansion of NSSF coverage should be central, especially for construction workers, transport workers, market vendors, service workers, migrants, and other high-risk groups. Contribution arrangements should be flexible and affordable, with possible subsidies for vulnerable workers.

Skills development is important for both groups, but it must be practical and linked to real opportunities. For micro-enterprises, training should support bookkeeping, pricing, digital payments, product quality, customer management, tax basics, and online marketing. For workers, training should be connected to employer demand, certification, apprenticeships, job placement, and documentation support. Awareness campaigns alone are insufficient unless they are combined with concrete support that makes transition feasible and attractive.

Priority Policy Package

Based on the empirical findings, the report proposes a priority policy package organized around two complementary pathways.

For micro-enterprises, the priority should be business upgrading and gradual formalization. This includes simplified registration, documentation support, financial access, credit guarantees, business training, digital payment support, tax facilitation, and market linkage. Women-owned, home-based, and higher-potential micro-enterprises should receive targeted support through mobile services, community-based delivery, and flexible training schedules.

For informal workers, the priority should be decent work and protection. This includes written contracts, regular wage payment, NSSF expansion, occupational safety and health measures, injury protection, grievance mechanisms, job-matching services, documentation support, and skills training linked to actual employment opportunities. Migrant workers, construction workers, service workers, and workers exposed to income instability or shocks should be treated as priority groups.

Across both pathways, the government should strengthen coordination among labor, commerce, economy and finance, social protection, local administration, urban development, financial regulation, TVET, and MSME support institutions. Local authorities, commune offices, business associations, NGOs, financial institutions, and universities can play an important role in outreach, registration assistance, training, social protection enrollment, and monitoring.

Final Message

Cambodia's informal economy is both a source of resilience and a source of vulnerability. It helps households survive, but it also traps many workers and micro-enterprises in low-productivity, low-protection, and high-risk livelihoods. The evidence from this study shows that formalization will succeed only if it improves livelihoods. For micro-enterprises, formalization must offer finance, skills, market access, and simplified compliance. For workers, it must offer stable jobs, written contracts, social protection, safety, and income security.

The central policy lesson is clear: formalization should not be treated as registration alone. It should be designed as a practical package of benefits that helps informal workers and micro-enterprises become more secure, productive, resilient, and included in Cambodia's development process.

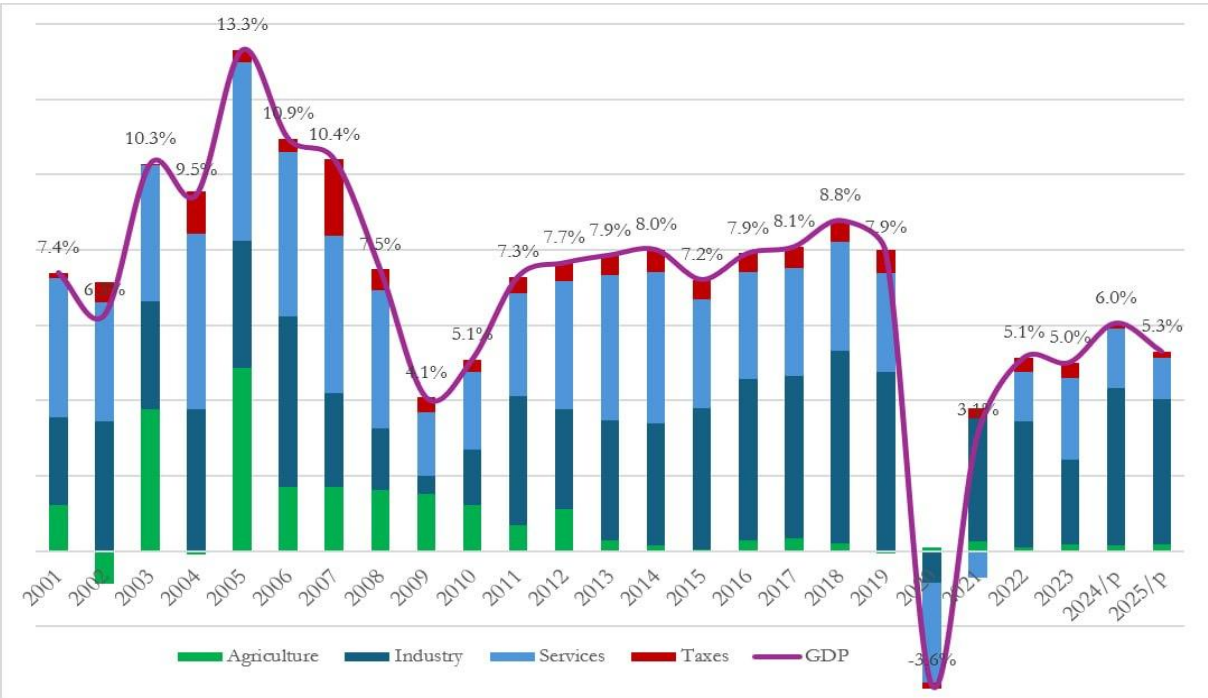
I. INTRODUCTION

1.1. Rationale

Cambodia's informal economy is not a peripheral segment of the national economy as it is its very foundation. From the construction sites and street markets of Phnom Penh to the handicraft workshops, home-based businesses, and small-scale trading activities in provincial towns such as Siem Reap and Kampot, informal work sustains the livelihoods of the majority of Cambodian families. According to recent estimates, more than 88% of the country's workforce operates in the informal economy (ILO, 2024; National Institute of Statistics). This includes casual and subcontracted workers, street vendors, home-based producers, construction laborers, and micro-entrepreneurs who operate with little or no formal registration, contracts, or access to social protection.

While Cambodia has recorded impressive economic growth over the past two decades, averaging around 7% annually before the COVID-19 pandemic, this growth has not translated into a proportional increase in decent, formal employment opportunities. Instead, informality remains structurally embedded, limiting productivity gains, constraining government revenue mobilization, and leaving millions of workers vulnerable to economic shocks, health risks, and livelihood instability. Informal workers typically face low and irregular incomes, excessive working hours, weak bargaining power, and almost non-existent legal protections.

Figure 1 - Cambodia GDP Growth Trend, 2001–2025



Source: Authors illustration based on data obtained from Ministry of Planning (2026).

Cambodia's labour-market transformation further explains why informality remains a critical development issue. Employment has shifted strongly away from agriculture toward industry and services. Agriculture's share of employment declined from 57.6% in 2009 to 25.8% in 2026, while industry increased from 16.1% to 32.4% and services from 26.3% to 41.8% over the same period (see Annex 2, table 1). This structural transition reflects Cambodia's broader economic modernization, but it also creates new policy challenges because many workers entering industry and service activities continue to work under informal, unstable, and weakly protected conditions.

The consequences of widespread informality extend beyond individual livelihoods. They affect national development objectives, including the transition toward upper-middle-income status by 2030 and the achievement of the Sustainable Development Goals. High levels of informality undermine the tax base, restrict access to formal finance and skills development, and perpetuate cycles of poverty and inequality. Women, youth, internal migrants, and workers in high-risk sectors such as construction are disproportionately affected. These vulnerabilities are further exacerbated by residential instability, limited savings capacity, and low financial inclusion factors that are closely intertwined with Cambodia's persistent challenges in providing affordable and secure housing.

Recognizing these realities, the Royal Government of Cambodia has placed formalization of the informal economy high on the national agenda. The National Strategy for the Development of the Informal Economy (2023–2028), along with the Pentagonal Strategy and the National Strategic Development Plan, emphasizes the need to promote decent work, expand social protection coverage, modernize micro, small and medium enterprises (MSMEs), and create an enabling environment for gradual and voluntary formalization.

However, effective policy design and implementation require robust, granular, and up-to-date evidence. Much of the existing research relies on national-level aggregates or secondary data and lacks detailed insights into the diverse realities of informal workers and enterprises across different occupations, locations, and demographic groups. This study addresses this critical evidence gap by presenting findings from two primary surveys: one focused on micro-enterprises and home-based activities and another on informal workers across key sectors including construction, services, and handicrafts. Through a mixed-methods approach combining quantitative data with qualitative insights, the study provides a comprehensive portrait of the scale, structure, challenges, vulnerabilities, and aspirations of Cambodia's informal economy.

1.2. Research Objectives

The main objectives of this research are:

1. Analyze Current Dynamics:

Examine the scale, composition, demographic and occupational profile, spatial distribution, and operational characteristics of the informal economy in Cambodia, with particular attention to differences between urban (Phnom Penh) and provincial contexts, as well as across sectors such as construction, services, handicrafts, street trading, and home-based businesses.

2. Identify Key Challenges:

Investigate the structural and day-to-day constraints faced by informal workers and micro-enterprises, including low and unstable incomes, excessive working hours, high informality intensity, limited access to finance and social protection, exposure to shocks (injury, wage theft, eviction), and barriers to formalization.

3. Explore Opportunities and Aspirations:

Assess informal workers' awareness of and willingness to transition to formal employment, the perceived benefits of formality, and the specific types of support (documentation assistance, skills training, written contracts, access to credit, etc.) required to facilitate an inclusive and sustainable shift.

4. Provide Evidence-Based Policy Recommendations:

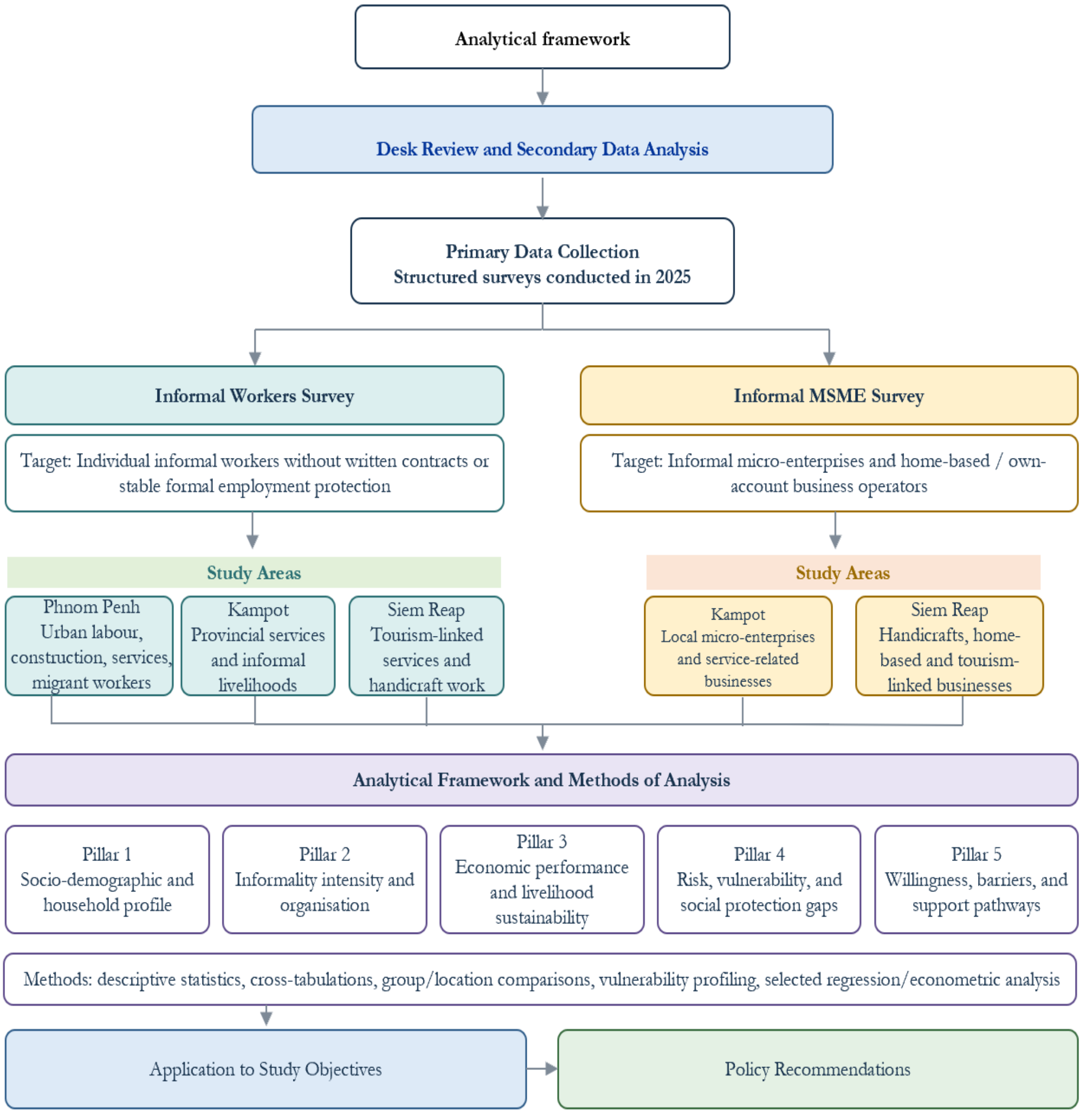
Formulate practical, context-specific recommendations to support formalization, strengthen social protection, improve financial inclusion, reduce vulnerability, and promote decent livelihoods — contributing directly to the implementation of the National Strategy for the Development of the Informal Economy (2023–2028) and broader national development goals.

This study ultimately aims to support more effective, inclusive, and evidence-driven policies that transform the informal economy from a source of vulnerability into a platform for inclusive and sustainable growth.

II. METHODOLOGY

This study employs a mixed-methods research design to generate a comprehensive and nuanced understanding of Cambodia's informal economy. The approach combines quantitative primary data from structured household and enterprise surveys with qualitative insights from stakeholder interviews, supplemented by an extensive desk review of secondary data and policy documents. This triangulation enhances the validity, depth, and policy relevance of the findings.

Figure 2 - Study Design and Conceptual Framework



Source: Authors' design based on the study methodology and analytical framework, NUM.

2.1. Desk Review and Secondary Data Analysis

A thorough desk review was conducted to establish the theoretical and contextual foundation of the study. This included an analysis of national policies such as the National Strategy for the Development of the Informal Economy (2023–2028), the Pentagonal Strategy, and relevant labor and social protection frameworks. Secondary sources reviewed encompass reports from the

International Labour Organization (ILO), National Institute of Statistics (NIS), Cambodia Labour Force Survey (CLFS), Cambodia Socio-Economic Survey (CSES), Asian Development Bank (ADB), World Bank, and UN agencies.

The desk review examined definitions and typologies of informal employment and enterprises, trends in informality at global, regional, and national levels, labor force dynamics, gender and occupational disparities, and existing policy initiatives. It also identified research gaps particularly the lack of granular, occupation-specific primary data on working conditions, income stability, financial access, vulnerability, and formalization aspirations which this study directly addresses.

2.2. Quantitative Study: Household and Enterprise Surveys

The quantitative component consisted of two complementary primary surveys conducted in 2025 under the auspices of the National University of Management (NUM):

2.2.1. Micro-enterprise and Home-based Business Survey (n=158)

The micro-enterprise and home-based business survey initially covered 188 respondents. After data cleaning, 158 valid responses were retained for the main descriptive analysis. The valid sample covered two study locations: Kampot (n=79) and Siem Reap (n=79). The survey targeted informal micro-enterprises and own-account operators, including street/market traders, home-based businesses, handicraft producers, and service-related businesses.

2.2.2. Informal Workers Survey (n=187)

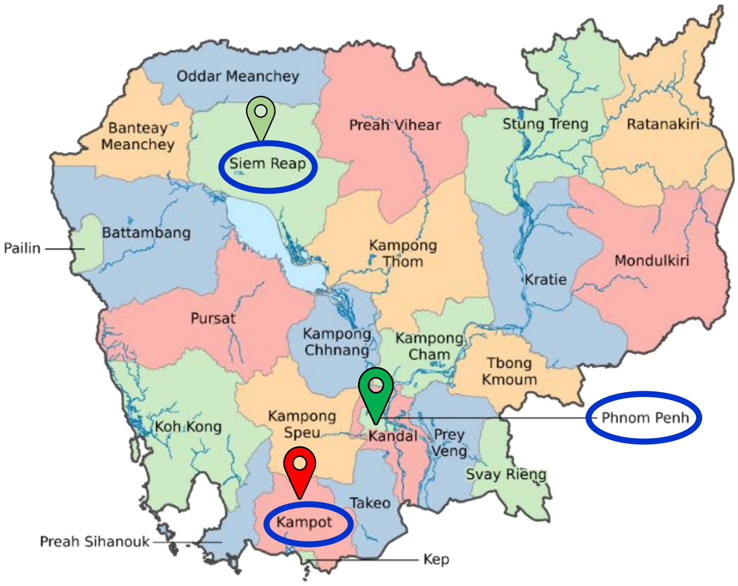
This survey focused on individual informal workers in major sectors, including Construction (n=81), Services (n=36), Handicraft (n=41), with significant coverage in Phnom Penh (n=112), Kampot (n=34), and Siem Reap (n=41).

Both surveys used structured questionnaires covering five main pillars:

- Socio-demographic profile and household vulnerability
- Work organisation and informality intensity
- Economic performance, income stability, and financial resilience
- Risks, shocks, and social protection gaps
- Willingness to formalize, perceived benefits, and required support pathways

Questionnaires included closed-ended questions, categorical scales, and some open-ended items for richer context. They were piloted, refined for cultural appropriateness, and administered in Khmer by trained enumerators using digital tools. Strict ethical protocols were followed, including informed consent and confidentiality. Data cleaning and analysis were performed using statistical software (SPSS and Excel). Techniques included descriptive statistics, frequency distributions, cross-tabulations by location and occupation, and calculation of means, medians, and ranges to highlight central tendencies and variations.

Figure 3 - Map. Survey Coverage



Source: Adapted from NIRVn (2014) with survey locations added by NUM.

2.2.3. Confidence Level

The survey generated 158 valid MSME responses and 187 informal worker responses, giving a combined valid sample of 345 respondents. Sample adequacy was assessed using the standard margin-of-error formula for proportions at a 95% confidence level, applying Z = 1.96 and the conservative assumption of p = 0.5, which is commonly used because it assumes maximum variability and produces the most cautious sample-size estimate (Cochran, 1977; Krejcie & Morgan, 1970).

$$MOE = Z \times \sqrt{\frac{p(1-p)}{n}}$$

Based on this calculation, the estimated margin of error is ±7.8% for MSMEs, ±7.2% for informal workers, and ±5.3% for the combined sample. These values are below 10%, indicating that the sample is adequate for identifying major patterns and supporting exploratory policy analysis. The sample size also reflects practical fieldwork constraints, including budget, time, access, and the difficulty of identifying informal workers and unregistered MSMEs through a complete sampling frame (Bartlett, Kotrlik, & Higgins, 2001). Therefore, the findings should be interpreted as indicative and policy-relevant evidence from selected study areas, not as nationally representative estimates.

Table 1 - Sample Adequacy and Estimated Margin of Error

Respondent group	Valid sample size	Margin of error at 95% confidence
Informal MSMEs	158	±7.8%
Informal workers	187	±7.2%
Combined valid sample	345	±5.3%

Source: Authors' calculations based on NUM Survey Data, 2025. Note: Margin of error is estimated using the standard formula for proportions at 95% confidence level, with Z = 1.96 and p = 0.5.

For the regression analysis, the number of observations differs from the descriptive sample because each model includes different variables. Observations with missing values in any variable included in a specific model were excluded from that model estimation. Therefore, the MSME descriptive sample is 158, while the MSME logit models use 157 observations. For informal workers, the descriptive sample is 187, while the worker regression models use 167 and 161 observations, depending on model-specific variable availability.

2.3. Analytical Framework

The study is guided by an integrated analytical framework designed to examine the informal economy as a multidimensional phenomenon rather than a single undifferentiated sector. The framework follows a logical sequence linking individual and household characteristics, nature and degree of informality, economic performance and vulnerability, and willingness and pathways to formalization. This structure reflects the organization of the survey questionnaires and supports the study's policy objective of identifying the constraints, risks, and support mechanisms that shape informal workers' and micro-enterprises' transition toward more secure and formal economic participation.

The framework is organized around five mutually reinforcing pillars. The first pillar examines the socio-demographic and human capital profile of informal workers and micro-enterprise operators. It focuses on age, gender, education, household size, marital status, and migration status. These variables are used to identify which groups are most exposed to structural vulnerability, including women, migrants, low-educated workers, and larger households. Descriptive statistics, cross-tabulations, and gender-disaggregated analysis are applied to construct a demographic profile of informal economy participants and to assess differences across occupation, sector, and location.

The second pillar analyzes the typology and intensity of informality. Rather than treating all informal workers and enterprises as the same, this pillar distinguishes between different forms of informal participation, including own-account workers, contributing family workers, informal wage workers, casual or subcontracted workers, and micro-enterprise operators. It also examines whether activities are fixed, mobile, home-based, street-based, or linked to formal enterprises. Key indicators include registration status, written contracts, employment arrangement, business location, and type of employer. This pillar allows the study to map the spectrum of informality and to identify whether respondents are fully informal, partially connected to formal markets, or informally employed within otherwise formal enterprises.

The third pillar assesses economic performance and livelihood sustainability. It examines monthly income, operating costs, estimated profit, income stability, savings behavior, and access to credit. For micro-enterprises, the analysis focuses on business income, business expenses, profit proxy, business loans, and future plans. For informal workers, the analysis focuses on monthly earnings, income stability, savings capacity, loan access, and sources of borrowing. Descriptive statistics, percentile analysis, and comparisons across sectors and locations are used to identify differences between survival-oriented and potentially growth-oriented informal activities. Where data quality permits, regression analysis may also be used to explore factors associated with income and savings outcomes.

