

The impact of Labour Force on Cambodia GDP Growth

Khan Kimhuon^{1*}

¹Department of International Economic and Trade, School of Economic, Shanghai University, China



Accepted Jan 14, 2021
Published Jan 16, 2021

***Corresponding Author:**
Khan Kimhuon

DOI
<https://doi.org/10.5281/zenodo.4445506>

Pages: 84-97
Funding: N/A

Distributed under Creative Commons CC BY 4.0

Copyright: © The Author(s)

How to cite this article (APA):
Khan Kimhuon (2021). The impact of Labour Force on Cambodia GDP Growth. *North American Academic Research*, 4(1), 84-97.
doi:
<https://doi.org/10.5281/zenodo.4445506>

Conflicts of Interest
There are no conflicts to declare.

ABSTRACT

On the basis of the procedure, the Royal Government of Cambodia found many unique approaches to improve Cambodia. In this case, the labor force is an important part, and its impact on Cambodia with economic growth and will make Cambodia become an over-developed country in the future. The reason I chose this topic on the impact of labor force on Cambodia's economic growth is also based on the date.

The data was collected from personal files and consists of the amounts described in the task of this document. The result of this process was that the original data did not significantly influence other people. When I read the article on Cambodia's workforce, I was personally surprised because Cambodia is a developing country, but the workforce is of good quality. Based on this, I was very interested in what other factors influence the workforce in Cambodia.

The study uses panel data from 1994 to 2018. The review uses multiple regression analysis techniques to analyze the data. The data have been obtained from the World Development Indicator (WDI) database published by the World Bank. The result revealed that all the personal examinations shown in this report attest that the workforce effectively affects the financial development in Cambodia and, more essential, the commercial openings produced for the nearby population, which in the long term helps to decrease unemployment and homelessness in Cambodia.

Keywords: THE IMPACT, LABOR FORCE, ECONOMIC GROWTH IN CAMBODIA

I. Introduction

The country of Cambodia is the country with the highest labor force participation rate in Southeast Asia in the Pacific region. Participation in the labor force is 82.7 percent of the active population between 16 and 64 years of age who work or seek employment¹. Cambodian people at the age of the working population is growing rather than its total population -2.4 percent compared to 1.9 percent over 2007-2015². This amount is very different when compared to the Asian states. That is the reason that it helps Cambodia for economic growth and becomes a developed country soon in the future. Because the workforce is experiencing rapid economic growth and growth, Cambodia adds an average of 164,000 each year³. The manufacture of clothing

¹ International Labor Organization, November 2018. Asia-Pacific Employment and Social Outlook 2018: Advancing decent work for sustainable development, 16 November 2018.

² World Bank April 2018. Cambodia Economic Update – Recent Economic Developments and Outlook.

³ Ibid

and footwear represents 7.3% of total employment and the construction sector, 6.5%⁴. Looking back at the overall rating, the workforce in Cambodia was poor in education when compared to neighboring countries. The gender gap is also so different between men and women, and the underemployed/unemployed rate was the best price amount in the world. The National Employment Agency said that in 2017, the storage of skilled workers had been shown in the various surveys, including the labor force participation rate in Cambodia. Due to the economic movements of Cambodia that depended massively from agriculture to industry and service, work is now mainly created in a low-value position: two-thirds are in contraction, hospitality, and other services⁵. Based on the history that Cambodia has now known, the best way to sell the problem to achieve economic growth and rapid development of the country. We must focus on labor force participation because Cambodia's economic growth will affect it.

