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The Management of Labor Contractor

The Bun & Associates 'Labor and Employment Alerts' update employers and other organizations on the latest developments in labor and employment laws and regulations.

On April 28th, 2025, the Ministry of Labor and Vocational Trainings ("MLVT") issued Prakas No. 103/25 on the Management of Labor Contractor ("Prakas") which provides further detail to the Labor Law on the characteristics and obligations of labor contractors as well as outlining the formality requirements for both enterprises/establishments and labor contractors, aiming to safeguard employees' rights and benefits.

A labor contractor, as defined in this Prakas, refers to a natural person or legal entity who enters into a service agreement with an entrepreneur who is the owner or director of an enterprise/establishment, in the capacity of a sub-contractor to perform work or provide services as agreed with the entrepreneur. The labor contractor receives an all-inclusive fee from the entrepreneur and hires employees based on the entrepreneur's needs to work at a specific location.

The service agreement between the labor contractor and the entrepreneur must be in writing and must be registered at the Department of Labor Inspection of the MLVT by the entrepreneur. In addition, the entrepreneur is required to prepare a list of labor contractors and submit such list to the Labor Automated Central Management System ("LACMS") via https://lacms.mlvt.gov.kh within 7 (seven) days for general enterprise/establishment and 15 (fifteen) days for agricultural enterprise/establishment following the date of signing the agreement.

The labor contractor, on the other hand, is also required to register their employees with LACMS and the National Social Security Fund ("NSSF") and report the name and address of the entrepreneur to the same. Upon completion of registration, the labor contractor shall display a notice of Declaration of Labor Contractor Status using MLVT's template at workplace or job site where easily seen.

In the event that the labor contractor breaches obligations, resulting in harm to any employees, the concerned employees may file a complaint against the owner or director of the enterprise/establishment. In such cases, the owner or director of the enterprise/establishment may be held liable, and will be responsible for fulfilling the obligations of the labor contractor. Any exploitation on employees or on their wage is strictly prohibited.

It should be noted that based on the Joint Prakas No. 498 on Fine for Violator of the Provisions of the Labor Law dated 31 July 2023, failure to (1) prepare a written labor contractor agreement, or (2) display a notice of Declaration of Labor Contractor Status or (3) submit the list of labor contractor to the labor inspector may result in a fine of 3,360,000 riels (approximate of USD 840); while, any acts of exploitation on employees by labor contractor may result in a fine of 5,040,000 riels (approximate of USD 1,260).

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