The fourth pillar examines risk, vulnerability, and social protection gaps. It captures both chronic livelihood constraints and acute shocks, including low income, high costs, unstable work, health risks, injury, wage theft, forced eviction, loss of goods, harassment, and payment problems. The analysis also considers coping mechanisms when respondents are unable to work, such as stopping work, relying on family support, borrowing money, or using savings. Social protection indicators include National Social Security Fund coverage, private insurance, savings schemes, association membership, and access to government, NGO, or community support. This pillar is particularly important for identifying protection gaps and informing social protection, disaster risk financing, and shock-responsive policy design.

The fifth pillar focuses on incentives, barriers, and willingness to formalize. For micro-enterprises, this includes willingness to register or formalize the business, perceived barriers such as lack of information, cost, taxation, distrust, or lack of perceived benefit, and preferred support such as loans, registration assistance, skills training, documentation support, tax incentives, or insurance access. For informal workers, this pillar examines awareness of formal job opportunities, preference for formal employment, perceived benefits of formal jobs, reasons for hesitation, and support needed to transition, including written contracts, documentation, skills training, and employer or authority support. The framework proposes cross-tabulation and binary or ordered logit/probit models to analyze willingness to formalize where the data permit.

This five-pillar framework is applied consistently to the two quantitative survey modules used in the study: the micro-enterprise and home-based business survey, and the informal workers survey. The draft report is based on two primary surveys: one covering 158 micro-enterprises and home-based activities, and another covering 187 informal workers in key sectors such as construction, services, and handicrafts. The framework therefore allows comparison across two related but distinct units of analysis: informal enterprises and informal workers.

The analytical strategy combines descriptive statistics, cross-tabulations, sectoral and location comparisons, vulnerability profiling, and selected econometric analysis. Descriptive statistics are used to summarize the profile of respondents and the distribution of key outcomes. Cross-tabulations are used to compare results by gender, location, sector, occupation, and type of informal activity. Vulnerability indicators are used to assess exposure to shocks, lack of savings, weak social protection, and unstable income. Regression analysis, where applied, is used to identify factors associated with income, savings capacity, shock exposure, and willingness to formalize. Given the cross-sectional nature of the survey data, regression findings are interpreted as associations rather than causal relationships.

In short, the analytical framework provides a structured basis for linking empirical findings to policy recommendations. It helps move the report beyond a descriptive profile of informality toward a more policy-oriented analysis of who is most vulnerable, what types of informality exist, which economic activities are more sustainable, what risks informal workers and enterprises face, and what forms of support are most likely to facilitate gradual and inclusive formalization. This is consistent with the report's broader objective of generating evidence to support formalization, strengthen social protection, improve financial inclusion, reduce vulnerability, and promote decent livelihoods in Cambodia's informal economy.

3. LITERATURE REVIEW

This literature review synthesizes existing knowledge on Cambodia's informal economy and is structured according to the four core objectives of the study: (1) understanding current dynamics, (2) identifying key challenges, (3) exploring opportunities and pathways to formalization, and (4) drawing policy implications. It draws upon national policy documents, reports from international organizations (ILO, World Bank, ADB, UNDP), academic studies, and recent empirical evidence.

3.1. Current Dynamics of the Informal Economy

National labour-force indicators further show that Cambodia's main employment challenge is not simply unemployment, but the quality, security, and formality of work. Official CSES data indicate that the working-age population increased from 8.865 million in 2009 to 11.121 million in 2023, while the employed population rose from 7.469 million to 9.297 million over the same period. Despite high labour-force participation and low measured unemployment, many workers remain concentrated in vulnerable forms of work, including own-account work, unpaid family work, casual employment, and informal micro-enterprises (see Annex 2, Table 2).

This employment situation must also be understood within Cambodia's broader economic structure. As shown in Table 2, Cambodia's economy has continued to recover and expand after the COVID-19 shock, with growth supported mainly by industry and services. However, growth in these sectors does not automatically translate into formal and protected employment. Many activities in construction, wholesale and retail trade, accommodation and food services, transport, and small-scale manufacturing continue to absorb workers and enterprises under informal arrangements.

Table 2 - Cambodia GDP Growth by Main Economic Sector, 2019–2028

Sector / indicator	2019	2020	2021	2022	2023	2024 est.	2025 est.	2026 proj.	2027 proj.	2028 proj.
GDP growth	**7.9**	**-3.6**	**3.1**	**5.1**	**5.0**	**6.0**	**5.2**	**5.0**	**5.5**	**5.8**
Agriculture	-0.4	0.6	1.5	0.6	1.1	0.4	0.4	1.0	1.2	1.2
Crops	0.6	0.6	2.2	1.1	1.2	1.6	1.4	1.5	1.6	1.7
Livestock	-1.5	0.7	-1.0	-1.3	1.3	0.4	0.2	0.4	0.6	0.7
Fisheries	-2.6	0.4	2.3	1.2	1.1	-1.4	0.2	0.3	0.4	0.5
Industry	**13.0**	**-2.2**	**8.4**	**8.2**	**5.4**	**5.2**	**7.4**	**7.1**	**7.5**	**7.6**
Garment	16.4	-7.7	15.4	11.3	-4.5	16.5	10.4	5.4	7.3	6.5
Construction	14.7	-7.6	-4.0	0.4	0.4	1.1	2.4	3.1	5.0	5.7
Food, beverage and tobacco	7.8	3.4	4.2	7.6	5.3	6.1	5.4	5.0	6.1	6.8
Other manufacturing	7.7	4.4	7.5	5.6	5.4	3.3	4.0	3.8	4.5	6.1
Electricity, gas and water	8.4	11.4	16.8	10.3	21.7	7.1	4.7	4.3	4.6	10.2
Services	**6.6**	**-6.7**	**-1.4**	**3.6**	**6.0**	**5.8**	**3.5**	**3.8**	**4.3**	**5.0**
Wholesale, retail and accommodation/food services	5.5	-34.2	-34.5	26.0	58.9	16.5	6.6	6.0	5.8	4.9
Transport	5.7	-6.3	2.5	4.5	2.1	3.5	3.4	2.5	4.0	5.2
Information and communication	5.4	-2.7	3.8	4.7	4.4	7.2	5.4	5.2	5.4	6.2
Real estate and business services	5.8	11.5	12.0	5.0	5.6	7.0	7.1	7.1	7.4	7.6
Finance and insurance	7.4	4.3	3.2	-1.0	-0.1	-0.6	0.4	2.0	2.6	3.1
Other services	8.7	-8.3	-8.5	0.5	-1.6	1.2	2.7	3.1	4.6	5.0

Source: Adapted from Ministry of Land Management, Urban Planning and Construction (2026).

The informal economy in Cambodia is highly heterogeneous. It includes own-account workers, contributing family workers, casual and subcontracted laborers, street vendors, home-based producers, handicraft makers, and small construction teams. Sectorally, agriculture still absorbs the largest share in rural areas, while urban informality is concentrated in construction, wholesale and retail trade, accommodation and food services, and personal services (National Institute of Statistics, 2021; CLFS 2024). According to the Economic Census of Cambodia 2022, 87.6% of all enterprises were informal. Informality was especially high in wholesale and retail trade at 92.5%, accommodation and food service activities at 87.8%, and manufacturing at 84.4%.

Table 3 - Formality Status of Enterprises by Selected Sectors

Sector	Total Enterprises	Formal	Informal
Wholesale and Retail Trade, Repair of Vehicles	499,731	7.5%	92.5%
Accommodation and Food Service Activities	96,315	12.2%	87.8%
Manufacturing	54,871	15.6%	84.4%
Healthcare and Social Work	12,333	66.7%	33.3%
Education	12,241	84.7%	15.3%
Financial and Insurance Activities	10,726	41.3%	58.7%
Other Sectors	67,453	19.2%	80.8%
Total (All Sectors)	**753,670**	**12.4%**	**87.6%**

Source: Adapted from National Institute of Statistics (NIS), Economic Census of Cambodia 2022.

As show in Table 4 based on the Cambodia Labour Force Survey 2019, 88.3% of total employment was informal. Informal employment was highest in agriculture, forestry, and fishing at 98.6%, followed by construction at 97.2%, accommodation and food services at 95.2%, transportation and storage at 94.5%, and wholesale and retail trade at 94.2%.

Table 4 - Informal Employment Within Key Economic Sectors

Sector	Total Employed	Formal	Informal
Agriculture, Forestry, and Fishing	2,612,551	1.4%	98.6%
Wholesale and Retail Trade	1,319,027	5.8%	94.2%
Manufacturing	1,314,966	30.0%	70.0%
Construction	785,210	2.8%	97.2%
Transportation and Storage	364,863	5.5%	94.5%
Accommodation and Food Service Activities	269,527	4.8%	95.2%
Public Administration and Defense	284,894	45.0%	55.0%
Administrative and Support Service Activities	176,821	14.6%	85.4%
Education	182,972	44.6%	55.4%
Professional, Scientific, and Technical Activities	60,579	25.3%	74.7%
Financial and Insurance Activities	114,231	38.4%	61.6%
Other Sectors	397,465	16.6%	83.4%
Overall Total	**7,883,106**	**11.7%**	**88.3%**

Source: Adapted from National Institute of Statistics (NIS), Cambodia Labour Force Survey 2019.

Demographically, women, youth, and internal migrants are disproportionately represented. Women often dominate lower-return activities such as street vending, home-based businesses, and handicrafts, while men are more concentrated in physically demanding sectors like construction. Internal migration from rural provinces to Phnom Penh and other urban centers has significantly fueled urban informality, with many migrants entering casual or daily-wage work without formal contracts (Brown, 2018; Fauveaud, 2020).

Spatially, informal activities are deeply embedded in both rural and urban landscapes. In Phnom Penh and coastal provinces, informal workers frequently live in rental housing, worksite accommodation, or informal settlements, linking informality directly to housing insecurity and residential instability.

3.2. Key Challenges Faced by Informal Workers and Enterprises

The literature identifies a wide range of structural and immediate challenges that perpetuate vulnerability in the informal economy.

Low productivity, income instability, and excessive working hours: Informal workers typically earn significantly less than formal sector counterparts and face highly unstable incomes due to seasonal, project-based, or irregular demand. Many endure extremely long working hours often exceeding 48–70 hours per week with little overtime compensation or rest (ILO, 2024; Pillar findings of this study).

Limited access to social protection: Coverage under the National Social Security Fund (NSSF) remains critically low for informal workers, estimated at around 15% or less. Most lack health insurance, work injury protection, maternity benefits, or old-age pensions. This leaves workers highly exposed to health shocks and economic downturns (Inception Report; NSSF data 2021–2022; ILO, 2024).

Financial exclusion and limited access to credit: Most informal micro-enterprises and workers have limited or no access to formal financial services. They rely heavily on informal sources such as moneylenders, family, or rotating savings groups, often at high interest rates. Lack of collateral, business registration, and formal documentation further restricts access to bank loans and microfinance (World Bank, 2024; ADB, 2023).

Barriers to formalization: Common barriers include complex and costly registration procedures, fear of taxation, low perceived benefits, lack of trust in government institutions, insufficient awareness of support programs, and absence of proper identification documents. Many small businesses remain unregistered due to the perception that formalization offers few tangible advantages relative to the effort required (Royal Government of Cambodia, 2023; Or, 2025).

High vulnerability to risks and shocks: Informal workers face frequent occupational injuries (especially in construction), wage theft, payment delays, forced eviction (particularly among street vendors), and health-related disruptions. Coping mechanisms are largely informal — relying on family support or borrowing — which often leads to deeper debt traps (Inception Report; ILO construction sector reports).

Human capital constraints: Low levels of formal education and limited access to Technical and Vocational Education and Training (TVET) restrict skills upgrading and productivity improvement, particularly among women and rural migrants (Chhair & Ung, 2013; Grasse, 2024). These challenges create a self-reinforcing cycle of low productivity, vulnerability, and exclusion that also negatively affects housing affordability and tenure security.

3.3. Opportunities and Pathways to Formalization

Recent policy and academic literature increasingly emphasize the potential for gradual, incentive-based, and inclusive formalization rather than coercive approaches.

The National Strategy for the Development of the Informal Economy (2023–2028) marks a significant policy shift. It promotes voluntary registration, simplified digital procedures through One-Stop Centres and online platforms, expansion of social protection, skills development, and targeted financial inclusion measures (Royal Government of Cambodia, 2023).

Key opportunities identified in the literature include:

- Simplification of registration and digitalization: Online business registration has shown promising early uptake.
- Incentive packages: Tax breaks, subsidized training, access to credit guarantees, and group-based insurance schemes can make formalization attractive.
- Skills development and TVET: Expanding accessible training programs tailored to informal workers can improve productivity and facilitate transitions.
- Collective action: Supporting cooperatives, associations, and clustering of informal enterprises can enhance bargaining power and market access.
- Financial and digital inclusion: Expanding mobile money (KHQR), micro-insurance, and alternative collateral mechanisms can reduce transaction costs.
- Worker aspirations: Primary data consistently show that many informal workers desire greater stability, social protection, and written contracts if supported appropriately (Pillar 5 of this study; UNDP, 2023).

Comparative experiences from Vietnam (gradual formalization with incentives), Tunisia (integrated social protection and entrepreneurship support), and South Africa (collective bargaining and skills programs) provide valuable lessons on what works when policies are context-sensitive and participatory.

3.4. Policy Implications and Research Gaps

While Cambodia has made important strides with the National Strategy (2023–2028) and related initiatives (financial inclusion strategy, NSSF expansion, TVET reforms), implementation gaps remain significant. Coordination across ministries is still limited, outreach to the most vulnerable groups (women, migrants, rural workers) is insufficient, and monitoring and evaluation mechanisms need strengthening (UNDP, 2025; ILO, 2024).

Major research gaps persist in:

- Granular, occupation-specific data on working conditions, income volatility, vulnerability patterns, and formalization willingness across different locations and sectors.
- The intersection between informality, housing insecurity, residential mobility, and urban development.
- Empirical evidence on the effectiveness of specific incentive packages and support interventions for different segments of the informal economy.

This study contributes to closing these gaps by presenting detailed primary survey data from 345 respondents (158 micro-enterprises + 187 informal workers) across multiple pillars, complemented by qualitative stakeholder insights. It explicitly links informality dynamics to housing-related vulnerabilities, providing a more integrated evidence base to support policy formulation.

4. SURVEY FINDINGS

4.1. MSME

4.1.1. Socio-Demographic Profile, Household Vulnerability, and Working Intensity of Informal Workers (Pillar 1)

Primary data collected from a survey of 158 informal economy workers across six occupational categories Siem Reap (n=79) and Kampot (n=79), Street/Market traders (n=29), Home-based businesses (n=37), Handicraft (n=80), and Services (n=12) provide granular insights into the lived realities of Cambodia's informal workforce. These findings complement national-level statistics and highlight both common structural vulnerabilities and occupation-specific patterns.

Demographic Composition: The sample is predominantly female (65.8%, or 104 out of 158), confirming national trends that women constitute a disproportionate share of informal employment. Nationally, 88.3% of Cambodian workers are engaged in informal employment, with women facing even higher rates of informality (approximately 87.6–88%). In this sample, female representation is particularly high in Siem Reap (73.4%), Handicraft (72.5%), and Home-based businesses (64.9%). Males dominate only in the Services category (58.3%).

The workforce is relatively mature, with a mean age of 41.8 years. Prime working-age adults (35–44 years) make up 34.8%, followed by mature adults (45–54 years) at 19.0% and older adults (55+) at 18.4%. Only 6.3% are adolescents or early youth (15–24). This age structure suggests an aging informal workforce with limited fresh youth entry, raising concerns about long-term sustainability and skill renewal.

Marital Status and Household Characteristics: The vast majority of respondents are married (79.7%), with widowed/divorced individuals accounting for 9.5%. Households are relatively large, averaging 4.9 members, with most falling in the 4–5 or 6–7-member range. This large household size, combined with high female participation, implies significant care burdens that disproportionately fall on women, compounding their vulnerability.

Education Levels: Education attainment remains a critical constraint. Nearly one in five respondents (19.6%) have no formal education, while 43.7% have only secondary education. Just 15.2% have completed high school or vocational training. Education levels are especially low among Handicraft and Siem Reap workers. This low human capital limits productivity, access to better-paying opportunities, and the ability to navigate formalization processes.

Business Types and Locations: The sample is dominated by Handicraft (42.6%), Home-based businesses (23.4%), and Street/Market traders (18.4%). These activities are overwhelmingly home-based or street/customer-place oriented (69% of main business locations), reflecting the typical spatial pattern of informal work in Cambodia. Such locations offer flexibility but expose workers to weather risks, lack of infrastructure, and limited market access.

Working Intensity and Precarious Conditions: Informal workers in the sample endure extremely high working intensity:

Average 6.9 days per week

Average 10.3 hours per day

Average 71.4 hours per week

Approximately 75.9% work more than 48 hours per week (the international threshold for excessive working time), with some categories (e.g., Services and Handicraft) showing even higher rates. Additionally, 42.4% report non-standard or variable work time, particularly in Street/Market trading and Handicraft. These long and unpredictable hours far exceed national averages from the 2019 Cambodia Labour Force Survey (around 45–46 hours/week overall) and underscore the precarious nature of informal livelihoods.

Key Occupational Variations

- Street/Market traders: Highest proportion working >48 hours/week and high non-standard hours; more balanced gender but intense schedules.
- Home-based businesses: Predominantly female (64.9%), heavily home-located (89.2%), with significant care-work overlap.
- Handicraft: Very high female participation (72.5%), low education, and long hours.
- Services: More male-dominated, slightly better education profile, but still intense working time.

These patterns align with broader national evidence: informal workers, especially women in own-account and contributing family roles, face low and irregular incomes, limited social protection coverage (often below 10–15%), and heightened vulnerability to economic shocks.

Summary

The data paint a picture of a highly vulnerable yet resilient informal workforce. High female participation, low education, large households, and excessive working hours create a cycle of precarious livelihoods that limits savings, skill development, and investment in better housing or formalization. The dominance of home-based and street-based activities links directly to challenges documented in related housing research irregular incomes and long hours hinder access to affordable housing finance and increase relocation reluctance.

While the informal economy provides essential livelihoods and contributes substantially to employment (and an estimated 30–45% of GDP depending on measurement), its current structure constrains productivity, tax revenue generation, and decent work outcomes.

This Pillar 1 analysis will be triangulated with subsequent pillars (e.g., access to finance, social protection, skills, and housing affordability) and qualitative interviews to provide a holistic understanding of Cambodia's informal economy.

Table 5 - Socio-demographic profile, household vulnerability and working intensity, % (n)

Category	Kampot (n=79)	Siem Reap (n=79)	Street / Market (n=29)	Home-based (n=37)	Handicraft (n=80)	Services (n=12)	Total (n=158)
Gender							
Female	58.2% (46)	73.4% (58)	58.6% (17)	64.9% (24)	72.5% (58)	41.7% (5)	**65.8% (104)**
Male	41.8% (33)	26.6% (21)	41.4% (12)	35.1% (13)	27.5% (22)	58.3% (7)	**34.2% (54)**
Age (years)							
Mean	40.2	43.4	40	39.4	43.5	42.2	**41.8**
Age group							
Adolescent / early youth (15–24)	6.3% (5)	6.3% (5)	6.9% (2)	5.4% (2)	6.2% (5)	8.3% (1)	**6.3% (10)**
Young adult (25–34)	24.1% (19)	19.0% (15)	24.1% (7)	29.7% (11)	18.8% (15)	8.3% (1)	**21.5% (34)**
Prime adult (35–44)	39.2% (31)	30.4% (24)	37.9% (11)	40.5% (15)	30.0% (24)	41.7% (5)	**34.8% (55)**
Mature adult (45–54)	19.0% (15)	19.0% (15)	17.2% (5)	16.2% (6)	20.0% (16)	25.0% (3)	**19.0% (30)**
Older adult / senior (55+)	11.4% (9)	25.3% (20)	13.8% (4)	8.1% (3)	25.0% (20)	16.7% (2)	**18.4% (29)**
Marital status							
Single	8.9% (7)	12.7% (10)	17.2% (5)	5.4% (2)	12.5% (10)	0.0% (0)	**10.8% (17)**
Married	87.3% (69)	72.2% (57)	75.9% (22)	91.9% (34)	72.5% (58)	100.0% (12)	**79.7% (126)**
Widowed/Divorced	3.8% (3)	15.2% (12)	6.9% (2)	2.7% (1)	15.0% (12)	0.0% (0)	**9.5% (15)**
Education level							
No formal education	7.6% (6)	31.6% (25)	13.8% (4)	5.4% (2)	31.2% (25)	0% (0)	**19.6% (31)**
Primary	16.5% (13)	26.6% (21)	17.2% (5)	16.2% (6)	26.2% (21)	16.7% (2)	**21.5% (34)**
Secondary	54.4% (43)	32.9% (26)	55.2% (16)	48.6% (18)	32.5% (26)	75% (9)	**43.7% (69)**
High school or vocational	21.5% (17)	8.9% (7)	13.8% (4)	29.7% (11)	10% (8)	8.3% (1)	**15.2% (24)**
Household size group							
1–3 members	17.7% (14)	15.2% (12)	17.2% (5)	18.9% (7)	15% (12)	16.7% (2)	**16.5% (26)**
4–5 members	63.3% (50)	32.9% (26)	69% (20)	59.5% (22)	33.8% (27)	58.3% (7)	**48.1% (76)**
6–7 members	17.7% (14)	34.2% (27)	13.8% (4)	21.6% (8)	33.8% (27)	16.7% (2)	**25.9% (41)**
8+ members	1.3% (1)	17.7% (14)	0% (0)	0% (0)	17.5% (14)	8.3% (1)	**9.5% (15)**
Household size							
Mean	4.6	5.3	4.5	4.5	5.3	4.9	**4.9**
Median	4	6	4	4	6	4.5	**5**
Born local							
Yes	82.3% (65)	93.7% (74)	75.9% (22)	86.5% (32)	92.5% (74)	91.7% (11)	**88% (139)**
No	17.7% (14)	6.3% (5)	24.1% (7)	13.5% (5)	7.5% (6)	8.3% (1)	**12% (19)**
Type of business							
Street/market trader	36.7% (29)	0% (0)	100% (29)	0% (0)	0% (0)	0% (0)	**18.4% (29)**
Home-based business	46.8% (37)	0% (0)	0% (0)	100% (37)	0% (0)	0% (0)	**23.4% (37)**
Handicraft	1.3% (1)	100% (79)	0% (0)	0% (0)	100% (80)	0% (0)	**50.6% (80)**
Services	15.2% (12)	0% (0)	0% (0)	0% (0)	0% (0)	100% (12)	**7.6% (12)**
Main business location							
Market/shop	19% (15)	8.9% (7)	27.6% (8)	10.8% (4)	8.8% (7)	25% (3)	**13.9% (22)**
Home-based	50.6% (40)	87.3% (69)	3.4% (1)	89.2% (33)	87.5% (70)	41.7% (5)	**69% (109)**
Street/customer place	30.4% (24)	3.8% (3)	69% (20)	0% (0)	3.8% (3)	33.3% (4)	**17.1% (27)**
Working intensity							
Days worked per week: mean	6.9	6.9	6.8	7	6.9	6.9	**6.9**
Work hours per day: mean	10.9	9.7	9.7	11.3	9.9	11.3	**10.3**
Weekly working hours: mean	75.4	67.3	66.5	78.9	68.6	78.7	**71.4**
Time poverty threshold							
≤48 hours/week	11.4% (9)	36.7% (29)	20.7% (6)	5.4% (2)	36.2% (29)	8.3% (1)	**24.1% (38)**
>48 hours/week	88.6% (70)	63.3% (50)	79.3% (23)	94.6% (35)	63.7% (51)	91.7% (11)	**75.9% (120)**
Work time (day/night)							
Day time	62.0% (49)	53.2% (42)	72.4% (21)	54.1% (20)	52.5% (42)	66.7% (8)	**57.6% (91)**
Non-standard / variable work time	38% (30)	46.8% (37)	27.6% (8)	45.9% (17)	47.5% (38)	33.3% (4)	**42.4% (67)**

Source: Authors' calculations based on National University Management survey 2025

4.1.2. Enterprise Formality, Business Organisation, and Operating Structure (Pillar 2)

Building on the socio-demographic profile, Pillar 2 examines the level of formality, business organization, and operational characteristics of the 188 informal enterprises surveyed. The data reveal an overwhelmingly informal sector with very low levels of registration, minimal written documentation, small-scale operations, and young business lifespans characteristics that severely limit growth, access to finance, and integration into the formal economy.