In general, the labor force is seen as a unique source and funding, especially for developing countries. Today, the term Globalization, reflected in the free movement of a multinational company (MNSc) from the extended country to the developing country of the world. In accordance with the development and economic change around the world, many countries lack manpower that can lead to a new incentive for local and regional development. Most of the transactions have been giving a deal since communism, and central planning to open the economy has been launching structural and traumatic changes. The adverse amount of foreign direct investment (FDI) with respect to the flow to developing countries throws out multinational corporations, so the workforce in Cambodia has many job opportunities to earn money to help families and also to develop the earth. The country has established all possible policies to attract more and more foreign countries to make investments by removing restrictions on foreign investment, regulation, promoting domestic economic policies, enhancing financial sector development, and fostering the environment for investment, especially for the workforce. The role of the labor force has more positive effects on economic development by inspiring economic growth when it comes to transition and underdeveloped economies. The labor force represents an essential source of new financial sources that will greatly support social work to attract every investment dollar to savings, particularly in developing countries. Not all countries can attract foreign direct investment (FDI), and not all investor countries risk their investment without studying local conditions in the host country, and it is necessary to understand the motivations of the foreign investor. Many countries work very hard to attract every investment dollar to the country, and the competition is strong to attract FDI. Returning to Cambodia it is developing among ASEAN member countries, and it faced civil war for two decades, the pace of the economy slowed down, all kinds of infrastructure and human resources were destroyed; therefore, it is quite difficult for the country to stand up and strive to develop its economy empty-handed. The workforce is the main key to enhancing economic growth in developing countries. The research question for this paper has occurred: Dose labor force positive or negative impact on economic growth in Cambodia?

⁴ Ibid

⁵ World Bank, April 2018. Cambodia Economic Update – Recent Economic Developments and Outlook.

The primary objective of this study uses time-series data from 1994 to 2018 because I want to know what happened in this period based on a real date from World Bank data and data source ministry of planning and department of labor and vocational training. The study uses multiple regression analysis techniques for analyzing the data. The rest of the paper continues as follows: Section I introduction Section II delineates Literature audit, Section III spotlights on a review of labor force and Cambodia Economy, Section IV the Role of Government Policy to advance labor force, Section V Methodology and information examination the discoveries, Section VI gives the end and arrangement ramifications of the investigation.

II. Literature Review

According to the (2017 world record), labor force participation is defined as “an investment that involves a long-term relationship and reflects long-term interest and control by a resident entering an economy (participation in the labor force or parent company) in a country residing in an economy other than that of the direct foreign investor (FDI company or foreign subsidiary) ”the labor force is the best human resource to carry out an investment or a company with a commercial interest in another country, either through the establishment of a commercial operation or the acquisition of industrial assets in the other country, such as ownership or controlling participation in the foreign company ⁶. While financial development is characterized as an expansion at the limit of an economy to offer products and companies, in contrast from one period of time to another. Direct capital financing of Cambodia's workforce can benefit the host country through technology, human capital formation, creation of a competitive business environment, business development, and integration of international trade. Therefore, many emerging economies have liberalized their workforce regime and formulated pro-workforce policies. At the macro level, the labor force contributes notably to higher GDP per capita, industrial productivity.

Zhao Ahongxiu & Zhang Kevin Honglin (2010) the most encouraging productivity externalities (Wang 2010). Capital flows and the exchange of innovation are seen as accelerating agents of financial development, the direct external enterprise (labor force) will promote the commercial development of the host nation. Technology transfer can take place in the host country through multinational companies, while secondary effects can occur through the interaction of multinational companies with national companies, suppliers, customers, and the workforce. Along these lines, the workforce can positively affect wages.

Vissak & Tonu Roolath (2015) The existing literature shows the effects of foreign direct investment on the economic growth of a developing country, in particular Cambodia. However, there are no records of consequences for the workforce in the financial development of the host country. The number of concentrates that demonstrate the positive workforce effect is far greater than those that focus on the adverse outcome.

Feenstra, Robert et al (2010) there are numerous cases of different treatment offered to remote financial

⁶ Investopedia dictionary, labor force participation.

specialists by the legislatures of the creating nations, for example, collection occasions, exclusions of import obligations, land offices, and some direct sponsorships. Thus, there is a typical example that has been seen to foster the workforce in host countries.

Anderson (2014) through neoclassical models, the workforce can influence development in the short-term considering constant long-term capital losses. So far, countless have set out to uncover the impacts of the workforce on the economy. However, there is no agreement. Some reviews have found that the workforce effect is based on the host nation absorption boundary incorporating the political, financial, and mechanical status of the host county.

III. Overview of the Labor force and Cambodia Economic Growth

To attract more and more foreign direct investment (FDI), Cambodia had to undertake an import economic reform, moving from a centrally planned economy to a market-oriented economy in the late 1980s, when the country was also improving environment investment and business for foreign investors. when establishing the investment law in 1994. When foreign countries come to invest in Cambodia because, based on the workforce with exceptional skills and cheap labor, Cambodia can gain a lot from investment from a foreign country, as knowledge for employment can generate new experience, and we can compare to get a good result for the worker. According to the Cambodia Development Council (CDC), in 1995, a year after the approval of the speculation enactment, the CDC endorsed risk sum amounted to about \$ 2.3 billion. Investment consent has reached the US \$ 25.75 billion. In 2008, the approved investment was increased to 10.890 million US dollars in which the agricultural sector is attracting up to 106.73 million US dollars, while the tourism and services sector is reaching up to 8.770 million US dollars and 1.29 billion US dollars notably. Cambodia's economy has grown continuously from a state of extreme poverty in the early 1990s. Cambodia has also unexpectedly experienced the highest inflation of 15 percent from 1991 to 1993, 14.7 percent from 1997 to 1998, and 5.8 percent in 2007. In 1993, Cambodia had national elections and mistrust and printing of money to finance the budget deficit. Similarly, in 1997/1998, in times of the Asian financial crises and federal elections, the government borrowed money from banks to finance the deficit, causing more money to circulate in the market and causing inflation. Both external and internal factors generated a strong increase in 2007 and 2008. External shocks were credited for the increase in the price of oil from \$ 22 a barrel in 2003 to \$ 120 in March 2007, the increase in the number of imported goods and the exchange rate (the depreciation of the dollar and the appreciation of the euro) and the increase in world demand for resources, especially from China and India. Cambodia's economy experienced rapid growth, averaging 7.6 percent annually between 1993 and 2003, and continued to achieve high growth of more than 10 percent annually between 2004 and 2007. Due to the global currency crisis of 2009, the examples fell from 6.7 percent in 2008 to 0.1 percent in 2009. However, the pattern returned in 2010 with 5.9 percent to the solid development of 7, 1 percent each year until 2014, the World Bank designated Cambodia to join the Growth Olympics in its financial update, noting that "Cambodia has

developed at a normal annual development rate of 7.7% for two decades, making it the sixth-fastest developing nation on the planet in that time period. The Asian Development Bank (ADB) expects Cambodia to see solid development at a normal level of 7.0 percent in 2016 and 6.9 percent in 2017 while maintaining the constant currency deficiency per GDP at around 13.7 percent. percent in 2015 and faces the increase of 2016 and 2017 within the range of 3 to 5 percent. The Asian Development Bank (ADB) expects Cambodia to see robust development at a normal level of 7.0 percent in 2016 and 6.9 percent in 2017, while maintaining a constant shortage of foreign exchange per GDP at around 13, 7 percent in 2015 and facing the increase of 2016 and 2017 within the range of 3 to 5 percent Foreign direct investment, the percentage of GDP: For this indicator, the World Bank provides data for Cambodia from 1993 to 2017. The value Average for Cambodia during that period was a low of 1.5 percent in 2003 and a high of 13.07 percent in 2012. In July 2016, the World Bank officially revised the state of Cambodia's economy from "low income" to "lower middle income". The measure is based on Cambodia's estimated per capita gross national income (GNI). Low-income countries are those between \$ 1,026 and \$ 4,035, while the change reflects an improved economy; It can eventually lead to a reduction in foreign aid and preferential access to trade⁷.