Business Registration Status: The vast majority of enterprises remain unregistered. Overall, 98.1% (155 out of 158) of businesses are not registered with any government authority, with rates exceeding 97% across almost all categories. Street/Market traders and Services businesses show 100% non-registration. Only a negligible 1.9% of respondents reported not knowing their registration status. This extremely high level of informality confirms national trends, where the majority of micro and small enterprises in Cambodia operate entirely outside formal regulatory frameworks.

First Obstacle to Formalization: When asked about the main barriers to formalization, the most common response was "Don't know how" (37.3%), indicating a significant information and awareness gap. Other notable obstacles included:

- No perceived benefit (15.2%)
- Trust or other concerns (19%)
- Cost or tax concerns (12%)

These findings suggest that formalization is hindered not only by financial costs but also by lack of knowledge, perceived low returns, and distrust in government processes. Interestingly, very few respondents cited "too complex" procedures as the primary obstacle, pointing instead to deeper issues of awareness and perceived value.

Written Contracts and Business Organization: None of the 188 enterprises (100%) have written contracts with staff or workers. This absence of formal labor agreements is consistent across all occupational categories and reflects the highly personalized, trust-based nature of informal business operations in Cambodia.

The businesses are predominantly family-based (43.6% overall), with solo operators or no staff accounting for another 43.6%. Only a small proportion operate with any hired workers. This structure underscores the micro-scale and household-embedded nature of informal enterprises, where business and family finances are often indistinguishable.

Business Age and Experience: Most enterprises are very young:

- 83.5% are less than 3 years old
- Only 1.9% have been operating for more than 11 years

The mean business experience is just 2.4 years, with a median of 2 years. This short lifespan indicates high business turnover and vulnerability, with many enterprises struggling to survive beyond the initial years. Street/Market traders show the shortest average experience (1.6 years), while Home-based businesses have slightly longer tenure (3.2 years).

Business Size and Employment Generation: The enterprises are overwhelmingly micro in scale:

- 41.1% are solo operations (1 worker — usually the owner)
- 15.8% have 2 workers
- Only a very small number have 3–5 workers

On average, each business engages just 2.4 people (mean and median both around 2). This limited employment generation capacity highlights the sector's role in self-employment rather than job creation for others. Handicraft and Siem Reap businesses show slightly higher (but still very small) team sizes.

Summary

Pillar 2 paints a clear picture of a deeply informal, micro-scale, and fragile enterprise ecosystem. The near-total absence of business registration (98.1%), written contracts (0%), and formal organizational structures severely restricts access to credit, government support programs, legal protection, and market opportunities.

The combination of young business age (mean 2.4 years), tiny size, and family-based operations suggests that most informal enterprises operate in a survival mode rather than a growth-oriented mode. The primary barriers to formalization lack of knowledge about procedures and perceived lack of benefits point to the need for simplified registration processes, awareness campaigns, and tangible incentives (such as access to finance, training, or tax breaks for newly formalized businesses).

These findings have strong linkages with housing-related challenges. The extreme informality, irregular cash flows, and lack of formal documentation make it particularly difficult for these workers and micro-entrepreneurs to qualify for housing loans or benefit from affordable housing programs that often require proof of stable income or business registration.

When triangulated with Pillar 1 findings (predominantly female, low education, long working hours, and large households), the data reveal a vicious cycle: low formality → limited access to finance and markets → stagnant productivity → continued reliance on precarious informal livelihoods.

This analysis will be further enriched through integration with qualitative stakeholder interviews and subsequent pillars focusing on access to finance, social protection, skills development, and housing affordability.

Table 6 - Enterprise formality, business organisation, and operating structure, % (n)

Category	Kampot (n=79)	Siem Reap (n=79)	Street / Market (n=29)	Home-based (n=37)	Handicraft (n=80)	Services (n=12)	Total (158)
Business registration status							
Not registered	98.7% (78)	97.5% (77)	100% (29)	97.3% (36)	97.5% (78)	100% (12)	**98.1% (155)**
Don't know	1.3% (1)	2.5% (2)	0% (0)	2.7% (1)	2.5% (2)	0% (0)	**1.9% (3)**
First obstacle to formalization							
Don't know how	38.0% (30)	36.7% (29)	37.9% (11)	35.1% (13)	36.2% (29)	50.0% (6)	**37.3% (59)**
Too complex							
Cost or tax concern	17.7% (14)	6.3% (5)	10.3% (3)	21.6% (8)	7.5% (6)	16.7% (2)	**12% (19)**
No perceived benefit	8.9% (7)	21.5% (17)	13.8% (4)	5.4% (2)	21.2% (17)	8.3% (1)	**15.2% (24)**
Trust or other constraint	21.5% (17)	16.5% (13)	24.1% (7)	18.9% (7)	16.2% (13)	25% (3)	**19% (30)**
Has written contracts with staff							
No written contracts	100% (79)	100% (79)	100% (29)	100% (37)	100% (80)	100% (12)	**100% (158)**
Reason for no written contracts							
Family-based business	55.7% (44)	35.4% (28)	41.4% (12)	62.2% (23)	36.2% (29)	66.7% (8)	**45.6% (72)**
Solo operator or no staff	34.2% (27)	53.2% (42)	55.2% (16)	21.6% (8)	52.5% (42)	25% (3)	**43.7% (69)**
Small/simple or short-term business	10.1% (8)	11.4% (9)	3.4% (1)	16.2% (6)	11.2% (9)	8.3% (1)	**10.8% (17)**
Business age group							
1–3 years	86.1% (68)	81% (64)	96.6% (28)	78.4% (29)	80% (64)	91.7% (11)	**83.5% (132)**
4–5 years	7.6% (6)	8.9% (7)	3.4% (1)	10.8% (4)	10% (8)	0% (0)	**8.2% (13)**
6–10 years	3.8% (3)	8.9% (7)	0% (0)	5.4% (2)	8.8% (7)	8.3% (1)	**6.3% (10)**
11+ years	2.5% (2)	1.3% (1)	0% (0)	5.4% (2)	1.2% (1)	0% (0)	**1.9% (3)**
Business experience (years)							
Mean	2.5	2.3	1.6	3.2	2.4	2.6	**2.4**
Median	2	2	1	2	2	2	**2**
Business size group							
1 worker	34.2% (27)	48.1% (38)	58.6% (17)	18.9% (7)	47.5% (38)	25% (3)	**41.1% (65)**
2 workers							
3–5 workers	13.9% (11)	17.7% (14)	6.9% (2)	16.2% (6)	18.8% (15)	16.7% (2)	**15.8% (25)**
Total people working							
Mean	2.5	2.3	1.6	3.2	2.4	2.6	**2.4**
Median	2	2	1	2	2	2	**2**

Source: Authors' calculations based on National University Management survey 2025

4.1.3. Economic Performance, Financial Resilience, and Livelihood Sustainability (Pillar 3)

Pillar 3 assesses the economic outcomes, financial stability, and resilience of the 158 informal businesses surveyed. The data reveal persistently low incomes, modest profits, high expense burdens, limited savings, and very low access to formal finance — characteristics that reinforce the precarious nature of informal livelihoods and limit long-term sustainability.

Monthly Business Income: Monthly business income remains low across the sample. The largest group (29.7%) earns between $250–499, while 20.9% earn less than $250 per month. Only 21.5% generate $1,000 or more monthly. The overall mean monthly income is $860.8, but the median is significantly lower at $462.5, indicating a right-skewed distribution driven by a small number of higher earners. Home-based businesses show the highest mean income ($1,310.8), while Siem Reap and Handicraft businesses have the lowest (around $669–$686). These figures highlight the modest returns from informal activities despite extremely long working hours reported in Pillar 1 (average 71.4 hours/week).

Income Stability: Income is highly unstable for many respondents. 68.4% report that their income "changes sometimes," while 31.6% describe it as "very unstable." Street/Market traders and Home-based businesses experience particularly high instability (82.8% and 81.1% respectively). This volatility makes financial planning, savings, and access to credit exceptionally difficult.

Business Expenses: Average monthly business expenses stand at $423.1 (median $200). The highest expenses are reported by Home-based businesses ($651). The first main expense across the sample is stock (46.8%), followed by equipment (especially high in Siem Reap and Handicraft at ~78–79%). Rent and loan repayment remain relatively minor for most, reflecting the home-based or street-based nature of many operations.

Estimated Monthly Profit: Estimated monthly profit is modest. The largest group (47.5%) earns between $100–299, while 11.4% report profits below $100. The overall mean monthly profit is $437.7. Home-based businesses again perform relatively better ($659.9 mean profit), while Street/Market traders and Siem Reap businesses show lower profitability.

Savings from Business: Savings generation is extremely limited. Only 17.7% of respondents report being able to save money from their business, while the vast majority (82.3%) save nothing. This low savings rate severely constrains households' ability to invest in housing, education, health, or business expansion, and increases vulnerability to shocks.

Access to Business Loans: Formal credit access remains very low. Only 38% (60 out of 158) have taken a business loan. Among those who borrowed, the main sources are:

- Banks: 48.4%
- Microfinance institutions (MFIs): 9.7%
- Moneylenders: 9.7%
- Family/friends or other informal sources: 16.1%

Notably, 62% have never taken any business loan. This low borrowing rate, combined with heavy reliance on informal or limited formal sources, reflects both supply-side constraints (lack of collateral, unregistered status from Pillar 2) and demand-side barriers (fear of debt, unstable income).

Table 7 - Economic performance, financial resilience and livelihood sustainability, % (n)

Category	Kampot (n=79)	Siem Reap (n=79)	Street / Market (n=29)	Home-based (n=37)	Handicraft (n=80)	Services (n=12)	Total (n=158)
Monthly business income group							
<$250	12.7% (10)	29.1% (23)	20.7% (6)	5.4% (2)	28.7% (23)	16.7% (2)	**20.9% (33)**
$250–499	22.8% (18)	36.7% (29)	27.6% (8)	16.2% (6)	36.2% (29)	33.3% (4)	**29.7% (47)**
$500–999	34.2% (27)	21.5% (17)	27.6% (8)	40.5% (15)	21.2% (17)	33.3% (4)	**27.8% (44)**
$1,000+	30.4% (24)	12.7% (10)	24.1% (7)	37.8% (14)	13.8% (11)	16.7% (2)	**21.5% (34)**
Monthly business income (USD)							
Mean	1052.7	668.9	729.3	1310.8	685.6	959.2	**860.8**
Median	700	300	600	750	300	437.5	**462.5**
Income stability							
Changes sometimes	77.2% (61)	59.5% (47)	82.8% (24)	81.1% (30)	60% (48)	50% (6)	**68.4% (108)**
Very unstable	22.8% (18)	40.5% (32)	17.2% (5)	18.9% (7)	40% (32)	50% (6)	**31.6% (50)**
Monthly business expenses (USD)							
Mean	536.0	310.2	377.6	651.0	321.4	509.2	**423.1**
Median	300	120	250	375	120	156.2	**200**
First main expense							
Stock	58.2% (46)	5.1% (4)	69.0% (20)	64.9% (24)	5.0% (4)	16.7% (2)	**31.6% (50)**
Equipment	15.2% (12)	78.5% (62)	3.4% (1)	10.8% (4)	78.8% (63)	50.0% (6)	**46.8% (74)**
Rent	15.2% (12)	12.7% (10)	24.1% (7)	8.1% (3)	12.5% (10)	16.7% (2)	**13.9% (22)**
Loan repayment	7.6% (6)	1.3% (1)	0.0% (0)	10.8% (4)	1.2% (1)	16.7% (2)	**4.4% (7)**
Other operating costs	3.8% (3)	2.5% (2)	3.4% (1)	5.4% (2)	2.5% (2)	0% (0)	**3.2% (5)**
Estimated monthly profit group							
$0–99	10.1% (8)	12.7% (10)	20.7% (6)	5.4% (2)	12.5% (10)	0% (0)	**11.4% (18)**
$100–299	36.7% (29)	58.2% (46)	37.9% (11)	24.3% (9)	57.5% (46)	75% (9)	**47.5% (75)**
$300–599	24.1% (19)	19% (15)	20.7% (6)	32.4% (12)	18.8% (15)	8.3% (1)	**21.5% (34)**
$600+	29.1% (23)	10.1% (8)	20.7% (6)	37.8% (14)	11.2% (9)	16.7% (2)	**19.6% (31)**
Estimated monthly profit (USD)							
Mean	516.6	358.7	351.7	659.9	364.2	450	**437.7**
Median	350	190	250	500	190	215	**200**

Source: Authors' calculations based on National University Management survey 2025

Future Business Plans: Looking ahead, 31.6% of respondents plan to expand or grow their business next year. However, the majority appear to have no clear growth strategy, with many likely continuing "as usual." Only a tiny fraction (1.9%) plan to exit or transfer the business. This suggests stagnation rather than dynamic entrepreneurship for most informal operators.

Summary

Pillar 3 confirms that despite long working hours and high labor intensity (Pillar 1), informal businesses generate low and unstable incomes with modest profits and almost no savings. The combination of low profitability, income volatility, and minimal savings creates a fragile livelihood system that offers little buffer against economic shocks, health issues, or climate-related events.

The extremely low rate of business loans (only 38%) and heavy dependence on a small number of formal lenders, alongside persistent unregistered status (Pillar 2), severely restricts the ability of these micro-entrepreneurs to scale up or improve productivity. Home-based businesses appear relatively stronger in terms of income and profit, possibly due to lower overheads, while street traders and handicraft workers face greater challenges.

These economic realities have direct implications for affordable housing. Irregular and low incomes, combined with the inability to save or access formal credit, make it extremely difficult for informal workers to qualify for mortgage loans or afford decent housing. This helps explain the housing affordability challenges and low willingness to relocate documented in the larger housing survey.

When viewed together with Pillars 1 and 2, the data reveal a structural trap: low education and family-based micro-enterprises → very low formality → limited access to finance → low and unstable income → negligible savings → continued precarious livelihoods and housing insecurity.

4.1.4. Business Constraints, Shocks, and Vulnerability Exposure (Pillar 4)

Pillar 4 examines the main challenges, risks, and recent shocks faced by the 188 informal businesses. The findings reveal high levels of economic vulnerability, with low income and high operating costs emerging as the dominant constraints, alongside notable exposure to forced eviction and other disruptive incidents.

First Business Challenge: The most frequently cited primary business challenge is low income (41.8% overall), followed by high costs (24.1%) and few customers (24.1%). Low income is particularly acute in Siem Reap (46.8%), Street/Market traders (51.7%), and Handicraft (46.2%). High costs are most prominent among Home-based businesses (35.1%). Debt/loan-related concerns affect 8.2% of respondents, while price changes and other risks are mentioned less frequently.

These responses confirm the findings from Pillar 3: despite long working hours, informal businesses struggle to generate sufficient income, while facing rising input costs and weak demand.

Incidents Faced in the Past 12 Months: A significant proportion of informal operators reported facing adverse incidents in the previous year. Overall, 69.0% experienced at least one incident. The most common was forced eviction (10.8%), which was especially high among Street/Market traders (34.5%) and Kampot respondents (13.9%). Wage theft affected 8.2% of the sample, with a notably higher rate in Services (25%). Loss of goods and other incidents were reported by smaller proportions.

Notably, while 31% reported "none," the majority faced some form of disruption, highlighting the precarious and unstable operating environment for informal workers. Street/Market traders appear particularly vulnerable to forced eviction, likely due to their reliance on public or semi-public spaces with insecure tenure.

Summary

Pillar 4 underscores the high vulnerability of informal businesses to both chronic constraints (low income, high costs, limited customer base) and acute shocks (forced eviction, wage theft, loss of goods). The high incidence of forced eviction, especially among street vendors, points to tenure insecurity and weak legal protection — issues that directly intersect with broader urban development and housing challenges.

The dominance of low income and high costs as primary challenges aligns with the modest profitability and high working intensity documented in Pillars 1 and 3. Together, these factors create a difficult environment for business sustainability and household economic security.

When triangulated across the four pillars, a consistent pattern emerges: informal workers are predominantly female, low-educated, operating unregistered micro-enterprises with low and unstable incomes, minimal savings, and high exposure to shocks such as eviction. This structural vulnerability significantly reduces their ability to access affordable housing finance, invest in better living conditions, or achieve livelihood upgrading.

These findings highlight the urgent need for targeted interventions that address both chronic economic constraints (skills development, market access, cost reduction) and risk mitigation (legal protection against eviction, social safety nets, and insurance mechanisms for informal operators).

Table 8 - Business constraints, shocks and vulnerability exposure, % (n)

Category	Kampot (n=79)	Siem Reap (n=79)	Street / Market (n=29)	Home-based (n=37)	Handicraft (n=80)	Services (n=12)	Total (158)
First business challenge							
Low income	36.7% (29)	46.8% (37)	51.7% (15)	24.3% (9)	46.2% (37)	41.7% (5)	**41.8% (66)**
High costs	22.8% (18)	25.3% (20)	10.3% (3)	35.1% (13)	25.0% (20)	16.7% (2)	**24.1% (38)**
Few customers							
Debt/loan	12.7% (10)	3.8% (3)	3.4% (1)	18.9% (7)	5.0% (4)	8.3% (1)	**8.2% (13)**
Price changes							
Other risks	5.1% (4)	0% (0)	3.4% (1)	5.4% (2)	0% (0)	8.3% (1)	**2.5% (4)**
First incident faced in past 12 months							
None	62.0% (49)	75.9% (60)	41.4% (12)	86.5% (32)	75.0% (60)	41.7% (5)	**69.0% (109)**
Forced eviction	13.9% (11)	7.6% (6)	34.5% (10)	0.0% (0)	7.5% (6)	8.3% (1)	**10.8% (17)**
Wage theft	7.6% (6)	8.9% (7)	3.4% (1)	5.4% (2)	8.8% (7)	25.0% (3)	**8.2% (13)**
Loss of goods							
Other incidents	7.6% (6)	1.3% (1)	6.9% (2)	5.4% (2)	2.5% (2)	8.3% (1)	**4.4% (7)**

Source: Authors' calculations based on National University Management survey 2025

4.1.5. Financial Access, Institutional Support, Formalization Willingness, and Livelihood Aspirations (Pillar 5)

Pillar 5 explores financial inclusion, access to support systems, attitudes toward formalization, and future aspirations of the 158 informal workers and micro-entrepreneurs. The data reveal limited financial inclusion, very low coverage of social protection, moderate willingness to formalize under certain conditions, and widespread dissatisfaction with current livelihoods.