IV. Cambodia Government Policies Promoted Labour Force

The Royal Government of Cambodia continues its investment efforts. However, we see that official workforce figures in Cambodia, as in many other developing countries, especially least developed countries (LDCs), are based on approved investments, so the workforce is the one that best plays a role essential role in the development of the country with economic growth. Actual spending may be only a small part of the approved amount. However, Cambodia has attracted a large amount of foreign investment in the country as it has provided many opportunities for companies looking for new developing countries to invest because Cambodia has a reasonable workforce and cheap labor, so many countries of the foreign country want to spend with Cambodia. It is a good time for the workforce in Cambodia to find an excellent job with high conditions and high salaries, especially they can gain a lot of experiences from this investment to develop into a good experience and a higher salary.

Political stability and macroeconomic stability are the key for any investor to invest in the host country, if the country is not stable in political terms, no investor will invest in that country, it also has a low trade deficit and a small budget deficit, which are the parts of the macroeconomic possibility. Cambodia has also offered confidence to foreign investors through its recent political stability and the improvement of the legal system, namely the introduction of the Anti-Corruption Law. For the time being, the next general elections in 2018 will be more peaceful, calm, and better than in previous times, as the current ruling party (Cambodian People's Party-CPP) is expected to continue winning thanks to its staunch supporters; For example, in an election in

⁷ McGrath, Cam, and Hor Kimsay 2016 Cambodia's economic status raised to lower-middle-income

2018, the CPP has already won 125 seats out of 125 seats (or equal to a 100 percent majority, while the 50 percent +1 vote is complete enough to run a new government). On the other hand, Cambodia has low inflation. Inflation is relatively small, around 3 to 5 percent per year. The exchange rate is stable 4,000 KHR for \$ 1, which helps investors to have the confidence to invest in Cambodia. For example, if you put in \$ 1 today, you receive 4,000KHR next week; they get 5,500 KHR or 3,000 KHR; it is difficult for them to do business. Open economy, Cambodia has transformed into a free economy since the early 1990s and has improved year after year in the level of economic freedom. The 2011 Index of Economic Freedom ranked Cambodia, which scored 57.9 points, 102 out of 170 countries, 17 out of 41 countries in the Asia-Pacific region, and much higher than other emerging market countries. Preferential access to ASEAN and the world: Thanks to the 1993 Paris Peace Agreement and the open skies policy of the royal government, Cambodia is able to join and become a member of the various international and regional organizations that facilitate trade, thus, in turn, the country can enjoy a special commercial status on duty-free privileges for exports and most-favored-nation (MFN) treatment. The organization includes, among others, the Association of Southeast Asian Nations (ASEAN), the World Trade Organization (WTO), and the ASEAN-China Free Trade Area (ACFTA).

Therefore, it implies that Cambodia has a broad liberal investment regime. Cambodia has recently introduced Special Economic Zones (SEZs), which encompass all industrial activities. For now, Cambodia law has offered incredible tax incentives to investors as they can enjoy a tax break on business profits for up to 8 years; full of duty-free duty for raw materials, machinery, equipment, no export tax or value-added tax (for SEZs). However, all FDI projects must be registered with the Cambodia Development Council (CDC)⁸ to qualify, called "Qualified Investment Projects (QIPs), and be eligible for business incentives. Low labor cost: Low labor cost is another reason to invest in Cambodia, where the total workforce is over 8.8 million (or 61 percent) of the total population, and the average age is 23. Among emerging market countries in the region, Cambodia's labor cost is the most attractive to foreign investors who focus on cost advantages. This implies that Cambodia has a high potential workforce for international companies, as it has a young, hard-working, honest employee with the lowest salary in the region.

Health and safety are essential for employees and employers, which is why the Royal Government of Cambodia is working hard on this case to sell the problem on this and make sure that we all have safety and good health at work for the workforce. The living and working conditions of employees and workers working in the textile and garment industries are essential to and have long been under a news headline. Since 2013, we have already drawn international attention. In November 2016, the Government of Cambodia signed the sub-decree, establishing the National Committee for occupational health and safety. On the basis of political stability and macro stability and the national committee with good conditions and reasonable manpower, many countries come to invest with Cambodia⁹.