Financial Access: Access to formal financial services remains uneven and generally low. While 67.7% have a bank account, a significant 32.3% do not. Access is particularly low in Siem Reap (only 49.4% have bank accounts). Access to KHQR (Cambodia's fast payment system) is higher at

67.1% but still leaves one-third of respondents without digital payment capabilities. Alarmingly, 57.6% rely entirely on cash-based or no financial access, with especially high rates in Siem Reap (77.2%) and Handicraft (77.5%). This heavy dependence on cash transactions limits transparency, record-keeping, and access to credit.

Social Protection and Organizational Membership: Coverage under the National Social Security Fund (NSSF) is extremely low at only 12.7%. The vast majority (87.3%) have no social protection coverage. Membership in associations or cooperatives is almost non-existent (0.6%). These figures confirm the deep exclusion of informal workers from formal social safety nets.

Government, NGO, or Community Support: Only 17.2% reported having received any form of support from government, NGOs, or community organizations in the recent past. This low level of external support highlights a significant gap in targeted assistance for the informal economy.

Willingness to Formalize: A majority (59.5%) expressed willingness to formalize their business if support is available. Another 25.9% said "maybe," while only 14.6% were outright unwilling. This suggests considerable openness to formalization when accompanied by practical assistance.

Reasons for Not Formalizing: Among those hesitant, the main barriers were:

- Small scale, age, or succession concerns (34.4%)
- Low trust or uncertainty (32.8%)

Tax or financial burden was cited by only 9.4%, indicating that perceived complexity, distrust, and concerns about business viability are more significant obstacles than direct costs.

Preferred Types of Support: Respondents prioritized the following support:

- Loans and registration support (46.2%)
- Skills training (27.8%)
- Documentation or digital process support (including tax incentives and loans/insurance access)

Notably, only 2.5% specifically mentioned affordable housing as a needed support, though this may reflect the survey's primary focus on business issues.

Table 9 – Access to finance, protection, support and future livelihood outlook, % (n)

Category	Kampot (n=79)	Siem Reap (n=79)	Street / Market (n=29)	Home-based (n=37)	Handicraft (n=80)	Services (n=12)	Total (158)
Bank account access							
Yes	86.1% (68)	49.4% (39)	79.3% (23)	100% (37)	50% (40)	58.3% (7)	**67.7% (107)**
No	13.9% (11)	50.6% (40)	20.7% (6)	0% (0)	50% (40)	41.7% (5)	**32.3% (51)**
KHQR access							
Yes	88.6% (70)	45.6% (36)	79.3% (23)	100% (37)	46.2% (37)	75% (9)	**67.1% (106)**
No	11.4% (9)	54.4% (43)	20.7% (6)	0% (0)	53.8% (43)	25% (3)	**32.9% (52)**
Cash-based / no financial access							
Yes	38% (30)	77.2% (61)	34.5% (10)	27% (10)	77.5% (62)	75% (9)	**57.6% (91)**
No	62% (49)	22.8% (18)	65.5% (19)	73% (27)	22.5% (18)	25% (3)	**42.4% (67)**
NSSF coverage							
Yes	25.3% (20)	0% (0)	24.1% (7)	32.4% (12)	0% (0)	8.3% (1)	**12.7% (20)**
No	74.7% (59)	100% (79)	75.9% (22)	67.6% (25)	100% (80)	91.7% (11)	**87.3% (138)**
Association/cooperative membership							
Yes	1.3% (1)	0% (0)	3.4% (1)	0% (0)	0% (0)	0% (0)	**0.6% (1)**
No	98.7% (78)	100% (79)	96.6% (28)	100% (37)	100% (80)	100% (12)	**99.4% (157)**
Received gov/NGO/community support							

Yes	9% (7)	25.3% (20)	3.6% (1)	16.2% (6)	25% (20)	0% (0)	**17.2% (27)**
No	91% (71)	74.7% (59)	96.4% (27)	83.8% (31)	75% (60)	100% (12)	**82.8% (130)**
Willing to formalize if support is available							
Yes	55.7% (44)	63.3% (50)	58.6% (17)	51.4% (19)	63.7% (51)	58.3% (7)	**59.5% (94)**
Maybe	17.7% (14)	11.4% (9)	17.2% (5)	18.9% (7)	11.2% (9)	16.7% (2)	**14.6% (23)**
No	26.6% (21)	25.3% (20)	24.1% (7)	29.7% (11)	25% (20)	25% (3)	**25.9% (41)**
Reason for not formalizing							
Small scale, age, or succession concern	17.1% (6)	55.2% (16)	33.3% (4)	11.1% (2)	55.2% (16)	0% (0)	**34.4% (22)**
Low trust or uncertainty	37.1% (13)	27.6% (8)	33.3% (4)	38.9% (7)	27.6% (8)	40% (2)	**32.8% (21)**
No interest or resistance	40% (14)	3.4% (1)	25% (3)	44.4% (8)	3.4% (1)	60% (3)	**23.4% (15)**
Tax or financial burden	5.7% (2)	13.8% (4)	8.3% (1)	5.6% (1)	13.8% (4)	0% (0)	**9.4% (6)**
First support to encourage formalization							
Documentation or digital process support	24.1% (19)	24.1% (19)	34.5% (10)	21.6% (8)	23.8% (19)	8.3% (1)	**24.1% (38)**
Tax incentives	12.7% (10)	1.3% (1)	3.4% (1)	16.2% (6)	2.5% (2)	16.7% (2)	**7% (11)**
Loans or insurance access	34.2% (27)	29.1% (23)	31% (9)	32.4% (12)	28.7% (23)	50% (6)	**31.6% (50)**
Training	2.5% (2)	24.1% (19)	6.9% (2)	0% (0)	23.8% (19)	0% (0)	**13.3% (21)**
Other support	26.6% (21)	21.5% (17)	24.1% (7)	29.7% (11)	21.2% (17)	25% (3)	**24.1% (38)**
Priority support needed							
Skills training	17.7% (14)	38% (30)	17.2% (5)	16.2% (6)	37.5% (30)	25% (3)	**27.8% (44)**
Loans	46.8% (37)	45.6% (36)	37.9% (11)	54.1% (20)	45% (36)	50% (6)	**46.2% (73)**
Digital or registration support	6.3% (5)	0% (0)	10.3% (3)	5.4% (2)	0% (0)	0% (0)	**3.2% (5)**
Legal or group support	8.9% (7)	1.3% (1)	13.8% (4)	8.1% (3)	1.2% (1)	0% (0)	**5.1% (8)**
Affordable housing	5.1% (4)	0% (0)	6.9% (2)	5.4% (2)	0% (0)	0% (0)	**2.5% (4)**
Other support need	15.2% (12)	15.2% (12)	13.8% (4)	10.8% (4)	16.2% (13)	25% (3)	**15.2% (24)**
Want children to do same work							
Yes	34.2% (27)	34.2% (27)	24.1% (7)	37.8% (14)	35% (28)	41.7% (5)	**34.2% (54)**
No	65.8% (52)	65.8% (52)	75.9% (22)	62.2% (23)	65% (52)	58.3% (7)	**65.8% (104)**
Reason about children doing same work							
Want better work/education for children	40.5% (32)	3.8% (3)	44.8% (13)	35.1% (13)	3.8% (3)	50% (6)	**22.2% (35)**
Continue family business or interest	20.3% (16)	35.4% (28)	6.9% (2)	32.4% (12)	36.2% (29)	8.3% (1)	**27.8% (44)**
Uncertain / no reason	20.3% (16)	17.7% (14)	27.6% (8)	16.2% (6)	17.5% (14)	16.7% (2)	**19% (30)**
Work is unstable, hard, or risky	8.9% (7)	43% (34)	10.3% (3)	8.1% (3)	42.5% (34)	8.3% (1)	**25.9% (41)**
Economic necessity	10.1% (8)	0% (0)	10.3% (3)	8.1% (3)	0% (0)	16.7% (2)	**5.1% (8)**
Satisfaction with current livelihood							
Satisfied	30.4% (24)	55.7% (44)	20.7% (6)	37.8% (14)	56.2% (45)	25% (3)	**43% (68)**
Neutral	35.4% (28)	30.4% (24)	48.3% (14)	32.4% (12)	30% (24)	16.7% (2)	**32.9% (52)**
Dissatisfied	34.2% (27)	13.9% (11)	31% (9)	29.7% (11)	13.8% (11)	58.3% (7)	**24.1% (38)**

Source: Authors' calculations based on National University Management survey 2025

Aspirations for Children and Intergenerational Mobility: A large majority (65.8%) do not want their children to continue in the same type of work. The main reasons cited were that the work is "unstable, hard, and risky" (65.8% of those who gave a reason). Only 27.8% wanted their children to continue the family business. This strong desire for intergenerational mobility underscores deep dissatisfaction with current informal livelihoods.

Satisfaction with Current Livelihood: Overall satisfaction is low:

- 43% are Satisfied
- 32.9% are Neutral
- 24.1% are Dissatisfied

The relatively high "satisfied" rate may reflect adaptation and resilience rather than genuine contentment, especially given the high desire for children to exit the sector.

On one hand, informal workers face serious gaps in financial inclusion (high cash dependency), near-total exclusion from social protection, and very limited access to institutional support. On the other hand, there is moderate willingness to formalize (59.5%) if meaningful support — especially loans, registration assistance, and skills training — is provided.

The strong preference that children do not continue in the same line of work, combined with moderate dissatisfaction levels, signals a widespread recognition of the precarious and unsustainable nature of current informal livelihoods. This aspiration for better opportunities for the next generation provides a powerful entry point for policy interventions focused on skills development, formalization, and livelihood upgrading.

Importantly, the low mention of housing support in this business-focused survey does not diminish its relevance. When linked with the broader affordable housing study, the combination of unstable income, lack of formal documentation, low savings, and high cash dependency (Pillars 3 and 5) helps explain why many informal workers struggle with housing affordability and tenure security.

4.2. Informal Workers

4.2.1. Socio-Demographic Profile and Household Vulnerability (Pillar 1)

This Pillar presents socio-demographic characteristics and household vulnerability indicators from a survey of 187 informal economy workers across Phnom Penh (n=112), Kampot (n=34), Siem Reap (n=41), Construction (n=81), Services (n=36), and Handicraft (n=41). The findings reveal a predominantly male, relatively young, migrant-dominated informal workforce with low education levels, moderate household sizes, and high residential instability — patterns that have significant implications for livelihood security and housing affordability.

Gender Composition: The sample is male-dominated overall (63.1% male vs. 36.9% female). Male representation is particularly high in Construction (80.2%) and Services (47.7%). In contrast, females are more prominent in Handicraft (46.3%) and Kampot (47.1%). This gender distribution differs from the previous smaller survey (which was female-dominated), reflecting occupation-specific patterns — construction and certain services being traditionally male-dominated, while handicraft and some local trade attract more women.

Table 10 - Pillar 1: Socio-demographic profile and household vulnerability % (n)

Category	Phnom Penh (n=112)	Kampot (n=34)	Siem Reap (n=41)	Construction (n=81)	Services (n=65)	Handicraft (n=41)	Total (n=187)
Gender							
Female	30.4% (34)	47.1% (16)	46.3% (19)	19.8% (16)	52.3% (34)	46.3% (19)	**36.9% (69)**
Male	69.6% (78)	52.9% (18)	53.7% (22)	80.2% (65)	47.7% (31)	53.7% (22)	**63.1% (118)**
Age group							
Under 20	9.8% (11)	20.6% (7)	43.9% (18)	8.6% (7)	16.9% (11)	43.9% (18)	**19.3% (36)**
20–39	58.0% (65)	50.0% (17)	26.8% (11)	58.0% (47)	53.8% (35)	26.8% (11)	**49.7% (93)**
40–54	24.1% (27)	26.5% (9)	26.8% (11)	22.2% (18)	27.7% (18)	26.8% (11)	**25.1% (47)**
55+	8.0% (9)	2.9% (1)	2.4% (1)	11.1% (9)	1.5% (1)	2.4% (1)	**5.9% (11)**
Age (years)							
Mean	33.29	31.5	29.02	33.77	31.77	29.02	**32.03**
Education							
None	23.2% (26)	14.7% (5)	7.3% (3)	21% (17)	21.5% (14)	7.3% (3)	**18.2% (34)**
Primary	34.8% (39)	29.4% (10)	34.1% (14)	33.3% (27)	33.8% (22)	34.1% (14)	**33.7% (63)**
Secondary	26.8% (30)	47.1% (16)	36.6% (15)	29.6% (24)	33.8% (22)	36.6% (15)	**32.6% (61)**
High school	15.2% (17)	8.8% (3)	22% (9)	16% (13)	10.8% (7)	22% (9)	**15.5% (29)**
Marital status							
Single	25% (28)	29.4% (10)	46.3% (19)	19.8% (16)	33.8% (22)	46.3% (19)	**30.5% (57)**
Married	56.2% (63)	52.9% (18)	53.7% (22)	71.6% (58)	35.4% (23)	53.7% (22)	**55.1% (103)**
Widowed/Divorced	18.8% (21)	17.6% (6)	0% (0)	8.6% (7)	30.8% (20)	0% (0)	**14.4% (27)**
Migration status							
Born local	8% (9)	79.4% (27)	78% (32)	7.4% (6)	46.2% (30)	78% (32)	**36.4% (68)**
Migrant	92% (103)	20.6% (7)	22% (9)	92.6% (75)	53.8% (35)	22% (9)	**63.6% (119)**
Household size group							
Small (1–2)	11.6% (13)	14.7% (5)	12.2% (5)	14.8% (12)	9.2% (6)	12.2% (5)	**12.3% (23)**
Medium (3–4)	45.5% (51)	44.1% (15)	24.4% (10)	49.4% (40)	40% (26)	24.4% (10)	**40.6% (76)**
Large (5–6)	25% (28)	38.2% (13)	48.8% (20)	17.3% (14)	41.5% (27)	48.8% (20)	**32.6% (61)**
Very Large (7+)	17.9% (20)	2.9% (1)	14.6% (6)	18.5% (15)	9.2% (6)	14.6% (6)	**14.4% (27)**
Household size							
Mean	4.59	4.15	4.63	4.35	4.66	4.63	**4.52**
Current place of living							
Home	5.4% (6)	67.6% (23)	51.2% (21)	4.9% (4)	38.5% (25)	51.2% (21)	**26.7% (50)**
Rental	25.0% (28)	5.9% (2)	29.3% (12)	17.3% (14)	24.6% (16)	29.3% (12)	**22.5% (42)**
Near worksite or Work-linked	11.6% (13)	0% (0)	7.3% (3)	3.7% (3)	15.4% (10)	7.3% (3)	**8.6% (16)**
Market/workplace	58.0% (65)	26.5% (9)	12.2% (5)	74.1% (60)	21.5% (14)	12.2% (5)	**42.2% (79)**
Living pattern							
Always same place	21.4% (24)	70.6% (24)	39.0% (16)	16% (13)	53.8% (35)	39% (16)	**34.2% (64)**
Sometimes move	53.6% (60)	29.4% (10)	46.3% (19)	69.1% (56)	21.5% (14)	46.3% (19)	**47.6% (89)**
Often move	25.0% (28)	0% (0)	14.6% (6)	14.8% (12)	24.6% (16)	14.6% (6)	**18.2% (34)**
Household co-residence							
All family	40.2% (45)	52.9% (18)	61% (25)	40.7% (33)	46.2% (30)	61% (25)	**47.1% (88)**
Some family	27.7% (31)	26.5% (9)	26.8% (11)	35.8% (29)	16.9% (11)	26.8% (11)	**27.3% (51)**
Alone	9.8% (11)	5.9% (2)	12.2% (5)	11.1% (9)	6.2% (4)	12.2% (5)	**9.6% (18)**
Other workers	22.3% (25)	14.7% (5)	0% (0)	12.3% (10)	30.8% (20)	0% (0)	**16% (30)**

Source: Authors' calculations based on National University Management survey 2025

Age Profile: The workforce is relatively young, with a mean age of 32.03 years. Nearly half (49.7%) are in the prime working age group of 20–39 years, while only 5.9% are aged 55 and above. Phnom Penh has the youngest mean age (33.29 years), while Construction workers are slightly older (mean

33.77). The presence of a substantial youth cohort (19.3% under 20) suggests that informal work serves as an early entry point into the labor market for many Cambodians.

Education Levels: Education attainment is low. Almost one in five respondents (18.2%) have no formal education, and 33.7% have only primary education. Just 13.5% have completed high school. Education levels are lowest in Phnom Penh (23.2% with no education) and Construction (21%). This limited human capital restricts productivity, skill upgrading, and the ability to transition into formal employment or higher-income activities.

Marital Status and Migration: More than half (55.1%) are married, while 30.5% are single and 14.4% are widowed or divorced. Migration status stands out as a critical factor: 63.6% are migrants, with an extremely high rate in Phnom Penh (92% migrants) and Construction (92.6%). In contrast, Kampot has a much higher proportion of locally born workers (79.4%). This confirms that internal migration, particularly to Phnom Penh and the construction sector, is a major driver of informal employment.

Household Characteristics: Households are of moderate size, with a mean of 4.52 members. The largest category is medium-sized households (3–4 members) at 40.6%. A notable 14.4% live in very large households (7+ members), which increases economic pressure.

Housing and Living Conditions

- Current place of living: Only 26.7% live in their own home. A large proportion live in rentals (22.5%) or near worksite / work-linked housing (8.6%). Market/workplace living is common (8.2%), especially in Phnom Penh (58%).
- Living pattern: Residential instability is high — 47.6% sometimes move and 18.2% often move. Only 34.2% always live in the same place.
- Household co-residence: 47.1% live with all family members, while 19.6% live alone and 16.6% live with other workers.

Summary

This Pillar highlights the highly mobile and migrant-heavy nature of Cambodia's informal economy, especially in Phnom Penh and the construction sector. The combination of low education, high migration rates, moderate-to-large household sizes, and significant residential instability (frequent moving and reliance on rental or worksite housing) points to heightened household vulnerability.

These characteristics directly intersect with affordable housing challenges. High migration, unstable living arrangements, and low education/income potential make it difficult for these workers to secure formal housing finance or achieve tenure security. The prevalence of rental and worksite-based housing, along with frequent mobility, suggests that many informal workers live in precarious conditions, often in informal settlements or low-quality rental housing.

When compared with previous survey pillars, a consistent story emerges: informal workers face structural disadvantages in human capital, residential stability, and access to secure housing — all of which constrain livelihood improvement and upward mobility.

4.2.2. Work Organisation and Informality Intensity (Pillar 2)

Pillar 2 examines the structure of employment relationships, working conditions, intensity of work, and degree of informality among the 187 informal workers. The findings reveal a highly informal labor market characterized by casual and subcontracted work, near-total absence of written contracts, excessive working hours, and significant irregularity in payment and work schedules.

Main Economic Role and Employer Type: The majority of respondents (52.9%) are engaged in casual or subcontracted work, while 47.1% are employees without a formal contract. In Phnom Penh and Services, casual/subcontracted arrangements dominate (70.5% and 61.5% respectively). Construction also shows a high proportion of casual work (58%).

Employer types are overwhelmingly informal:

- 47.6% work for formal companies/enterprises (especially high in Phnom Penh at 67.9%),
- 23.5% work in informal groups,
- 19.3% in small businesses,
- and 5.3% for individual employers.

This mix indicates that even when workers are linked to seemingly formal enterprises (particularly in construction), their actual employment relationship remains highly informal.

Written Contracts: Written contracts are almost non-existent. 99.5% (186 out of 187) reported having no written contract. The few exceptions were negligible. When asked for reasons, the most common responses were "Do not know / no reason given" (21.4%), "Employer does not provide contract" (18.2%), and "Small-scale or informal work arrangement" (33.2%). Lack of skills, education, or official documents (e.g., ID card) was also cited by 8%. These responses point to systemic barriers rooted in both employer practices and workers' limited awareness or bargaining power.

Working Time and Intensity: Informal workers endure intense and often excessive working schedules:

Median days worked per week: 6 days

Mean weekly working hours: 59.1 hours

Mean hours per day: 10 hours

A striking 61.5% work more than 48 hours per week, exceeding the standard threshold for decent work. Construction and Services show particularly high intensity, while Kampot records the highest weekly hours (mean 74.6). Work is predominantly during day time (71.1%), but 25.7% experience irregular or mixed work time.

Payment Modality: Payment arrangements are highly irregular:

- 40.6% are paid daily or weekly
- 42.2% receive monthly payments
- 17.1% are paid per piece/task or irregularly

This irregularity contributes to income volatility and complicates financial planning and access to credit.

Work Location: Work locations reflect the nature of informal activities:

- 43.3% work at construction sites (overwhelmingly in Phnom Penh and the Construction category)
- 11.8% at market/street-based locations
- 10.2% in home-based work
- 12.8% at customer sites
- A notable 12.8% have variable/mobile work locations

Summary

Pillar 2 demonstrates the high intensity of informality in Cambodia's informal economy. The near-total lack of written contracts, heavy reliance on casual and subcontracted arrangements, and excessive working hours (mean 59.1 hours/week) reflect precarious employment conditions that offer little job security or legal protection.

The combination of long hours, irregular payment modalities, and mobile or insecure work locations increases physical strain, reduces work-life balance, and heightens vulnerability to exploitation. Even workers linked to formal companies often operate under informal terms, revealing a gap between formal enterprise structures and actual labor practices.

These findings have strong connections to the affordable housing context. Excessive working hours, income irregularity, and lack of formal contracts make it extremely difficult for these workers to demonstrate stable income for housing loans or to qualify for government-supported affordable housing programs. Frequent mobility and variable work locations further complicate access to stable housing and increase reliance on informal rental arrangements or worksite housing.

When read alongside Pillar 1 (young migrants with low education and unstable living conditions), the data portray a workforce trapped in a cycle of high labor input, low contractual security, and precarious livelihoods — all of which undermine long-term economic mobility and decent housing outcomes.