⁸ CDC-Council for the Development of Cambodia

⁹ Mom Kunthear. "Committee for work safety created," *Khmer Times*, 23 November 2016.

V. Methodology and Data

For data sources are used to assess the impact of the labor force on the economic growth in Cambodia. The examination investigation time arrangement information over the time of 1994 to 2018 in the accompanying factors; Labor Force, total (%total population age 15-64) (modeled ILO estimate), Gross Domestic Product (GDP) GDP per capita growth (annual %), Foreign Direct Investment (FDI), net flows (%GDP), Export, Import, and Population (total population). Data has been obtained from the World Development Indicators (WDI) database published by the World Bank. All data here is real export data that exported from World Bank data but just focused on the labor force in Cambodia, gross domestic product, foreign direct investment, and population.

Year	Labor Force	GDP	FDI	population	Export	Import
1994	4455040	321.2812326	68900000	10317899	25.79195939	38.67607256
1995	4600214	341.8914136	150800000	10656138	31.18418153	46.58254651
1996	4743344	351.2821312	293600000	10982917	25.36400674	43.79756006
1997	4943130	355.1486059	203700000	11298600	33.61693558	45.31770888
1998	5172725	362.0997502	242822982.4	11600508	31.23814579	44.38132721
1999	5422148	398.2881864	232238729.5	11886458	40.54418618	53.6327019
2000	5580532	431.20229	118308566.3	12155239	49.52278105	61.3625144
2001	6162396	453.9690177	146481995.1	12405408	52.54124718	61.20222994
2002	6337308	474.9410321	130956363.9	12637727	55.42213314	64.27080295
2003	6464982	506.5830178	81580650.56	12856163	56.52047035	66.56034186
2004	6547067	549.9697662	131416229.3	13066469	63.60589501	70.90552236
2005	6809224	613.1333294	379180190.6	13273354	64.08470726	72.74722281
2006	7084528	668.8764894	483209382.7	13477709	68.59324512	76.02120838
2007	7359866	726.2869826	867288538.6	13679962	65.32596805	72.94217882
2008	7636464	763.508498	815180218	13883834	65.5432507	67.77700868
2009	7895343	752.7964806	928393617.3	14093604	49.2207635	55.91771187
2010	8148383	785.5022829	1404315449	14312212	54.08278279	59.52093544
2011	8248889	827.7770138	1538883425	14541423	54.08075591	59.50108761
2012	8351810	873.9492833	2003849202	14780454	57.88976453	62.70767297
2013	8450213	922.8902057	2068470774	15026332	62.3879358	67.65855087
2014	8535549	972.7427283	1853471158	15274503	62.60347417	67.00875814
2015	8604212	1024.621365	1822804151	15521436	61.71842376	66.14564324
2016	8762821	1079.630539	2475915854	15766293	61.28152493	65.66850405
2017	8909253	1137.821397	2788084322	16009414	60.68195781	64.10581574
2018	9069699	1205.29295	3102579484	16249798	61.59572751	63.30288532

1. Descriptive statistic

The data that used in this paper was taken from world bank is just focused on the labor force, gross domestic product (GDP), foreign direct investment (FID), and population and time from 1994-2018. It will detail as below:

1.1 Labor Force

The finding indicates the trend of the labor force in Cambodia value over the period 1994-2018. The minimum, the cost is calculated as person day 4455040 million in 1994 while the maximum value is calculated as person day 9069699 million in 2018, while the mean is 6971806. The amount of the labor force with significant annual variation over the last 25 years.

1.2 The real GDP

This indicates the trend of Gross Domestic Product throughout 1994-2018. The minimum value of GDP is USD 321.2812326 billion in 1994, while the maximum amount of GDP is calculating as 1205.29295 billion in 2018. There is a relentless increment in the estimations of GDP in recent years that implies the financial development of Cambodia has been expanding throughout the previous 25 years.

1.3 Foreign Direct Investment (FDI)

The findings indicate the trend of FDI values throughout 1994-2018. The minimum value is calculated as USD 68900000 million in 1994, while the maximum value is calculating as USD 3102579484 million in 2018. The finding indicates rising calculated as $1.93e+08$. The higher cost of the standard deviation indicates that there is a variation concerning the annual costs of foreign direct investment.

1.4 Population

The population indicates the trend of the labor force of Cambodia relative to the community from 1994 to 2018. The minimum population is calculated as 10317899 in 1994, while the maximum community is estimated as 16249798 in the year 2018 after the economic crisis in the world. The discoveries demonstrate that there is an ascent in the estimations of the populace over the past time of 25 years.

1.5 Export

The export indicates the trend of the labor force in Cambodia relative to the shipping from 1994 to 2018. The minimum shipping is calculated as 25.79195939 in 1994, while the maximum trading is calculated as 61.59572751 in the year 2018 after the economic crisis in the world. The discoveries demonstrate that there is an ascent in the estimations of the populace over the past time of 25 years.

1.6 Import

The import indicates the trend of the labor force in Cambodia relative to the import from 1994 to 2018. The minimum import is calculated as 38.67607256 in 1994, while the maximum import is calculated as 63.30288532 in the year 2018 after the economic crisis in the world. This discovery demonstrates that there is an ascent in the estimations of the populace over the past time of 25 years.

2. Model Specification

The model used for this assignment is the best model estimate in this paper. It is the following

level-level model: $\widehat{GDP} = \beta_0 + \beta_1 * \text{Labor Force} + \beta_2 * \text{FDI} + \beta_3 * \text{POPUL} + \beta_4 * \text{Export} + \beta_5 * \text{Import}$

β_0 : Gross domestic product (GDP)

β_1 : Labor Force

β_2 : Foreign Direct Investment (FDI)

β_3 : Population

β_4 : Export

β_5 : Import

2.1 Result Report

$$\widehat{GDP} = -424.3131 + 9.27e-06 * \text{Labor Force} + 1.35e-07 * \text{FDI} + 0.0000633 * \text{Population} + 5.092486$$

$$* \text{Export} - 3.52117 * \text{Import}$$

$$(290.7482) \quad (0.0000375) \quad (1.98e-08) \quad (0.0000401)$$

$$(4.74241) \quad (5.088179)$$

$$R^2 = 0.9876 \quad n = 25$$

2.2 Coefficient interpretation

The coefficient of Labor Force is $9.27e-06$, which means that they raise in working persons per day for one person would let to an increase in the price of the product of $9.27e-06$ (person day). For Foreign Direct Investment (FDI), the coefficient of Foreign Direct Investment (FDI) increases $1.35e-07$, which means that if Foreign Direct Investment increased by the value of 1 unit (USD), the amount of Foreign Direct Investment (FDI) would increase $1.35e-07$ USD. The coefficient of the population is 0.0000633 , so if the number of people increases by the one-person day, the Gross Domestic Product (GDP) will be increased by 0.0000633 . Export, the coefficient of Export increase 5.092486 , which means that if Export increased by the value of 1 unit (USD), the amount of Export would increase 5.092486 . Import, the coefficient of Import decreases -3.55117 , which means that if Import decreased by the value of 1 unit (USD), the amount of Import would decrease -3.55117 . The intercept of the equation is -424.3131 . This means that if all other coefficients are 0, the GDP will be -424.3131 percent.