Table 11 – Informal worker work organization and informality intensity

Category	Phnom Penh (n=112)	Kampot (n=34)	Siem Reap (n=41)	Construction (n=81)	Services (n= 36)	Handicraft (n=41)	Total (n=187)
Main economic role							
Casual/subcontracted work	70.5% (79)	23.5% (8)	29.3% (12)	58% (47)	61.5% (40)	29.3% (12)	**52.9% (99)**
Employee, no contract	29.5% (33)	76.5% (26)	70.7% (29)	42% (34)	38.5% (25)	70.7% (29)	**47.1% (88)**
Employer type							
Individual	0% (0)	11.8% (4)	14.6% (6)	0% (0)	6.2% (4)	14.6% (6)	**5.3% (10)**
Small business	0% (0)	50% (17)	46.3% (19)	1.2% (1)	24.6% (16)	46.3% (19)	**19.3% (36)**
Informal group	25% (28)	14.7% (5)	26.8% (11)	11.1% (9)	36.9% (24)	26.8% (11)	**23.5% (44)**
Formal company/enterprise	67.9% (76)	23.5% (8)	12.2% (5)	87.7% (71)	20% (13)	12.2% (5)	**47.6% (89)**
Unclear employer arrangement	7.1% (8)	0% (0)	0% (0)	0% (0)	12.3% (8)	0% (0)	**4.3% (8)**
Written contract							
Other (Never knew a job had a contract)	0% (0)	2.9% (1)	0% (0)	0% (0)	1.5% (1)	0% (0)	**0.5% (1)**
No	100% (112)	97.1% (33)	100% (41)	100% (81)	98.5% (64)	100% (41)	**99.5% (186)**
Reason no contract / contract type							
Do not know / no reason give	20.5% (23)	44.1% (15)	4.9% (2)	25.9% (21)	26.2% (17)	4.9% (2)	**21.4% (40)**
Verbal or informal agreement	9.8% (11)	8.8% (3)	0% (0)	0% (0)	21.5% (14)	0% (0)	**7.5% (14)**
Employer does not provide contract	23.2% (26)	14.7% (5)	7.3% (3)	28.4% (23)	12.3% (8)	7.3% (3)	**18.2% (34)**
Small-scale or informal work arrangement	29.5% (33)	17.6% (6)	56.1% (23)	24.7% (20)	29.2% (19)	56.1% (23)	**33.2% (62)**
Lack of skills, education, or certificate	7.1% (8)	5.9% (2)	9.8% (4)	9.9% (8)	3.1% (2)	9.8% (4)	**7.5% (14)**
Age / identity barrier (No ID Card)	9.8% (11)	0% (0)	9.8% (4)	9.9% (8)	4.6% (3)	9.8% (4)	**8% (15)**
Personal or family connection	0% (0)	8.8% (3)	12.2% (5)	1.2% (1)	3.1% (2)	12.2% (5)	**4.3% (8)**
Days worked per week							
Median	6	7	6	7	6	6	**6**
Minimum	2	6	5	6	2	5	**2**
Maximum	7	7	7	7	7	7	**7**
Work time							
Day time	71.4% (80)	70.6% (24)	70.7% (29)	100% (81)	35.4% (23)	70.7% (29)	**71.1% (133)**
Night-time	5.4% (6)	0% (0)	0% (0)	0% (0)	9.2% (6)	0% (0)	**3.2% (6)**
Irregular / mixed work time	23.2% (26)	29.4% (10)	29.3% (12)	0% (0)	55.4% (36)	29.3% (12)	**25.7% (48)**
Work hours per day							
Mean	10.2	10.8	8.8	8.2	12.9	8.8	**10**
Median	8	10	8	8	13	8	**8**
Weekly working hours							
Mean	56.4	74.6	53.6	54	68.9	53.6	**59.1**
Time poverty							
≤48 hours/week	45.5% (51)	14.7% (5)	39% (16)	48.1% (39)	26.2% (17)	39% (16)	**38.5% (72)**
>48 hours/week	54.5% (61)	85.3% (29)	61% (25)	51.9% (42)	73.8% (48)	61% (25)	**61.5% (115)**
Payment modality							
Daily / weekly	51.8% (58)	32.4% (11)	17.1% (7)	45.7% (37)	49.2% (32)	17.1% (7)	**40.6% (76)**
Monthly	26.8% (30)	67.6% (23)	63.4% (26)	37% (30)	35.4% (23)	63.4% (26)	**42.2% (79)**
Per piece/task / irregular	21.4% (24)	0% (0)	19.5% (8)	17.3% (14)	15.4% (10)	19.5% (8)	**17.1% (32)**
Usual work location							
Construction site	69.6% (78)	0% (0)	7.3% (3)	96.3% (78)	0% (0)	7.3% (3)	**43.3% (81)**
Market/street-based location	0% (0)	26.5% (9)	31.7% (13)	0% (0)	13.9% (9)	31.7% (13)	**11.8% (22)**
Home-based work	0% (0)	5.9% (2)	41.5% (17)	0% (0)	3.1% (2)	41.5% (17)	**10.2% (19)**
Customer site	30.4% (34)	20.6% (7)	0% (0)	2.5% (2)	60% (39)	0% (0)	**21.9% (41)**
Variable/mobile work location	0% (0)	47.1% (16)	19.5% (8)	1.2% (1)	23.1% (15)	19.5% (8)	**12.8% (24)**

4.2.3. Economic Performance and Livelihood Sustainability (Pillar 3)

Pillar 3 analyzes the economic outcomes, income stability, savings behavior, and access to credit among the 187 informal workers. The findings indicate modest and highly unstable incomes, limited savings, and significant barriers to formal borrowing — all of which constrain livelihood sustainability and reinforce economic vulnerability.

Monthly Income: Average monthly income across the sample is $228.9, with a median of $200 and a mode of $150. Income levels vary considerably by location and occupation:

- Construction workers have the highest mean income ($298)
- Phnom Penh follows at $260.2
- Kampot records the lowest mean ($172.2)

The wide range (up to $500) and the gap between mean and median suggest that a small number of higher earners skew the average, while the majority earn modest or low incomes. This pattern aligns with the long working hours documented in Pillar 2 (mean 59.1 hours per week).

Income Stability: Income is notably unstable for many workers. Only 34.2% report stable income, while 42.8% experience income that "sometimes" fluctuates, and 23% describe their income as "very unstable." Instability is particularly high in Construction (61.7% "sometimes" + 14.8% "very unstable") and Phnom Penh (45.5% + 37.5%). The main reasons for unstable income include:

- Workload/output or irregular pay conditions (66.1%)
- Project/seasonal/event-based income (33.5%)

These factors reflect the casual and subcontracted nature of work (Pillar 2) and the project-based character of construction and certain services.

Savings Status: Savings capacity is limited. Only 34.8% of respondents are able to save money from their earnings, while the majority (65.2%) report no savings. Savings rates are highest in Construction (45.7%) and lowest in Kampot (29.4%). The low-savings rate leaves households with little buffer against shocks and reduces their ability to invest in housing, education, or business improvement.

Loan Status and Access to Credit: Access to loans remains moderate but constrained. 41.2% have taken a loan, while 58.8% have not. Among those who borrowed, the main sources were:

- Moneylenders (33.5%)
- Banks (27.6%)
- Microfinance institutions (23.7%)
- Family/employer or other informal sources (13.2%)

This heavy reliance on informal moneylenders highlights the high cost and risk associated with borrowing in the informal economy.

Table 12 – Informal worker economic performance and livelihood sustainability

Category	Phnom Penh (n=112)	Kampot (n=34)	Siem Reap (n=41)	Construction (n=81)	Services (n= 36)	Handicraft (n=41)	Total (n=187)
Monthly income (USD)							
Mean	260.2	172.2	187.1	298	167.2	187.1	**228.9**
Median	250	155	150	300	150	150	**200**
Mode	250	150	100	300	150	100	**150**
Range	430	295	500	350	295	500	**500**
Income stability							
Stable	17% (19)	55.9% (19)	63.4% (26)	23.5% (19)	29.2% (19)	63.4% (26)	**34.2% (64)**
Sometimes	45.5% (51)	44.1% (15)	34.1% (14)	61.7% (50)	24.6% (16)	34.1% (14)	**42.8% (80)**
Very unstable	37.5% (42)	0% (0)	2.4% (1)	14.8% (12)	46.2% (30)	2.4% (1)	**23% (43)**
Reason for unstable income							
Workload/output or irregular pay conditions	58.1% (54)	100% (15)	81.3% (13)	77.4% (48)	45.7% (21)	81.3% (13)	**66.1% (82)**
Project/seasonal/event-based income	41.9% (39)	0% (0)	18.8% (3)	22.6% (14)	54.3% (25)	18.8% (3)	**33.9% (42)**
Savings status							
Yes	36.6% (41)	29.4% (10)	34.1% (14)	45.7% (37)	21.5% (14)	34.1% (14)	**34.8% (65)**
No	63.4% (71)	70.6% (24)	65.9% (27)	54.3% (44)	78.5% (51)	65.9% (27)	**65.2% (122)**
Loan status							
Yes	48.2% (54)	38.2% (13)	24.4% (10)	38.3% (31)	55.4% (36)	24.4% (10)	**41.2% (77)**
No	51.8% (58)	61.8% (21)	75.6% (31)	61.7% (50)	44.6% (29)	75.6% (31)	**58.8% (110)**
Loan source							
Bank	25.9% (14)	16.7% (2)	50% (5)	45.2% (14)	5.7% (2)	50% (5)	**27.6% (21)**
Microfinance institution	22.2% (12)	33.3% (4)	20% (2)	19.4% (6)	28.6% (10)	20% (2)	**23.7% (18)**
Moneylender	37% (20)	33.3% (4)	30% (3)	29% (9)	42.9% (15)	30% (3)	**35.5% (27)**
Family/employer or other informal source	14.8% (8)	16.7% (2)	0% (0)	6.5% (2)	22.9% (8)	0% (0)	**13.2% (10)**
Reason no loan (first reason)							
No collateral	8.6% (5)	23.8% (5)	0% (0)	10% (5)	17.2% (5)	0% (0)	**9.2% (10)**
No ID	24.1% (14)	42.9% (9)	43.3% (13)	28% (14)	31% (9)	43.3% (13)	**33% (36)**
Fear of debt	13.8% (8)	23.8% (5)	33.3% (10)	16% (8)	17.2% (5)	33.3% (10)	**21.1% (23)**
Lack of information	25.9% (15)	9.5% (2)	0% (0)	30% (15)	6.9% (2)	0% (0)	**15.6% (17)**
No need / unstable work / other barrier	27.6% (16)	0% (0)	23.3% (7)	16% (8)	27.6% (8)	23.3% (7)	**21.1% (23)**

Source: Authors' calculations based on National University Management survey 2025

Reasons for Not Taking Loans: Among those without loans, the most common barriers were:

- Fear of debt (33.3%)
- No ID (33%)
- Lack of collateral (9.2%)
- Lack of information (15.6%)

These responses point to both demand-side constraints (fear of debt, lack of documentation) and supply-side barriers (lack of collateral and formal identification), which are closely linked to the high informality and low contractual security documented in Pillar 2.

Summary

Pillar 3 reveals a pattern of low-to-moderate income generation coupled with high income volatility and limited financial resilience. Despite working long hours under precarious conditions, most informal workers earn modest incomes, struggle to save, and face substantial barriers to accessing affordable and formal credit.

The prevalence of irregular pay, project-based income, and reliance on expensive moneylenders creates a fragile livelihood system with little margin for error. Low savings and limited access to formal finance severely restrict households' ability to improve their housing situation, invest in skills development, or cope with unexpected shocks.

These economic realities have direct relevance to affordable housing. Unstable and relatively low incomes, combined with lack of formal documentation and collateral, make it extremely difficult for informal workers — especially migrants in Phnom Penh and construction — to qualify for housing loans or benefit from government affordable housing schemes. This helps explain the housing tenure insecurity and frequent residential mobility observed in Pillar 1.

Taken together with previous pillars, the data illustrate a structural cycle of vulnerability: high labor intensity and informality → unstable and modest income → low savings and limited credit access → continued precarious livelihoods and housing challenges.

4.2.4. Risk, Vulnerability, and Social Protection Gaps (Pillar 4)

Pillar 4 investigates the main challenges, exposure to shocks, coping mechanisms, and access to social protection among the 187 informal workers. The findings reveal high levels of vulnerability, widespread exposure to livelihood risks, very limited social protection coverage, and heavy reliance on informal coping strategies.

First Main Challenge: The dominant challenges faced by informal workers are:

- Low income (47.6% overall)
- Health risks (31.6%)

Low income is particularly acute in Services (70.8%), Kampot (73.5%), and Handicraft (56.1%). Health risks are most frequently cited in Phnom Penh (45.3%). Unstable work and other livelihood pressures are mentioned less frequently but remain significant concerns. These challenges align closely with the modest and unstable incomes documented in Pillar 3.

Incidents in the Past 12 Months: A large proportion of workers experienced adverse incidents in the previous year. Only 44.4% reported no incident, meaning over half (55.6%) faced at least one shock. The most common incidents were:

- Injury (26.2%)
- Wage theft / payment problems (16.6%)

Injury rates were exceptionally high in Construction (40.7%), reflecting the hazardous nature of the sector. Wage theft and payment problems were more common in Phnom Penh (25%) and Services (15.4%). Harassment or verbal mistreatment and other work-related incidents were also reported, though at lower rates.

Coping Mechanisms When Sick or Unable to Work: When unable to work due to illness, the most common responses were:

- Stop working (46.5%)
- Family helps (37.4%)
- Borrow money (17.8%)

Very few relied on personal savings or informal support (4.3%). This heavy dependence on family networks and borrowing highlights the absence of formal safety nets and the precarious financial position of most informal households.

Financial Access: Financial inclusion remains limited:

- Only 40.1% have access to a bank account and KHQR
- 38.5% use mobile money
- A striking 71.7% rely entirely on cash ("None / Cash Out"), with especially high cash dependency in Siem Reap (87.8%), Construction (65.4%), and Handicraft (87.8%).

Access to rotating savings groups is minimal (2.7%). These patterns confirm the deep cash-based nature of informal transactions and limited integration into the formal financial system.

Social Protection Coverage: Social protection gaps are severe:

- National Social Security Fund (NSSF) coverage is only 15%
- Private health insurance: 0%
- Savings scheme: 0%
- Overall, 85% of respondents have no protection coverage at all.

Membership in associations or cooperatives is virtually non-existent (0%). Only 9.1% reported receiving any support from government, NGOs, or community organizations.

Summary

Pillar 4 paints a stark picture of high vulnerability and weak social protection. Informal workers face frequent livelihood shocks — particularly injuries in construction and wage/payment issues in urban areas — yet have almost no formal safety nets to fall back on. When facing illness or inability to work, they primarily stop working or depend on family and borrowing, strategies that further erode their already limited financial resilience.

The extremely low coverage of NSSF (15%), complete absence of private health insurance or savings schemes, and heavy reliance on cash transactions leave informal workers highly exposed to health, income, and work-related risks. This vulnerability is compounded by the high rates of migration, residential instability, and lack of written contracts documented in earlier pillars.

These findings have direct relevance to the affordable housing agenda. High exposure to shocks, unstable income, lack of savings, and minimal social protection make it extremely difficult for informal workers to maintain stable housing, service debts, or qualify for formal housing finance. Frequent injuries and payment problems further increase the risk of eviction or housing insecurity.

When synthesized across all four pillars, the data consistently show a structurally vulnerable informal workforce: young migrants working under precarious conditions, earning modest and unstable incomes, facing frequent shocks, and lacking both financial inclusion and social protection. This cycle significantly undermines their ability to achieve decent and affordable housing.

Table 13 - Informal workers risk, vulnerability and social protection gaps, % (n)

Category	Phnom Penh (n=112)	Kampot (n=34)	Siem Reap (n=41)	Construction (n=81)	Services (n= 36)	Handicraft (n=41)	Total (n=187)
First main challenge							
Low income	36.6% (41)	73.5% (25)	56.1% (23)	24.7% (20)	70.8% (46)	56.1% (23)	**47.6% (89)**
Health risks	45.5% (51)	5.9% (2)	14.6% (6)	50.6% (41)	18.5% (12)	14.6% (6)	**31.6% (59)**
Unstable work	8% (9)	8.8% (3)	12.2% (5)	11.1% (9)	4.6% (3)	12.2% (5)	**9.1% (17)**
Other livelihood pressure	9.8% (11)	11.8% (4)	17.1% (7)	13.6% (11)	6.2% (4)	17.1% (7)	**11.8% (22)**
First incident in past 12 months							
None	34.8% (39)	67.6% (23)	51.2% (21)	42% (34)	43.1% (28)	51.2% (21)	**44.4% (83)**
Injury	33% (37)	17.6% (6)	14.6% (6)	40.7% (33)	15.4% (10)	14.6% (6)	**26.2% (49)**
Wage theft/payment problem	25% (28)	0% (0)	4.9% (2)	7.4% (6)	33.8% (22)	4.9% (2)	**16% (30)**
Harassment or verbal mistreatment	4.5% (5)	2.9% (1)	19.5% (8)	6.2% (5)	1.5% (1)	19.5% (8)	**7.5% (14)**
Other work-related incident	2.7% (3)	11.8% (4)	9.8% (4)	3.7% (3)	6.2% (4)	9.8% (4)	**5.9% (11)**
If sick/cannot work							
Stop working	42% (47)	44.1% (15)	61% (25)	38.3% (31)	47.7% (31)	61% (25)	**46.5% (87)**
Family helps	31.2% (35)	55.9% (19)	39% (16)	35.8% (29)	38.5% (25)	39% (16)	**37.4% (70)**
Borrow money	19.6% (22)	0% (0)	0% (0)	18.5% (15)	10.8% (7)	0% (0)	**11.8% (22)**
Personal savings /informal support	7.1% (8)	0% (0)	0% (0)	7.4% (6)	3.1% (2)	0% (0)	**4.3% (8)**
Financial access: Bank account and KHQR							
Yes	43.8% (49)	47.1% (16)	24.4% (10)	38.3% (31)	52.3% (34)	24.4% (10)	**40.1% (75)**
No	56.2% (63)	52.9% (18)	75.6% (31)	61.7% (50)	47.7% (31)	75.6% (31)	**59.9% (112)**
Financial access: Mobile money							
Yes	40.2% (45)	20.6% (7)	46.3% (19)	38.3% (31)	32.3% (21)	46.3% (19)	**38% (71)**
No	59.8% (67)	76.5% (26)	53.7% (22)	61.7% (50)	66.2% (43)	53.7% (22)	**61.5% (115)**
Financial access: Rotating savings group							
Yes	1.8% (2)	8.8% (3)	0% (0)	0% (0)	7.7% (5)	0% (0)	**2.7% (5)**
No	98.2% (110)	91.2% (31)	100% (41)	100% (81)	92.3% (60)	100% (41)	**97.3% (182)**
Financial access: None (Cash Out)							
Yes	67.9% (76)	64.7% (22)	87.8% (36)	65.4% (53)	69.2% (45)	87.8% (36)	**71.7% (134)**
No	32.1% (36)	35.3% (12)	12.2% (5)	34.6% (28)	30.8% (20)	12.2% (5)	**28.3% (53)**
Protection coverage: NSSF							
Yes	10.7% (12)	29.4% (10)	14.6% (6)	14.8% (12)	15.4% (10)	14.6% (6)	**15% (28)**
No	89.3% (100)	70.6% (24)	85.4% (35)	85.2% (69)	84.6% (55)	85.4% (35)	**85% (159)**
Protection coverage: Private health insurance							
Yes	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	**0% (0)**
No	100% (112)	100% (34)	100% (41)	100% (81)	100% (65)	100% (41)	**100% (187)**
Protection coverage: Savings scheme							
Yes	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	**0% (0)**
No	100% (112)	100% (34)	100% (41)	100% (81)	100% (65)	100% (41)	**100% (187)**
Protection coverage: None							
Yes	89.3% (100)	70.6% (24)	85.4% (35)	85.2% (69)	84.6% (55)	85.4% (35)	**85% (159)**
No	10.7% (12)	29.4% (10)	14.6% (6)	14.8% (12)	15.4% (10)	14.6% (6)	**15% (28)**
Association/cooperative membership							
Yes	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	0% (0)	**0% (0)**
No	100% (112)	100% (34)	100% (41)	100% (81)	100% (65)	100% (41)	**100% (187)**
Received support from gov/NGO/community							
Yes	0% (0)	5.9% (2)	36.6% (15)	0% (0)	3.1% (2)	36.6% (15)	**9.1% (17)**
No	100% (112)	94.1% (32)	63.4% (26)	100% (81)	96.9% (63)	63.4% (26)	**90.9% (170)**

4.2.5. Willingness to Formal Jobs and Support Pathways (Pillar 5)

Pillar 5 explores informal workers' awareness of formal employment opportunities, their preferences for formal jobs, perceived benefits, and the specific support needed to transition out of informality. The findings reveal strong overall aspiration for formal jobs, but significant awareness gaps, practical barriers, and a clear demand for targeted support.

Awareness of Formal Jobs: Only 36.4% of respondents are aware of formal job opportunities, while the majority (63.6%) are not. Awareness is notably higher in Siem Reap (61%) and Handicraft (61%), but significantly lower in Phnom Penh (31.2%) and Services (32.3%). This low awareness level suggests limited information flows about formal sector opportunities, particularly among urban migrants and construction workers.

Preference for Formal Jobs: A strong majority (69.7%) stated they would prefer a formal job, with particularly high preference in Phnom Penh (70.9%), Siem Reap (78%), Construction (70.4%), and Handicraft (78%). Only 22.7% said they would not prefer formal employment, and 7.6% were unsure ("maybe"). This high preference indicates substantial latent demand for formalization and more stable employment arrangements.

Reasons for Hesitation (If No or Maybe): Among those who were hesitant or unsure, the most frequently cited reasons were:

- Work flexibility / personal limits (37.7%)
- No trust or no clear benefit (24.5%)
- Difficult process and tax concern (18.9%)
- Do not know how to shift (18.9%)

These responses highlight both practical concerns (complex procedures, lack of information) and perceptual barriers (distrust and uncertainty about real benefits).

First Support Needed: When asked about the most important support to shift to formal jobs, respondents prioritized:

- Help with documents (35.7%)
- Skills training (28.6%)
- Formal job or income support (21.4%)
- Loans, insurance, or group support (14.3%)

The strong emphasis on documentation support reflects the widespread lack of formal ID, contracts, and registration documented in earlier pillars.

First Perceived Benefit of Formal Jobs: The most valued potential benefits of formal employment were:

- Stable job (52.4%)
- Social protection (36.4%)

Loans and legal support were mentioned far less frequently. This underscores that informal workers primarily seek security and stability rather than just higher pay.

First Factor to Help Shift: The top factor that would help workers transition was a written contract (47.6%), followed by employer or authority support (16.6%). Obtaining ID or easier documentation processes and skills training were also cited as important enablers.

Table 14 – Informal workers willingness to formal jobs and support pathways, % (n)

Category	Phnom Penh (n=112)	Kampot (n=34)	Siem Reap (n=41)	Construction (n=81)	Services (n= 36)	Handicraft (n=41)	Total (n=187)
Aware of formal jobs							
Yes	31.2% (35)	23.5% (8)	61% (25)	27.2% (22)	32.3% (21)	61% (25)	**36.4% (68)**
No	68.8% (77)	76.5% (26)	39% (16)	72.8% (59)	67.7% (44)	39% (16)	**63.6% (119)**
Would prefer formal job							
Yes	70.9% (78)	55.9% (19)	78% (32)	70.4% (57)	63.5% (40)	78% (32)	**69.7% (129)**
No	24.5% (27)	41.2% (14)	2.4% (1)	25.9% (21)	31.7% (20)	2.4% (1)	**22.7% (42)**
Maybe	4.5% (5)	2.9% (1)	19.5% (8)	3.7% (3)	4.8% (3)	19.5% (8)	**7.6% (14)**
Reason if No/Maybe to formal job							
Difficult process and tax concern	20.6% (6)	26.7% (4)	0% (0)	14.3% (3)	30.4% (7)	0% (0)	**18.9% (10)**
No trust or no clear benefit	17.2% (5)	13.3% (2)	66.7% (6)	23.8% (5)	8.7% (2)	66.7% (6)	**24.5% (13)**
Do not know how to shift	13.8% (4)	26.7% (4)	22.2% (2)	9.5% (2)	26.1% (6)	22.2% (2)	**18.9% (10)**
Work flexibility / personal limits	48.3% (14)	33.3% (5)	11.1% (1)	52.4% (11)	34.8% (8)	11.1% (1)	**37.7% (20)**
First support needed							
Help with documents	40.6% (13)	26.7% (4)	33.3% (3)	20.8% (5)	52.2% (12)	33.3% (3)	**35.7% (20)**
Skills training	18.8% (6)	33.3% (5)	55.6% (5)	25% (6)	21.7% (5)	55.6% (5)	**28.6% (16)**
Loans, insurance, or group support	9.4% (3)	33.4% (5)	0% (0)	12.5% (3)	21.7% (5)	0% (0)	**14.3% (8)**
Formal Job or income support	31.2% (10)	6.7% (1)	11.1% (1)	41.7% (10)	4.3% (1)	11.1% (1)	**21.4% (12)**
First perceived benefit of formal job							
Stable job	48.2% (54)	47.1% (16)	68.3% (28)	44.4% (36)	52.3% (34)	68.3% (28)	**52.4% (98)**
Social protection	42% (47)	35.3% (12)	22% (9)	44.4% (36)	35.4% (23)	22% (9)	**36.4% (68)**
Loans	1.8% (2)	5.9% (2)	0% (0)	0% (0)	6.2% (4)	0% (0)	**2.1% (4)**
Legal support	1.8% (2)	2.9% (1)	9.8% (4)	2.5% (2)	1.5% (1)	9.8% (4)	**3.7% (7)**
No clear benefit	6.3% (7)	8.8% (3)	0% (0)	8.7% (7)	4.6% (3)	0% (0)	**5.3% (10)**
First factor to help shift							
Employer or authority support	11.6% (13)	41.1% (14)	12.2% (5)	14.8% (12)	21.5% (14)	12.2% (5)	**16.6% (31)**
Written contract	49.1% (55)	32.4% (11)	56.1% (23)	50.6% (41)	38.5% (25)	56.1% (23)	**47.6% (89)**
Obtain ID or support documents/Easier process	15.2% (17)	5.9% (2)	2.4% (1)	8.6% (7)	18.5% (12)	2.4% (1)	**10.7% (20)**
Skills training	0% (0)	8.8% (3)	19.5% (8)	0% (0)	4.6% (3)	19.5% (8)	**5.9% (11)**
No way or personal barrier	24.1% (27)	14.7% (5)	9.7% (4)	25.9% (21)	16.9% (11)	9.7% (4)	**19.3% (36)**

Source: Authors' calculations based on National University Management survey 2025

Summary

Pillar 5 reveals a clear aspiration gap: while the large majority of informal workers (69.7%) would prefer formal jobs and highly value stability and social protection, actual awareness remains low (only 36.4%) and multiple practical and perceptual barriers prevent transition. Workers are realistic about the challenges they identify documentation support, skills training, and clearer pathways as critical enablers. The strong preference for written contracts and stable jobs directly echoes the near-total absence of contracts (99.5%) and high-income instability documented in Pillars 2 and 3.

These findings have important linkages to affordable housing. Workers who desire greater stability and social protection are more likely to seek secure, long-term housing solutions. However, the current combination of low awareness, lack of documentation, unstable income, and weak social protection makes it very difficult for them to access formal housing finance or qualify for government-supported affordable housing programs.

When synthesized with the previous pillars, a coherent picture emerges: a young, migrant, low-educated workforce operating under highly informal, intense, and risky conditions, earning modest and unstable incomes, with limited social protection yet showing strong willingness to move toward formal employment if provided with practical support in documentation, skills, and job stability.

5. PATHWAYS TO FORMALISATION

To identify factors associated with transition potential, the study estimates a set of regression models focusing on two main outcomes: willingness of micro-enterprises to formalize and preference of informal workers for formal jobs. For micro-enterprises, the dependent variable is whether the respondent is willing to formalize the business if support is available. For informal workers, the dependent variable is whether the respondent prefers a formal job. Where the response categories include "no," "maybe," and "yes," ordered logit models are also estimated as a robustness check.

The explanatory variables include socio-demographic characteristics, education, household size, migration status, location, sector or occupation, income level, income stability, savings, loan access, financial inclusion, social protection coverage, support received, and exposure to shocks. Additional models include preferred support measures, perceived benefits, and factors that respondents identified as necessary for formalization or transition into formal employment.

Given the cross-sectional nature of the data, the regression results are interpreted as associations rather than causal effects. The purpose is not to establish causality, but to identify which groups are more likely to express readiness for formalization and which support mechanisms appear most relevant for policy design.

5.1. Logit Marginal Effects Analysis

The logit marginal effects analysis provides a robustness check to the Linear Probability Models. Since the main outcomes are binary — whether an MSME operator is willing to formalize and whether an informal worker prefers a formal job — logit models are appropriate for estimating the probability of formalization willingness.

The results are interpreted as **average marginal effects**, meaning that each coefficient shows the estimated percentage-point change in the probability of the outcome, holding other variables constant. For example, a marginal effect of 0.10 means that the variable is associated with a 10 percentage-point increase in the probability of willingness to formalize.

The analysis is grounded in three related theories:

First, the **cost–benefit theory of formalization** suggests that informal actors compare the expected benefits of formalization, such as credit, legal protection, training, and social protection, against the expected costs, such as taxes, fees, administrative procedures, and regulatory obligations.

Second, the **human capital perspective** argues that education and skills shape workers' and enterprises' ability to understand, access, and benefit from formal opportunities.

Third, the **institutional incentive perspective** emphasizes that formalization becomes more attractive when institutions provide credible support, clear procedures, documentation help, and visible benefits.

The logit results strongly support the idea that formalization is not simply a legal decision. It is a livelihood decision shaped by perceived benefits, costs, income capacity, social protection, and practical transition support.

5.2. Regression Analysis

The analysis estimates four logit models and reports marginal effects:

Model	Sample	Outcome
Model 1	MSME core	Willingness to formalize
Model 2	MSME pathway	Willingness to formalize with barriers and support variables
Model 3	Worker core	Preference for formal job
Model 4	Worker pathway	Preference for formal job with perceived benefits and transition factors

The general model can be written as:

$$Pr\ (Yi=1) = a + \beta Xi + \gamma Ei + \delta Si + \theta Pi$$

where:

- *Yi* is either willingness to formalize or preference for formal employment;
- *Xi* includes socio-demographic characteristics such as gender, age, education, and migration;
- *Ei* includes economic variables such as income, instability, savings, loans, and shock exposure;
- *Si* includes institutional variables such as social protection and support received;
- *Pi* includes perceived barriers, benefits, and support pathways;

The sample includes 157 observations for the MSME models and 167 and 161 observations for the worker models.

5.3. Regression Results and Interpretation

5.3.1. MSME Core Model

The MSME core logit model identifies the basic factors associated with willingness to formalize among informal micro-enterprises.

Age reduces willingness to formalize: Age is negative and statistically significant at the 1% level. Each additional year of age is associated with a **1.36 percentage-point lower probability** of willingness to formalize. This suggests that younger MSME operators are more open to formalization. Older operators may be more accustomed to informal arrangements, less willing to engage with new administrative systems, or more cautious about taxes and compliance requirements.

Table 15 - Pathways to Formalisation: Logit Marginal Effects

	(1)	(2)	(3)	(4)
	MSME core mfx	MSME pathway mfx	Worker core mfx	Worker pathway mfx
female	0.112	0.113*	0.00150	-0.0399
	(0.0805)	(0.0582)	(0.0971)	(0.0781)
age	-0.0136***	-0.00538*	-0.0000544	0.00827**
	(0.00327)	(0.00276)	(0.00315)	(0.00400)
educ_score	-0.135***	-0.0962***	0.132***	0.131***
	(0.0462)	(0.0338)	(0.0351)	(0.0479)
ln_business_income	0.124**	0.138***		
	(0.0550)	(0.0372)		
msme_save	0.117			
	(0.111)			
msme_loan	-0.0593			
	(0.0824)			
financial_access	-0.0181	0.00851	-0.281***	-0.208***
	(0.0984)	(0.0731)	(0.0887)	(0.0808)
social_protection	0.154	0.111	0.529***	0.360**
	(0.104)	(0.0886)	(0.197)	(0.163)
support_received	-0.0995	-0.0407	0	0
	(0.0999)	(0.0925)	(.)	(.)
msme_anyshock	0.00294	0.0736		
	(0.0912)	(0.0762)		
Kampot	0	0	0	0
	(.)	(.)	(.)	(.)
Siem Reap	0.125	0.0295	0	0
	(0.100)	(0.0720)	(.)	(.)
barrier_info		-0.0176		
		(0.0713)		
barrier_costtax		-0.134*		
		(0.0793)		
barrier_nobenefit		-0.248***		
		(0.0647)		
sup_docs		0.139*		
		(0.0784)		
sup_finance		0.296***		
		(0.0427)		

sup_training		0.212***		
		(0.0657)		
migrant			0.0126	-0.0665
			(0.0815)	(0.0963)
aware_formal			-0.0855	-0.154**
			(0.0673)	(0.0720)
ln_worker_income			-0.112	
			(0.0768)	
worker_instable			0.278***	
			(0.0801)	
worker_save			-0.0894	
			(0.0937)	
worker_loan			0.148**	
			(0.0671)	
worker_anyshock			-0.00396	0.194***
			(0.0691)	(0.0572)
benefit_stable				0.228***
				(0.0799)
benefit_socprot				0.0880
				(0.0708)
benefit_none				0
				(.)
shift_contract				-0.0714
				(0.0923)
shift_id				0.0304
				(0.0954)
shift_skill				-0.202***
				(0.0719)
shift_noway				-0.390***
				(0.116)
Observations	**157**	**157**	**167**	**161**

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Education is negatively associated with MSME formalization willingness: Education has a negative and statistically significant effect. A one-unit increase in the education score is associated with a **13.5 percentage-point lower probability** of willingness to formalize. This is an important and somewhat counterintuitive result. It may suggest that more educated micro-enterprise operators are more aware of the potential costs of formality, including taxation, reporting requirements, and compliance obligations. It may also reflect the fact that some better-educated operators understand that their business remains too small or unstable to benefit from formalization.

Business income increases willingness to formalize: Log business income is positive and statistically significant. Higher business income is associated with a **12.4 percentage-point higher probability** of willingness to formalize. This supports the cost–benefit theory. Better-performing businesses are more likely to see formalization as useful because they may benefit from credit, market access, business expansion, and legal recognition.

Financial access, savings, loans, social protection, and shocks are not significant: In the core model, financial access, savings, loans, social protection, support received, and shocks are not statistically significant. This suggests that general characteristics alone are not enough to explain formalization willingness. More specific perceived barriers and support measures are more important, as shown in the pathway model.

5.3.2. MSME Pathway Model

The MSME pathway model adds perceived barriers and preferred support mechanisms. This is the most policy-relevant model for the micro-enterprise formalization section.

Female operators are more willing to formalize: The female coefficient is positive and significant at the 10% level. Female MSME operators are associated with an **11.3 percentage-point higher probability** of willingness to formalize. This suggests that women-owned informal businesses may be especially responsive to formalization support when practical barriers and incentives are considered. Given the high share of women in the MSME sample, this finding supports gender-sensitive formalization programs.

Age remains negative: Age remains negative and weakly significant. Each additional year of age is associated with a **0.54 percentage-point lower probability** of willingness to formalize. The effect is smaller than in the core model but still suggests that younger entrepreneurs may be easier to reach through digital registration, skills training, and business support programs.

Education remains negative: Education remains negative and statistically significant. A higher education score is associated with a **9.62 percentage-point lower probability** of willingness to formalize. This confirms the earlier finding that formalization policy must address concerns among better-informed operators, especially around costs, taxes, and unclear benefits.

Business income remains positive: Log business income is positive and significant at the 1% level. Higher business income is associated with a **13.8 percentage-point higher probability** of willingness to formalize. This confirms that more economically viable businesses are more likely to consider formalization. It also implies that formalization may be more feasible when combined with business upgrading, productivity support, and market access.

Cost and tax concerns reduce willingness: The cost/tax barrier is negative and weakly significant. Respondents who identify cost or tax concerns are **13.4 percentage points less likely** to be willing to formalize. This result confirms that perceived financial burdens discourage formalization. Policies should therefore avoid presenting formalization mainly as a tax-registration exercise.

Lack of perceived benefit strongly reduces willingness: The strongest negative MSME barrier is "no perceived benefit." Respondents who see no benefit from formalization are **24.8 percentage points less likely** to be willing to formalize, significant at the 1% level. This is one of the most important findings. It means that simplifying registration is not enough. Informal businesses must see clear, practical gains from becoming formal.

Documentation support increases willingness: Documentation support is positive and weakly significant. Respondents who identify documentation support are **13.9 percentage points more likely** to be willing to formalize. This supports practical measures such as mobile registration teams, one-stop service desks, simplified business documentation, and hands-on administrative assistance.

Finance support is the strongest positive MSME pathway: Finance support is positive and highly significant. Respondents who identify finance support are **29.6 percentage points more likely** to be willing to formalize. This strongly supports the idea that formalization should be linked to access to loans, credit guarantees, financial services, and business expansion support.

Training support also matters strongly: Training support is positive and significant at the 1% level. Respondents who identify training support are **21.2 percentage points more likely** to be willing to formalize. This suggests that business skills, bookkeeping, digital literacy, product development, and market-linkage training can act as incentives for formalization.

5.3.3. Worker Core Model

The worker core model examines the probability that informal workers prefer formal employment.

Education increases preference for formal jobs: Education is positive and statistically significant at the 1% level. A one-unit increase in the education score is associated with a **13.2 percentage-point higher probability** of preferring a formal job. This is different from the MSME result. For workers, education appears to increase awareness of the benefits of formal employment, including stable jobs, written contracts, social protection, and career progression.

Financial access is negatively associated with formal job preference: Financial access is negative and significant. Workers with financial access are **28.1 percentage points less likely** to prefer formal jobs. This may appear surprising, but it can be interpreted in two ways. First, workers with financial access may already have some degree of economic autonomy and may therefore feel less pressure to shift to formal employment. Second, those without financial access may view formal jobs as a pathway to income documentation, bankability, and future credit access.

Social protection strongly increases formal job preference: Social protection has a large positive effect. Workers with social protection coverage are **52.9 percentage points more likely** to prefer formal jobs. This is one of the strongest findings in the worker model. It suggests that social protection is not only a welfare mechanism but also a powerful incentive for formalization.

Income instability increases preference for formal jobs: Income instability is positive and statistically significant. Workers with unstable income are **27.8 percentage points more likely** to prefer formal jobs. This supports the report's finding that informal workers value stability. Formal employment is attractive because it offers predictable income, regular payment, and greater livelihood security.

Loan access increases preference for formal jobs: Worker loan access is positive and significant. Workers with loans are **14.8 percentage points more likely** to prefer formal jobs. This may suggest that indebted workers prefer formal employment because regular wages make it easier to manage repayment obligations.

5.3.4. Worker Pathway Model

The worker pathway model adds perceived benefits and transition factors. This model is especially useful for designing formal employment transition policies.

Age becomes positive: Age is positive and statistically significant. Each additional year of age is associated with a **0.83 percentage-point higher probability** of preferring a formal job. This suggests that when perceived benefits and transition factors are included, older workers may value stability and protection more strongly.

Education remains strongly positive: Education remains positive and statistically significant. A one-unit increase in education score is associated with a **13.1 percentage-point higher probability** of preferring a formal job. This confirms that education is an important enabling factor for formal employment transition.

Awareness of formal jobs is unexpectedly negative: Awareness of formal jobs is negative and significant. Workers who are aware of formal jobs are **15.4 percentage points less likely** to prefer formal employment. This counterintuitive result should be interpreted carefully. It may mean that workers who know more about formal jobs also know about barriers, such as low entry wages, strict working hours, documentation requirements, skills gaps, or loss of flexibility. Therefore, awareness alone is not enough. Information campaigns must be combined with credible job-matching, skills support, and protection benefits.

Financial access remains negative: Financial access remains negative and significant. Workers with financial access are **20.8 percentage points less likely** to prefer formal jobs. This reinforces the idea that workers with some financial inclusion may value the flexibility of informal work or may already have coping mechanisms outside formal employment.

Social protection remains positive: Social protection remains positive and significant. Workers with social protection coverage are **36 percentage points more likely** to prefer formal employment. This confirms that social protection should be central to the formalization pathway.

Shock exposure increases preference for formal jobs: Workers who experienced shocks are **19.4 percentage points more likely** to prefer formal employment. This suggests that exposure to injury, payment problems, or other work-related risks increases demand for secure employment arrangements.

Stable job benefit strongly increases formal job preference: Workers who identify stable jobs as a benefit of formality are **22.8 percentage points more likely** to prefer formal employment. This is consistent with the descriptive findings: informal workers are attracted to formality primarily because of stability and protection, not only because of income.

Skills support is unexpectedly negative: The shift-skill variable is negative and significant. Workers who identify skills support are **20.2 percentage points less likely** to prefer formal jobs. This may indicate that workers who need skills training recognize that they are not yet ready to enter formal employment. In other words, skills support may reflect a perceived barrier rather than immediate readiness. This finding should not be interpreted as evidence against training. Instead, it suggests that training must be linked to actual job placement and employer demand.

"No way to shift" strongly reduces preference: Workers who report that there is no way to shift are **39 percentage points less likely** to prefer formal jobs. This is an important signal of discouragement. A group of workers may not reject formal employment in principle but may believe transition is not realistically possible. Policy must therefore address perceived feasibility, not only willingness.

The logit marginal effects confirm the main findings from the Linear Probability Models but provide a more suitable probability-based interpretation. For **MSMEs**, formalization willingness is higher among businesses with stronger income and among those who identify finance, training, and documentation support as important. It is lower among older operators, more educated operators, and those concerned about cost, tax, or lack of benefits. This suggests that MSME formalization depends heavily on whether operators see a clear economic value proposition. For **informal workers**, preference for formal jobs is strongly associated with education, social protection, income instability, loan obligations, shock exposure, and the perceived benefit of stable employment. Workers who already have financial access or who are aware of formal jobs may be less interested in formal employment, possibly because they understand the trade-offs or value flexibility. This shows that formal employment must be made not only visible, but also attractive and feasible.

The two samples therefore show different transition logics:

Group	Main transition logic
MSMEs	Formalization is attractive when linked to finance, training, documentation, and business upgrading
Workers	Formal jobs are attractive when linked to stability, social protection, risk reduction, and realistic transition support

The common message is that formalization cannot rely on registration alone. It must be packaged with tangible incentives.