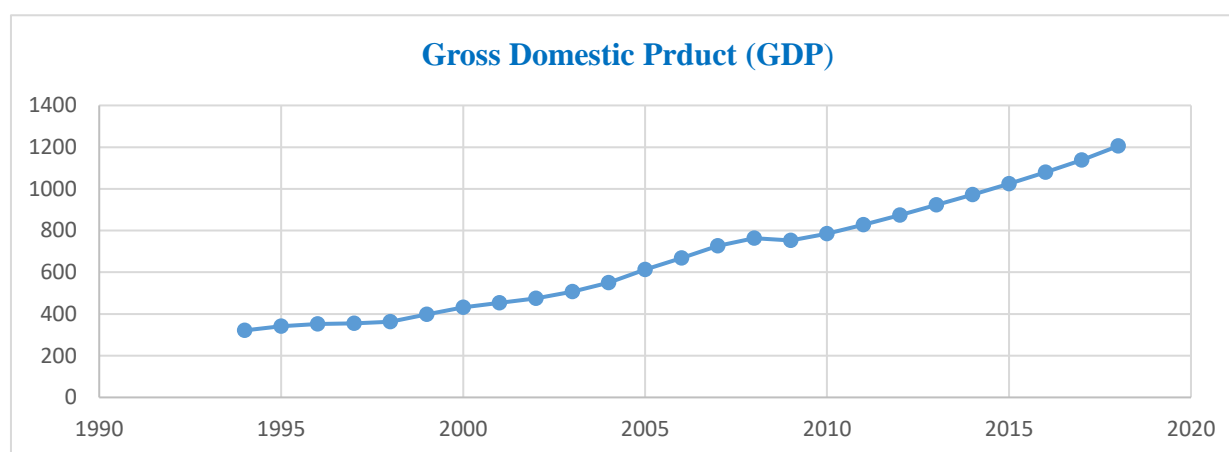
2.3 Description

Variable	Description	Unit	Mean	S.D.
GDP	Gross domestic product per capital	USD	676.0594	55.33122
LABOR	Labor Fore	USD	6971806	303236.3
FDI	Foreign Direct Investment	Person day	9.73e+08	1.93e+08
POPUL	Population	Percentage	1.34e+07	347285.8
EXPORT	Export	USD	52.57769	47.05466
IMPORT	Import	USD	60.70858	56.54197

2.4 Descriptive Statistic

Variable	Mean	Std.Dev	Min.Value	Max.Value
GDP	676.0594	55.33122	321.2812326	1205.29295
LABOR	6971806	303236.3	4455040	9069699
FDI	9.73e+08	1.93e+08	68900000	3102579484
POPUL	1.34e+07	347285.8	10317899	16249798
EXPORT	52.57769	47.05466	25.79195939	38.67607256
IMPORT	60.70858	56.54197	61.59572751	63.30288532

2.5 Gross Domestic Product Curve



VI. Conclusion and Recommendation

For this paper, a dataset was used with consisted about 25 observations and Contained four different variables about the Labor Force participation rate in Cambodia. In this model, it is stated there are several positive impacts of the variable to the Labor Force participation rate in Cambodia per year. So, if the variable of the population (POPUL), gross domestic product (GDP), and Foreign Direct Investment (FDI) increased, also the amount of Labor Force increased. On the other hand, there are negative impacts on the Labor Force for the intercept. This is mathematically right, but make no sense for the Labor Force because it can't be that there is Labor Force smaller than 0. But never the less it shows that there is no production without any area, foreign direct investment (FDI), or fertilizer. The explanatory variable is all significance at the level of 1% this data got a high value of R^2 of 98.61%, which means that this model can explain 98.61% of the variety in Labor Force participation rate, so there just a few other factors influencing in Labor Force participation rate. Which, for example, maybe the quality of investment from other countries.

To sum up, Cambodia is an ASEAN member nation, had passed from side to side many tragic political generations, causing almost complete damage of all of the infrastructure, human resources, and approximately two million innocent lives. To the developed economy, foreign direct investment, mainly the Labor Force participation rate, is highly needed as part of capital growth because domestic capital alone is not sufficient for growth-enhancing in this country. Therefore, in the late 1980s, Cambodia moved from the centrally planned economy to the market-oriented economic system. Moreover, the Labor Force participation rate starts to flow into this country's economy. However, the quantity was still small due to the remaining political instability. After the UN-supervised election in 1993 and the investment, Law had been enacted in 1994; it is seen that the Labor Force participation rate steadily increases. The governments believe that the variable to be a remarkable contributor to Cambodia's economic growth as postulated in theory.