5.3.5. Policy Implications

Formalization should be presented as a benefit package, not a compliance burden: The negative effects of cost/tax concerns and "no perceived benefit" show that micro-enterprises are unlikely to formalize if they associate formality only with taxes and regulation. Formalization should be framed as a gateway to finance, training, market access, digital payments, and business recognition.

Finance is the strongest MSME incentive: Finance support increases the probability of willingness to formalize by nearly 30 percentage points. This implies that registration campaigns should be linked to credit access, concessional loans, credit guarantees, and simplified banking documentation for newly formalized micro-enterprises.

Training should be tied to formalization and business upgrading: Training support has a strong positive effect among MSMEs. Training should cover bookkeeping, product development, digital literacy, customer management, taxation basics, and business planning. For workers, however, skills support appears to signal a barrier. Therefore, worker training should be linked to actual job placement, employer partnerships, and certification.

Social protection is the strongest worker incentive: Social protection has one of the largest positive effects in the worker models. This confirms that NSSF expansion, health protection, occupational injury protection, and pension awareness should be central to the worker formalization agenda.

Stability is the main attraction of formal jobs: The strong positive effect of stable-job benefits shows that workers value predictability. Policies should emphasize written contracts, regular payment, occupational safety, wage protection, and grievance mechanisms.

Awareness alone is not enough: The negative coefficient on awareness of formal jobs suggests that simply informing workers about formal employment opportunities may not increase preference if formal jobs are perceived as unattractive, difficult to access, or incompatible with workers' current needs. Awareness campaigns should therefore be combined with documentation support, skills upgrading, job matching, and social protection enrollment.

Documentation and administrative simplification remain important: Documentation support is positive for MSMEs, and transition feasibility matters strongly for workers. Mobile registration services, commune-level help desks, one-stop service windows, and digital platforms could reduce the practical burden of formalization.

Target groups should be differentiated: Younger MSME operators, women-owned businesses, and higher-income micro-enterprises may be early candidates for formalization. For workers, priority groups include those with unstable income, those exposed to shocks, those with loans, and those who value social protection and job stability.

The logit marginal effects reinforce the conclusion that formalization is a gradual and incentive-driven process. For MSMEs, willingness to formalize rises when businesses have stronger income and when formalization is linked to finance, documentation, and training support. However, cost and tax concerns and lack of perceived benefit discourage formalization. For informal workers, preference for formal jobs is driven by education, social protection, income instability, loan pressure, shock exposure, and the desire for stable employment. These findings point to a differentiated formalization strategy: micro-enterprises require business upgrading and financial incentives, while workers require decent work protections, documentation support, social protection, and realistic pathways into stable employment.

6. DISCUSSION

The findings of this study confirm that Cambodia's informal economy is not a marginal or residual sector, but a central component of the country's employment structure and livelihood system. This is consistent with ILO evidence showing that 88.3% of Cambodian workers are engaged in informal employment, based on the 2019 Labour Force Survey (International Labour Organization). The draft report similarly frames informality as a structural feature of Cambodia's economy, affecting micro-enterprises, own-account workers, casual workers, subcontracted workers, street vendors, construction workers, service workers, and home-based producers. The discussion below synthesizes the main findings across the two survey modules — micro-enterprises/MSMEs and informal workers — and relates them to wider theories and policy debates on informality, vulnerability, and formalization.

6.1. Informality as a livelihood system, not simply a legal status

A central message emerging from the study is that informality should not be understood only as the absence of registration, contracts, or legal compliance. It is also a livelihood system shaped by low income, unstable earnings, weak bargaining power, family-based production, limited protection, and constrained access to finance. This supports the structuralist view of informality, which argues that informal work persists because formal labor markets and enterprise systems are unable to absorb all workers and small operators into secure, productive, and protected forms of employment. This structural pattern can be seen in Cambodia's employment-status data. Although paid employment increased from 24.4% of total employment in 2004 to 51.4% in 2023, this shift has not completely replaced livelihood-based forms of work. Own-account work and unpaid family work still accounted for almost half of total employment, with the informal proxy remaining high at 48.4% in 2023 and 48.3% in 2024 (see Annex 2, Table 4). This suggests that Cambodia's labour market has shifted toward more wage-based employment over time, but many households still rely on self-employment and family-based work for their daily livelihoods. Informality is therefore not just a legal or registration issue, but a livelihood structure linked to how people earn income, organize their work, and support their families.

The MSME findings show that informal enterprises are overwhelmingly small, young, family-based, and unregistered. Nearly all businesses in the sample lack formal registration and written contracts. Many operate from homes, markets, streets, or customer locations, suggesting that informality is embedded in everyday livelihood strategies rather than being merely a regulatory choice. For many operators, the business is not separated from the household economy. Income from business activity directly supports food, education, housing, health expenses, and family obligations. This finding is consistent with the National Strategy on the Development of the Informal Economy 2023–2028, which recognizes that informal businesses and workers require protection, capacity strengthening, productivity support, and a pathway toward formal participation rather than coercive enforcement alone. The strategy's stated objective is to improve protection and capacity so that informal actors can transition into the formal economy and access government support (cdn.misti.gov.kh).

6.2. A dual vulnerability: low productivity and high exposure to shocks

The results reveal a dual vulnerability. First, many informal workers and micro-enterprises operate with low productivity and modest returns. Second, they are highly exposed to shocks such as income loss, illness, injury, forced eviction, wage theft, and payment delays. This creates a livelihood trap in which people work long hours but remain unable to accumulate savings, invest in productivity, or move into more secure forms of work. For MSMEs, the report shows low and unstable business income, limited savings, and modest profits. The majority are unable to save from business income, and many have no access to formal credit. For informal workers, average earnings are also low, income is unstable, and many workers depend on daily, weekly, piece-rate, or irregular payments. These findings are consistent with broader international evidence that informal firms and workers in developing economies are often weakly integrated into formal financial systems and face barriers to growth because they lack documentation, collateral, formal records, and institutional support. The World Bank notes that formalization is often expected to improve access to credit, but informal businesses typically remain poorly integrated into formal finance. (World Bank). This vulnerability is particularly visible among construction workers, street and market vendors, and migrant workers. Construction workers face high exposure to injury and irregular work, while street and market vendors face forced eviction and insecure operating space. Migrant workers face additional challenges related to housing instability, lack of local support networks, and weak documentation. These patterns confirm that informal workers are not a homogeneous group. Different types of informality generate different risks.

6.3. Gendered dimensions of informal work

The findings also highlight an important gender dimension. Women are strongly represented among micro-enterprises, home-based businesses, handicrafts, and some forms of small trading. This reflects the broader tendency for women to concentrate in lower-return informal activities that provide flexibility but also reinforce economic vulnerability. Home-based work allows women to combine income generation with household and care responsibilities, but it can also limit mobility, market access, productivity, and visibility to government support programs. The regression results strengthen this interpretation. Female MSME operators appear more willing to formalize when practical barriers and support measures are included in the model. This suggests that women-owned informal businesses may respond positively to formalization if it is presented as a support package rather than as a compliance burden. Such a package could include registration assistance, financial access, training, digital literacy, simplified tax information, and social protection linkages. This has an important policy implication: gender-sensitive formalization should not simply encourage women to register businesses. It should reduce the practical and opportunity costs of formalization by bringing services closer to women's actual working locations, including homes, markets, production clusters, and community spaces.

6.4. Formalization depends on perceived benefits, not registration alone

One of the strongest findings from both descriptive and regression analysis is that willingness to formalize depends heavily on whether informal actors perceive clear benefits. Among MSMEs, cost and tax concerns reduce willingness to formalize, while lack of perceived benefit is one of the strongest negative predictors. In contrast, finance support, training support, documentation support, tax facilitation, and digital support are positively associated with willingness to formalize. This strongly supports the cost–benefit theory of formalization. Informal enterprises are more likely to formalize when the expected benefits exceed the expected costs. If formalization is seen mainly as taxation, paperwork, inspection, or regulatory burden, many micro-enterprises will remain informal. If it is linked to credit, skills, market access, legal recognition, simplified procedures, and social protection, the incentive to formalize becomes stronger. This finding is consistent with international evidence. World

Bank research on entry regulation and microenterprise formalization shows that simplifying entry procedures alone is often insufficient unless firms also perceive tangible benefits from formal status (Open Knowledge Repository). Similarly, ASEAN policy work on micro-enterprise formalization emphasizes that formalization requires practical incentives, simplified systems, and support measures suited to micro-enterprise realities (ASEAN). For Cambodia, this implies that formalization should be treated less as an administrative campaign and more as a business upgrading pathway. Registration should be bundled with services that micro-enterprises value: access to finance, bookkeeping support, digital payments, product improvement, training, tax guidance, and market linkage.

6.5. Social protection as a core incentive for worker formalization

For informal workers, the logic of transition differs from that of MSMEs. Workers are less concerned with business registration and more concerned with stability, written contracts, regular income, safety, and social protection. The regression results show that social protection is one of the strongest predictors of preference for formal jobs. Workers with social protection exposure are significantly more likely to prefer formal employment. This confirms that social protection is not only a welfare instrument; it is also an incentive for formalization. If workers associate formal employment with access to NSSF, health protection, occupational injury protection, maternity benefits, pensions, or other social security benefits, formality becomes more attractive. This aligns with the ILO's broader decent work agenda and with Cambodia's national emphasis on expanding protection for informal workers. ILO's Cambodia brief highlights the scale of informal employment and the importance of improving labor and protection outcomes for informal workers (International Labour Organization). The policy implication is clear: Cambodia's formalization agenda should place social protection at the center. For workers, the value of formalization is not primarily legal status; it is protection against life-cycle and work-related risks. Expanding NSSF outreach, simplifying enrollment, subsidizing initial contributions for vulnerable workers, and linking social protection with job placement and skills programs could make formal employment more attractive.

6.6. Income instability and shocks increase demand for security

The worker models show that income instability, loan obligations, and shock exposure are associated with greater preference for formal jobs. This suggests that workers exposed to uncertainty are more likely to value formal employment as a pathway to security. Descriptively, informal workers report unstable earnings, work-related injury, wage theft, and payment problems. Many copes by stopping work, relying on family, or borrowing money, rather than by drawing on savings or insurance. This reinforces the livelihood security interpretation of formalization. Workers do not necessarily seek formality because of higher wages alone. They seek predictability: regular payment, written contracts, protection from wage theft, safer working conditions, and access to benefits when they cannot work.

Recent evidence from the Cambodia–Thailand border conflict in 2025 shows how quickly vulnerable households can lose income when external shocks occur. The conflict first escalated in July 2025 and later intensified in December 2025, causing large-scale displacement and the return of around 900,000 Cambodian migrant workers from Thailand. The UN assessment shows that internally displaced households saw their average monthly income fall from US$429 to US$281, while returnee households experienced a sharper decline from US$840 to US$427. Many returnees also faced difficulty finding work after returning, with 37.9% unemployed and 77.4% actively searching for employment (United Nations in Cambodia, 2026; see Annex 2, Table 5). Although this evidence is linked to a specific border-conflict situation, it provides an important broader lesson. Households that depend on informal work, daily wages, migration income, or remittances are highly vulnerable when shocks disrupt employment and mobility. Without savings, insurance, written contracts, or social protection, these households can quickly fall into income loss, debt, and livelihood insecurity. This reinforces the need for formalization policies that expand social protection, strengthen grievance mechanisms, improve occupational safety, and reduce income instability.

Informal workers are among the least protected groups when shocks occur, yet they are often the most exposed. A formalization strategy that expands protection coverage, strengthens grievance mechanisms, improves occupational safety, and reduces income volatility would contribute not only to labor policy but also to broader resilience policy.

6.7. Awareness alone is insufficient

One important and somewhat counterintuitive regression result is that awareness of formal jobs is negatively associated with preference for formal employment in the worker pathway model. This should not be interpreted as evidence that information is harmful. Rather, it suggests that awareness alone may expose workers to the perceived disadvantages of formal jobs, such as strict working hours, low entry wages, documentation requirements, loss of flexibility, or skills barriers. This finding is important because many policy programs assume that lack of information is the main reason workers remain informal. The evidence here suggests a more nuanced interpretation. Information campaigns are necessary but not sufficient. Workers must also believe that formal jobs are accessible, worthwhile, and compatible with their needs. Awareness should therefore be combined with documentation support, skills training, employer engagement, job matching, social protection enrollment, and assurance of decent working conditions.

6.8. Education has different meanings for workers and MSMEs

The regression results show contrasting effects of education. For workers, education is positively associated with preference for formal jobs. This is consistent with human capital theory: more educated workers may better understand formal employment opportunities, have stronger aspirations for stable work, and possess greater ability to meet formal sector requirements. For MSMEs, however, education is negatively associated with willingness to formalize. This counterintuitive result may reflect a more informed assessment of costs and benefits. More educated operators may better understand the compliance burdens, tax implications, or limited immediate benefits of formalization. They may also be more realistic about whether their small or unstable businesses are ready to formalize. The implication is that education does not automatically produce formalization. Its effect depends on context. For workers, education may increase readiness for formal employment. For micro-enterprises, education may increase awareness of risks and costs unless formalization is clearly linked to benefits. This reinforces the need for differentiated strategies for workers and enterprises.

6.9. Financial inclusion is necessary but not sufficient

Financial access has mixed effects in the regression results. For MSMEs, finance support is strongly associated with willingness to formalize, suggesting that access to loans and financial services is a powerful incentive. This is consistent with the broader literature showing that informality constrains access to finance and that many MSMEs need appropriate financial products, financial literacy, and documentation support. ADB research on MSME finance in the region emphasizes that expanding access to finance and financial literacy remains a major policy challenge for small enterprises (ADB). For workers, however, existing financial access is negatively associated with preference for formal jobs. This may indicate that workers with some financial access already have coping mechanisms and may value flexibility. Alternatively, those without financial access may see formal employment as a pathway to documented income, bankability, and future borrowing. This distinction is important. For enterprises, finance is an incentive to formalize. For workers, financial inclusion alone does not necessarily drive preference for formal jobs unless it is linked to income stability and social protection.

6.10. Housing insecurity reinforces informal vulnerability

The report repeatedly links informal work with housing insecurity. Migrant workers, construction workers, and street-based workers often live in rented rooms, near worksites, markets, or unstable housing arrangements. Many move frequently and lack stable income documentation. This makes it difficult to access affordable housing finance or participate in formal housing programs. This finding is important because it shows that informality is not only a labor-market issue. It is also an urban development and housing issue. Workers without stable contracts or income records cannot easily qualify for rental agreements, mortgages, or government housing support. Micro-enterprises without registration or formal records face similar barriers. As a result, labor informality, financial exclusion, and housing insecurity reinforce one another. A comprehensive formalization strategy should therefore coordinate labor policy, MSME policy, social protection, financial inclusion, and housing policy. Formal income records, contracts, business registration, and digital payment histories could become pathways to better housing access if designed inclusively.

6.11. Differentiated formalization pathways are needed

The findings strongly reject a one-size-fits-all approach. MSMEs and workers face different barriers and respond to different incentives. For MSMEs, the main pathway is business upgrading. Formalization should be connected to finance, training, registration support, tax simplification, digital tools, and market access. Higher-income micro-enterprises, women-owned businesses, and younger operators may be suitable early targets for voluntary formalization programs. For informal workers, the main pathway is decent work. Formalization should focus on written contracts, regular payment, occupational safety, NSSF coverage, documentation support, job matching, and employer accountability. Workers exposed to income instability, loans, and shocks may be especially responsive to formal job opportunities if these opportunities provide real protection and stability. This differentiated approach is consistent with Cambodia's National Strategy on the Development of the Informal Economy, which emphasizes protection, productivity, resilience, and transition into the formal economy (OD Mekong Datahub). It is also consistent with World Bank evidence that informal businesses are diverse and that policy responses should be tailored to different types of informal firms rather than assuming a single formalization pathway (World Bank).

Overall, the study shows that Cambodia's informal economy is both a source of livelihood resilience and a site of structural vulnerability. Informal work allows households to survive in the absence of sufficient formal employment opportunities, but it also exposes them to low income, unstable earnings, weak protection, and limited mobility. Informal micro-enterprises provide essential income but often remain too small and fragile to grow. Informal workers show strong interest in formal jobs, but only if formality delivers stability, protection, and realistic transition support. The key policy lesson is that formalization must be gradual, incentive-based, and differentiated. Registration alone will not transform the informal economy. Formalization must offer a credible value proposition: for MSMEs, better finance, skills, digital tools, and market opportunities; for workers, stable jobs, written contracts, social protection, and protection from shocks. Without these benefits, informality will remain a rational livelihood strategy for many Cambodians.

7. CONCLUSION AND POLICY OPTIONS

7.1. Conclusion

This study confirms that Cambodia's informal economy is a central pillar of household livelihoods and national employment, but also a major source of economic vulnerability. Informality in Cambodia is not limited to the absence of registration or written contracts. It is a broader livelihood condition shaped by low and unstable income, excessive working hours, limited savings, weak access to finance, lack of social protection, exposure to shocks, and limited pathways into more secure work and enterprise development. The report's two survey modules — one covering 158 micro-enterprises and home-based activities and another covering 187 informal workers — show that informal economy actors are highly diverse, but they share common constraints linked to insecurity, limited institutional support, and weak protection.

For micro-enterprises, the findings show a deeply informal, small-scale, and fragile business ecosystem. Most enterprises are unregistered, family-based, very small in size, and young in business age. Many operate from homes, streets, markets, or customer locations. Their income is modest and unstable, savings capacity is extremely limited, and access to formal finance remains weak. Although many operators express willingness to formalize, this willingness is conditional. The regression results show that micro-enterprises are more likely to consider formalization when it is linked to practical support, especially access to finance, training, documentation assistance, tax facilitation, and digital support. Conversely, cost and tax concerns and the perception that formalization brings no clear benefit reduce willingness to formalize. This means formalization cannot be treated merely as a process of registration; it must be framed as a pathway for business upgrading.

For informal workers, the findings reveal a young, mobile, migrant-heavy, and low-educated workforce facing precarious employment conditions. Most workers lack written contracts, work long hours, experience irregular payment, and remain outside formal social protection systems. Many face shocks such as injury, wage theft, payment delays, health risks, and income disruption. Despite these constraints, a large majority express preference for formal jobs, especially when formality is associated with stability, social protection, written contracts, and predictable income. The regression results confirm that education, social protection, income instability, loan pressure, shock exposure, and the perceived benefit of stable jobs are strongly associated with preference for formal employment.

The study therefore points to two different but complementary formalization pathways. For micro-enterprises, the priority is enterprise formalization through business upgrading. For informal workers, the priority is employment formalization through decent work, social protection, and contractual security. A single uniform policy approach will not be sufficient. Cambodia's formalization agenda must be gradual, incentive-based, inclusive, and differentiated across types of informal actors.

The findings also show that informality is closely connected to housing insecurity and urban vulnerability. Irregular income, lack of formal documentation, absence of contracts, limited savings, and weak financial access make it difficult for informal workers and micro-enterprises to access secure housing, formal rental arrangements, or affordable housing finance. This reinforces the need to view formalization not only as a labor or business registration issue, but also as part of broader social protection, financial inclusion, urban development, and poverty reduction policy.

7.2. Policy Options

The regression results suggest that formalization should not be promoted through a single registration-focused approach. Instead, the evidence points to two different but related pathways: one for micro, small, and medium enterprises (MSMEs), and another for informal workers. For MSMEs, the strongest policy levers are access to finance, training, simplified documentation, and reduction of perceived registration costs and compliance burdens. For workers, the most relevant factors are social protection, income instability, loan pressure, exposure to shocks, written contracts, and skills constraints. Policy should therefore combine business upgrading, decent work protection, and risk reduction.

Table 16 - Priority Policy Package Based on Empirical Evidence

Empirical evidence	Policy implication	Recommended action
Access to finance increases MSME formalization pathway	Finance is a strong incentive for registration	Link simplified registration with credit access, credit guarantees, KHQR records, and alternative documentation
Training support increases MSME formalization pathway	Skills and knowledge reduce fear of formality	Provide short practical training on bookkeeping, tax basics, pricing, digital payments, and marketing
Perceived cost barriers reduce formalization	Compliance burden discourages micro-enterprises	Introduce simplified registration, temporary tax relief, commune-level help desks, and light-touch reporting
Social protection increases worker preference for formal jobs	Workers value formality when it provides protection	Expand NSSF and flexible social protection coverage for informal workers
Income instability and loans shape worker formalization preference	Workers seek stable income and debt security	Link job transition programs with regular wages, debt counselling, and safer financial services
Worker shocks are linked to formalization preference	Vulnerable workers need protection from risk	Strengthen occupational safety, injury coverage, and shock-responsive assistance
Written contracts matter for worker formality	Labor protection is central to formalization	Promote simple written contracts for casual, daily-wage, and subcontracted workers
Skills variables affect worker pathways	Training must support real transition	Connect skills training to employers, certification, apprenticeships, and job placement

7.2.1. Link MSME formalization to access to finance

The regression results show that financial access is strongly associated with MSME formalization pathways. This suggests that informal enterprises are more likely to consider formalization when it helps them obtain credit, working capital, or other financial services. Formalization should therefore be presented not mainly as a legal obligation, but as a gateway to better financial opportunities. Policy measures should include simplified business certificates, acceptance of alternative records such as KHQR transactions or sales books, and credit products designed for newly formalizing micro-enterprises. Financial institutions should be encouraged to use flexible documentation for small businesses that lack collateral or formal accounts. Credit guarantees, small working-capital loans, and concessional credit windows should be linked to registration support so that firms see an immediate benefit from entering the formal system.

7.2.2. Integrate practical business training into formalization programs

Training support is positively associated with MSME formalization. This finding suggests that many informal enterprises may not resist formalization itself, but lack the knowledge and confidence to comply with business rules, taxation, bookkeeping, and market requirements. Formalization programs should therefore include short and practical training modules on bookkeeping, pricing, cost control, savings, tax basics, digital payments, customer management, product quality, and online sales. Training should be delivered close to informal operators, including markets, communities, production clusters, and commune-level service centers. For women-owned and home-based enterprises, training should be flexible in timing and location.

7.2.3. Reduce registration costs and perceived compliance burdens

The regression results show that perceived cost barriers reduce MSME formalization pathways. This confirms that many small enterprises may avoid registration not because they reject formality, but because they fear fees, taxation, paperwork, and future compliance obligations.

The government should introduce a light-touch registration pathway for micro-enterprises. A simplified micro-enterprise certificate could serve as an intermediate step before full tax registration. Newly formalized businesses could receive temporary tax relief, simplified reporting, and advisory support. Clear tax calculators, commune-level help desks, mobile registration teams, and one-stop service windows would help reduce uncertainty and fear.

7.2.4. Design different formalization pathways for different types of MSMEs

The findings suggest that MSMEs are not homogeneous. Some businesses need basic survival support, while others are ready for upgrading and growth. A single formalization model may overburden the smallest businesses and fail to support more capable enterprises. Policy should therefore distinguish between three groups. Survival micro-enterprises should receive basic identification, financial literacy, savings support, livelihood assistance, and social protection information. Stabilizing enterprises should receive simplified registration, bookkeeping support, digital payment access, and tax guidance. Growth-oriented enterprises should receive credit guarantees, market linkages, product upgrading, digital marketing, and access to formal MSME support programs.

7.2.5. Expand social protection as a key incentive for worker formalization

Social protection is strongly associated with workers' preference for formal jobs. This indicates that informal workers value formality when it provides protection against illness, injury, income loss, and old-age insecurity. Formalization for workers should therefore prioritize protection, not only employment registration. The government should gradually expand social protection coverage for informal workers, beginning with health protection and occupational injury coverage for high-risk groups such as construction workers, transport workers, service workers, and market vendors. Contribution schemes should be affordable and flexible because informal workers often have irregular income. Subsidized contributions may be needed for poor workers, women, migrants, and workers in unstable employment.

7.2.6. Address income instability and debt pressure among informal workers

The regression results show that worker income instability and worker loans are associated with the formalization pathway. This suggests that many workers may prefer formal jobs because informal work exposes them to unstable earnings, debt stress, and weak protection against shocks. Policy should link formalization with income stabilization measures. These include regular payment arrangements, wage protection, access to emergency savings products, debt counselling, financial literacy, and referral to safer employment opportunities. For workers with high debt pressure, formal job transition programs should be linked to predictable wages, social protection, and lower-risk financial services.

7.2.7. Promote simple written contracts and basic labor protection

The regression results include written contract variables, while the descriptive evidence shows that the absence of written contracts remains a core feature of informal work. Formalization for workers should therefore include basic written agreements, even where full formal employment is not immediately possible. Simple contract templates should be introduced for casual, daily-wage, subcontracted, and seasonal workers. These contracts should specify wage rate, payment schedule, work duration, basic safety obligations, and dispute resolution channels. Priority should be given to construction, services, transport, market work, and subcontracted work connected to formal firms. This would reduce wage disputes, payment delays, and uncertainty.

7.2.8. Strengthen occupational safety and shock protection

The regression results show that worker shocks are associated with the formalization pathway. This implies that workers exposed to accidents, illness, or income shocks may see formal employment as a way to obtain greater security. Formalization policy should therefore include risk reduction and protection against shocks. High-risk sectors should receive targeted occupational safety interventions, including basic safety training, protective equipment, worksite inspection, injury reporting, and employer accountability. Construction workers should be a priority because they often face high injury risks while remaining outside formal employment protection. Shock-responsive support, including temporary income assistance and referral to social protection schemes, should also be developed for vulnerable informal workers.

7.2.9. Link skills training to real job transition opportunities

The regression results suggest that skills-related factors matter for workers' formalization pathways. However, skills support should not be delivered as general training only. It must be connected to real employment opportunities. Skills programs should be designed with employers, TVET institutions, local authorities, and community organizations. Training should lead to certification, apprenticeship, job placement, or improved bargaining power. Priority areas may include construction safety, hospitality, repair services, digital services, food processing, handicraft upgrading, and basic business management. Migrant workers, young workers, and low-education workers should receive documentation support and job-matching assistance alongside training.

7.2.10. Use outreach and documentation support to build trust

The results show that awareness and support variables matter, but formalization requires more than information. Informal workers and enterprises need practical help to complete forms, understand rules, obtain documents, and access benefits. The government should establish local formalization support points through commune offices, markets, mobile teams, business associations, universities, and NGOs. These support points should provide registration guidance, business certificates, tax information, NSSF information, financial literacy, and referral to training or credit programs. Outreach should be practical and benefit-oriented rather than enforcement-oriented.

7.3. Concluding Policy Message

The regression evidence supports a gradual, incentive-based, and differentiated formalization strategy. For MSMEs, the main pathway should be business upgrading through finance, training, simplified registration, and lower compliance costs. For workers, the main pathway should be decent work through social protection, written contracts, safer workplaces, income stability, and skills-linked job transition. Formalization should therefore not be treated as registration alone. It should be designed as a practical package of benefits that makes workers and enterprises better protected, more productive, and more resilient.

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ANNEX 1: Questionnaires for Survey

Date: ____ Interviewer: ___________ Location (Province/District): ________

Section A: Demographics (All Respondents)
A1. Age: ________
A2. Gender: 1 ☐ Male 2 ☐ Female 3 ☐ Other
A3. Highest education completed: 1 ☐ None 2 ☐ Primary 3 ☐ Secondary 4 ☐ High School 5 ☐Technical/Vocational 6 ☐University
A4. Household size: ________
A5. Born in this area? 1 ☐ Yes 2 ☐ No If No: From (province): ___________
A6. Marital status: 1 ☐ Single 2 ☐ Married 3 ☐ Widowed/Divorced

B. Main Economic Role (Filter & Skip Logic)
B1. Main economic role: 1 ☐ Self-employed / own business → *Go to Section C* 2 ☐ Unpaid family business worker → *Go to Section C* 3 ☐ Casual/day labourer → *Go to Section D* 4 ☐ Subcontracted worker → *Go to Section D* 5 ☐ Employee without written contract → *Go to Section D* 6 ☐ Other: ___________ → *Enumerator chooses closest category above* B2. Days worked/run business per week: _________ days B3. Work time: 1 ☐ Day-time 2 ☐ Night-time 3 ☐ Both day and night 4 ☐ Other: ____ B4. Hours per day: _________ hours

C. Informal Business Section (ONLY for those who chose 1 or 2 in B1)
C1. Type of business/activity: 1 ☐ Street vendor 2 ☐ Market trader 3 ☐ Home-based 4 ☐ Services 5 ☐ Handicraft/production 6 ☐ Other:

C2. Is your business registered with any government authority? 1 ☐ Yes 2 ☐ No 3 ☐ Don't know
C3. Main obstacles to formalization? (Select up to 3) 1 ☐ Too expensive 2 ☐ Too complex 3 ☐ Don't know how 4 ☐ Fear of taxes 5 ☐ No benefit 6 ☐ No trust 7 ☐ Other: _______
C4. How long have you run this business? ___ years ___ months
C5. How many people work in this business (including you and family)? Total: ____ Family: ____ non-family:
C6. Where is your main work location? 1 ☐ Market/shop 2 ☐ Street 3 ☐ Home-based 4 ☐ Construction site 5 ☐ Other: __
C7. Do you have written contracts with staff? 1. ☐ Yes (specify authority): __________ 2. ☐ No (specify authority): __________
C8. Average monthly business income: $______
C9. Income stability: 1. ☐ Stable 2. ☐ Changes sometimes 3. ☐ Very unstable
C10: Average monthly business expenses: $______
C11. Main business expenses (tick all that apply): 1 ☐ Stock 2 ☐ Rent 3 ☐ Equipment 4 ☐ Transport 5 ☐ Loan repayment 6 ☐ Wages 7 ☐ Other: __
C12. Do you save any money from this business? 1 ☐ Yes 2 ☐ No
C13. Have you ever taken a loan for this business? 1 ☐ Yes 2 ☐ No If Yes: 1 ☐ Bank 2 ☐ MFI 3 ☐ Moneylender 4 ☐ Family/Friends 5 ☐ Other: _______
C14. What are your main business challenges/risks? (Tick up to 3) 1 ☐ Low income 2 ☐ High costs 3 ☐ Debt/loan 4 ☐ Few customers 5 ☐ Official harassment 6 ☐ Price changes 7 ☐ Health risks 8 ☐ Theft/loss 9 ☐ Competition 10 ☐ No support 11 ☐ Other:
C15. In the past 12 months, did you face? (Tick all that apply) 1 ☐ Wage theft 2 ☐ Forced eviction 3 ☐ Work injury 4 ☐ Harassment 5 ☐ Loss of goods 6 ☐ None
C16. Plans for your business next year: (Open)________________________________
C17. What support would make you more willing to formalize/register? (Select all that apply) 1. ☐ Help with documents 2. ☐ Access to loans or insurance 3. ☐ Tax incentives 4. ☐ Training 5. ☐ Simplified digital platform 6. ☐ Other: ___________

C18. Would you register/formalize your business if support was available? 1 ☐ Yes 2 ☐ No 3 ☐ Maybe *If no why:* ________________________________
After Section C, GO TO Section E (Universal)

D. Informal Worker Section (ONLY for those who chose 3, 4, or 5 in B1)
D1. Main occupation/sector: 1 ☐ Construction 2 ☐ Services 3 ☐ Handicraft/production 4 ☐ Other: _______
D2. Main employer: 1 ☐ Individual 2 ☐ Small business 3 ☐ Informal group 4 ☐ Other: _______
D3. Do you have a written contract? 1. ☐ Yes (specify authority): __________ 2. ☐ No (specify authority): __________
D4. How long in this activity? ___ years ___ months
D5. Usual work location: 1 ☐ Construction site 2 ☐ Market/stall 3 ☐ Street 4 ☐ Home 5 ☐ Customer site 6 ☐ Other: _______
D6. Current place of living: 1. ☐ Home 2. ☐ rental 3. ☐ Near worksite 4. ☐ Market/Workplace 5. ☐ Other: ______
D7. Usual living pattern: 1. ☐ I always live in the same place 2. ☐ I sometimes change place depending on my work 3. ☐ I often move to different places for work 4. ☐ Other (please specify): __________
D8. Who lives with you? 1. ☐ All family 2. ☐ Some family 3. ☐ Alone 4. ☐ Other workers
D9. Are there children (<18) with you? ☐ Yes ☐ No (If yes: Are all in school? ☐ All ☐ Some/none
D10. How is your income paid? 1 ☐ Daily 2 ☐ Weekly 3 ☐ Monthly 4 ☐ Per piece/task 5 ☐ Other:
D11. Average monthly income (USD): $______
D12 Income stability: 1. ☐ Stable 2. ☐ Changes sometimes 3. ☐ Very unstable
D13. Do you save any money from this work? 1 ☐ Yes 2 ☐ No
D14. Taken a loan for work/life? 1 ☐ Yes 2 ☐ No If Yes: 1 ☐ Bank 2 ☐ MFI 3 ☐ Moneylender 4 ☐ Family 5 ☐ Other: _______

If No: 1. ☐ No collateral 2. ☐ No ID 3. ☐ Fear of debt 5. ☐ Lack of information 6. ☐ Other (specify):
D15. If you get sick/cannot work, what do you do? ☐1. Stop working 2. ☐ Family helps 3. ☐ Borrow money 4. ☐ Other: __________
D16. Main challenges/risks at work (tick up to 3): 1 ☐ Low income 2 ☐ Health risks 3 ☐ Harassment 4 ☐ Family separation 5 ☐ Unstable work 6 ☐ Debt 7 ☐ Price changes 8 ☐ No support 9 ☐ Poor conditions 10 ☐ Wage theft 11 ☐ Other: __
D17. In the past 12 months, did you face? (Tick all that apply): 1 ☐ Wage theft 2 ☐ Forced eviction 3 ☐ Work injury 4 ☐ Harassment 5 ☐ Loss of goods 6 ☐ None 7 ☐ Other: ___________
D18. Are you aware that some jobs can be formally registered or protected by law? 1 ☐ Yes 2 ☐ No
D19. If had the option, would you prefer your work to be registered or "formal" if it gave you more benefits? 1 ☐ Yes 2 ☐ No 3 ☐ Maybe *If "No" or "Maybe" reasons? 1 ☐ Too much paperwork 2 ☐ No benefit 3 ☐ Fear of taxes or deductions* *4 ☐ No trust 5 ☐ Not sure how 6 ☐ Other: ________*
D20. What support would make you more willing to formalize/register your job? (Select all that apply) 1 ☐ Help with documents 2 ☐ Access to loans/insurance 3 ☐ Easier/cheaper system 4 ☐ Skills training 5 ☐ Group/association 6 ☐ Other: ________
D21. What do you see as the biggest benefit of formalizing your job? 1 ☐ More stable job 2 ☐ Social protection 3 ☐ Access to loans 4 ☐ Legal support 5 ☐ No benefit 6 ☐ Other:
D22. What could help shift your job from informal to formal? (choose up to 3) 1 ☐ Employer formally registers the business 2 ☐ Employer provides a written contract 3 ☐ Ability to obtain ID or official documents 4 ☐ Easier and cheaper registration process 5 ☐ Support or incentives from authorities 6 ☐ Joining worker groups/associations 7 ☐ Receiving new skills training 8 ☐ I see no way to formalize 9 ☐ Other: ___________
After Section D, GO TO Section E (Universal)

E. Social Protection, Support, and Policy recommend (Ask EVERYONE)
E1. Do you have access to any of the following? (Tick all that apply) 1 ☐ Bank account 2 ☐ Mobile money 3 ☐ Rotating savings 4 ☐ None 5 ☐ Other: ___________

E2. Are you covered by any of the following? 1 ☐ National Social Security Fund (NSSF) 2 ☐ Private health insurance 3 ☐ Community/savings scheme 4 ☐ None 5 ☐ Other: __________
E3. Member of association, cooperative, or worker group? 1 ☐ Yes 2 ☐ No
E4. Received any support from government/NGO/community? 1 ☐ Yes 2 ☐ No If Yes, type: _______
E5. What support would help you most? (Select up to 3) 1 ☐ Loans/finance 2 ☐ Skills training 3 ☐ Legal aid 4 ☐ Registration help 5 ☐ Affordable Housing 6 ☐ Childcare 7 ☐ Group/association 8 ☐ Digital support 9 ☐ Market access/customer support 10 ☐ Social protection/insurance 11 ☐ Other: __________
E6. Would you want your children to do the same work/business? *1 ☐ Yes → Why? __________* *2 ☐ No → Why? __________* *3 ☐ Not applicable / no children*
E7. Satisfaction with current livelihood: 1 ☐ Very satisfied 2 ☐ Satisfied 3 ☐ Neutral 4 ☐ Dissatisfied 5 ☐ Very dissatisfied

ANNEX 2: Detailed secondary labour-market and shock-impact data tables

Annex Table 1 Employment Structure by Main Sector in Cambodia, 2009–2026

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj.	2026 proj.
Agriculture	57.6%	54.2%	56.8%	51%	48.7%	45.5%	40.9%	37.6%	36.7%	35.8%	34%	35.5%	35.7%	32.4%	30.9%	29%	27.4%	25.8%
Industry	16.1%	16.2%	16%	18.6%	20.7%	20.3%	24.3%	25.9%	29%	28.4%	26.8%	26.1%	27.3%	29.4%	29.6%	30.5%	31.4%	32.4%
Services	26.3%	29.6%	27.3%	30.4%	30.1%	34.3%	34.8%	36.5%	34.3%	35.8%	39.2%	38.4%	37%	38.1%	39.6%	40.6%	41.1%	41.8%

Source: Authors' compilation based on National Institute of Statistics, Cambodia Socio-Economic Survey and Statistical Yearbook of Cambodia; recent projections are based on Ministry economic/employment projection data cited in the Cambodia Job Outlook Survey 2024. The NIS Statistical Yearbook reports CSES-based labour and employment indicators, including employment by main industry, while the Job Outlook Survey 2024 provides recent labour-market outlook and projection context.

Annex Table 2 - Official CSES labour indicators by year, 2009-2023

Year	WAP ('000)	LF ('000)	Not in LF	Employed	Unemp.	LFPR (%)	Emp. rate (%)	Unemp. (%)
2009	8,865	7,480	1,384	7,469	11	84.4	84.3	0.1
2010	8,853	7,702	1,151	7,675	27	87	86.7	0.4
2011	9,038	7,907	1,130	7,891	16	87.5	87.3	0.2
2012	9,167	7,718	1,449	7,706	12	84.2	84.1	0.2
2013	9,604	7,974	1,630	7,951	23	83	82.8	0.3
2014	10,001	8,259	1,742	8,245	14	82.6	82.4	0.2
2015	10,113	8,359	1,754	8,353	6	82.7	82.6	0.1
2016	10,265	8,624	1,641	8,608	16	84	83.9	0.2
2017	10,416	8,779	1,637	8,766	13	84.3	84.2	0.1
2019/20	10,316	9,020	1,296	8,805	215	87.4	85.4	2.4
2021	10,825	9,062	1,764	8,967	95	83.7	82.8	1
2023	11,121	9,362	1,761	9,297	65	84.2	83.6	0.7

Source: NIS, Report of Cambodia Socio-Economic Survey 2021 and Report of Cambodia Socio-Economic Survey 2023, labour-force annex tables.

Annex Table 3 - Employment structure by main sector, 2004-2025

Year	Employed ('000)	Agric. emp.	Ind. emp.	Serv. emp.
2004	6,171	3,474.3	845.4	1,851.3
2009	7,466	4,300.4	1,187.1	1,978.5
2010	7,675	4,159.9	1,243.3	2,271.8
2011	7,891	4,403.2	1,333.6	2,154.2
2012	7,706	3,930.1	1,433.3	2,342.6
2016	8,608	3,133.3	2,289.7	3,185
2017	8,766	3,243.4	2,296.7	3,225.9
2019/20	8,805	3,125.8	2,298.1	3,381.1
2021	8,967	3,201.2	2,448	3,317.8
2023	9,297	3,105.2	2,482.3	3,709.5
2024	9,579	3,304.8	2,643.8	3,630.5
2025	10,700	2,803.4	2,996	4,900.6

Source: Author's compilation from NIS, Cambodia Socio-Economic Survey reports (2004–2023); NIS, Cambodia Inter-Censal Population Survey 2024 Final Report; and MLVT, Cambodia Occupational Outlook 2026.

Annex Table 4 - Employment status and informal proxy, 2004-2023

Year	Employed ('000)	Paid emp. (%)	Employer (%)	Own-account (%)	Unpaid family (%)	Informal proxy (%)
2004	6,171	24.4	0.1	41	39	80
2009	7,466	26.9	0.3	49.2	23.5	72.7
2010	7,675	29.8	0.2	50.4	19.4	69.8
2011	7,891	31.4	0	53.4	15.1	68.5
2012	7,706	35.8	0	55.1	9	64.1
2016	8,608	50.3	0.1	44.4	5.2	49.6
2017	8,766	51	0.1	44.5	4.3	48.8
2019/20	8,805	47.1	0.4	37.8	14.6	52.4
2021	8,967	48.7	0.1	36	15.1	51.1
2023	9,297	51.4	0.1	34.8	13.6	48.4
2024*	9,579	50.7	-	36.5	11.8	48.3

Source: Author's compilation based on National Institute of Statistics (NIS), Ministry of Planning, Cambodia Socio-Economic Survey labour-force tables for 2009–2012; NIS, Cambodia Socio-Economic Survey 2016; NIS, Cambodia Socio-Economic Survey 2021; NIS, Report of Cambodia Socio-Economic Survey 2023; and NIS, Cambodia Inter-Censal Population Survey 2024 Final Report. Informal proxy = own-account/self-employed + unpaid family workers.

Annex Table 5 - Cambodia-Thailand border conflict shock-impact indicators, 2025-2026

Period	Theme	Indicator	Value	Unit
July 2025	Displacement	First escalation displaced population	172,000	persons
Dec. 2025		Peak displaced population, second wave	644,589	persons
Jan. 2026		People still displaced as of 15 January	141,850	persons
2025	Migration	Cambodian migrant workers returned from Thailand	900,000	persons
2025	Income	IDP household income before shock	429	US$/month
		IDP household income after shock	281	US$/month
		Returnee household income before return	840	US$/month
		Returnee household income after return	427	US$/month
2025	Remittance	Average remittance before return	2,194	US$/year
		Average remittance after return	110	US$/year
2025	Labour	Returnees unemployed after return	37.9	%
		Returnees actively searching for work	77.4	%

Source: United Nations in Cambodia (2026), Socio-economic Impact Assessment of Cambodia-Thailand Border Conflict.

Annex Table 6. Selected MLVT Employment-Growth Projections by Subsector, 2024p-2025p

Subsector	2024p growth (%)	2025p growth (%)
Transportation and storage	4.02	7.02
Accommodation and food service activities	-2.80	4.16
Information and communications	5.20	8.42
Financial and insurance activities	3.18	5.75
Agricultural cropping	-6.40	-7.00
Forestry and logging	-12.30	-9.50
Manufacturing of rubber products	25.00	25.00
Food and beverage manufacturing	9.25	11.90

Source: Ministry of Labour and Vocational Training (2024), Report on Cambodia job outlook survey semester 2, 2024.

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