The study aims to analyze the effect of the labor force participation rate on the economic growth of Cambodia over the period 1994-2018. This paper used correlation and multiple regression analysis to determine the impact of the labor force participation rate on the economic growth of Cambodia. Correlation analysis also suggests that the labor force participation rate and GDP are positively related to each other. Hence, the findings of this paper reveal that the labor force participation rate positively affects the economic growth in Cambodia. Based on results recommends that government policymakers should bring reforms in the domestic market to attract more foreign direct investment (FDI) in Cambodia.

Most importantly, to attract more FDI, the government must maintain sound macroeconomic policies, develop physical infrastructure, remove restrictions against FDI inflows, enhance monetary sector development, and promote environments for trade and investment. Furthermore, policymakers should not forget about the development of human capital resources because the variable represents the capacity to build the economy. Another critical determinant of the labor force participation rate with high education, skills, and growth is political stability. Political stability must be maintained because it could be the most critical contributor to the labor force participation rate and growth in this country. If there is no political stability, it could negatively affect the economy as a whole.

The right of the labor force and employers is protected by Cambodian law, thus it constitutes a good condition for the Cambodian labor force and especially for a foreigner who also comes to work in Cambodia. This is an excellent condition that a foreign country causes and an international company come to invest more and more in Cambodia. It is a good chance for the Cambodian workforce to participate and get excellent opportunities to develop knowledge or get good experience for them, especially for high salary for developed Cambodia to become an over-developed country. In early 2015, the MLVT started to implement the requirement of a work permit for foreign workers so that we can share many experiences, such as Cambodia workforce can go to work abroad and foreign worker can come to work in Cambodia¹⁰. The Royal

¹⁰ Chris Mueller, and Ouch Sony. "Ministry unclear over who needs work permits." The Cambodia Daily, 16 January 2015. Accessed 4 February 2015.

Government of Cambodia said it is working towards the establishment of the labor court in Cambodia¹¹.

References

Book

Royal Government of Cambodia "Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III. (September 2013). Phnom Penh.
Kingdom of Cambodia National Poverty Reduction Strategy 2003-2005.

Websites

<http://www.nea.gov.kh/images/survey/ESNS%202017-Final-05282018.pdf> Accessed 30 July 2018.

<https://openknowledge.worldbank.org/handle/10986/29811?show=full> Accessed 29 May 2018

http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103055

<http://www.ilo.org/public/english/bureau/program/dwcp/download/cambodia.pdf>

www.worldbank.org/kh/growth

Journal Articles

European Agency for safety and health at work: Research Corporate social responsibility and safety and health at work (Gran Vía, 33, E-48009 Bilbao, Tel. (34) 944 79 43 60; fax. (34) 944 79 43 83, E-mail: information@osha.eu.int)

Cambodia country economic memorandum: sustaining rapid growth in a challenging environment.

Cambodia labor market and employment: economic institute of Cambodia in December 2008.

Documents

The impact of the 2018 trade war on U.S. Prices and Welfare Mary Amiti Stephen J.Redding David

Weinstein working paper 25672 <http://www.nber.org/papers/w25672>

National bureau of Economic research 1050 Massachusetts Avenue Cambridge, MA 02138 March 2019



© 2021 by the authors. Author/authors are fully responsible for the text, figure, data in above pages. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>)



¹¹, Mom Kunthea. 'Govt preps labor court for 2017', *Khmer Times*, 31 December 2015. Accessed 30 January 2016.



Assets of publishing with NAAR

- Global archiving of articles
- Immediate, free online access for all
- Rigorous peer review process
- Authors retain copyrights
- DOI for all articles

<https://twasp.info/journal/home>

Submit your article : editor@twasp.info