

Navigating the Economic Transition of Cambodia's Returning Workforce: Suggested Policy Approaches

Summary of key points

- 900,000 workers returning from Thailand has caused labour oversupply, loss of remittances, and pressure on social services.
- Thailand is diversifying labour sources, potentially making large-scale return of Cambodian workers challenging in the medium and long terms.
- Three possible policy options are available: localised absorption, national reintegration, and decentralised entrepreneurship.
- A blended strategy is recommended: short-term public works combined with long-term entrepreneurship and private sector incentives.
- Policy responses must be cost-effective and scalable, given fiscal constraints and external trade pressures.
- Government initiatives such as job forums and vocational training with stipends already align with this approach.

Key development challenges following the migrant return

The recent return of approximately **900,000 Cambodian migrant workers** from Thailand¹, following the July 2025 border conflict, presents significant socio-economic considerations. The scale of this influx requires careful policy oversight across **four key areas**:

- **Labour market dynamics:** The arrival of a large, working-age population places considerable pressure on the domestic labour market. This could lead to downward pressure on wages and a rise in unemployment rates, particularly in rural areas where employment opportunities are often concentrated in the informal sector².
- **Impact on household incomes:** The drop in remittances from Thailand, estimated to reduce national inflows by up to **30 percent**³, depresses domestic demand
- **Demand for social services:** The return of a large population, including an estimated 50,000 school-aged children⁶, will increase demand for public services. This includes housing, healthcare, and educational facilities, particularly in provinces with a high concentration of returnees. Local governments face significant fiscal and capacity constraints, particularly in border provinces where infrastructure is weak.

and household incomes, exacerbating poverty risks. A significant reduction in remittance flows—representing over **6.1 percent of national GDP**⁴—also strains the ability of many indebted households to service microfinance loans. This effect deepens economic vulnerabilities in migrant-sending rural communities, where microfinance debt is prevalent and a key concern for financial stability⁵.

- **Human capital and skills alignment:** Many returnees have developed valuable skills and experience in sectors such as industrial manufacturing and large-scale agriculture while working in Thailand⁷. A key challenge and opportunity will be aligning these competencies with the needs of the domestic job market to ensure this human capital effectively contribute to Cambodia's economic development and recovery.

The critical external factor: Thailand's strategic pivot

Border closure with Thailand appears likely to persist in the medium term, requiring Cambodia to explore alternative migration channels and strengthen domestic labour market capacities. This situation is compounded by a **strategic policy shift** in Thailand. Faced with a crippling labour shortage, the Thai government is now urgently seeking to diversify its sources of migrant labour, exploring **agreements** with countries such as **Sri Lanka, Nepal, and the Philippines**⁸. This pivot means that the opportunity for a large-scale, rapid return of Cambodian workers to their previous jobs in Thailand is significantly diminished. Cambodia must therefore plan for a future where it can no longer rely on Thailand as a primary outlet for its labour force.

Strategic scenarios for national response

Given the context, the Royal Government of Cambodia (RGC) faces a critical policy choice. Three distinct strategic scenarios are presented below.

Scenario 1: The “localised absorption and subsistence” approach

This reactive, minimally interventionist scenario relies on traditional social safety nets and the informal economy to absorb the influx¹⁰. **Core philosophy:** De-centralised coping. The government provides limited emergency support (transport, food), assuming families and villages will accommodate returnees.

- **Key strategies:**
 - **Emergency support:** Short-term aid packages upon arrival and transport to home provinces.

- **Reliance on agriculture:** Encouraging re-engagement in subsistence farming on family land.
- **Informal economy expansion:** Tacitly allowing the informal economy to swell without formal job creation programmes.
- **Potential outcomes:**
 - **Positives:** Low immediate fiscal burden on the state; rapid dispersal of population from border areas.
 - **Risks:** Severe underemployment and a sharp drop in household income⁹; increased rural poverty and defaults on microfinance loans¹⁰; potential for social friction over scarce resources; and a significant regression in human capital as skills atrophy. Additionally, this scenario leaves Cambodia vulnerable to the negative consequences of Thailand's policy shift.
- **Strategic implication:** As a standalone strategy, this scenario is insufficient for the scale of the situation. It can only be considered a viable temporary measure if coupled with **strong social protection interventions**¹¹, such as **targeted cash transfers**¹² and **food security programmes**, to help ease household pressures and reduce vulnerability to poverty and inequality.

Scenario 2: The “national reintegration and skills upgrading” initiative

This proactive, top-down scenario treats the returnees as a human capital asset to be developed for national economic growth through large-scale, coordinated interventions.

- **Core philosophy:** Turn a crisis into an opportunity. Systematically upskill the workforce to meet domestic industrial demands and compete for higher-value jobs globally.
- **Key strategies:**
 - **Systematic registration:** Create a national database of returnees, assessing their skills and experience to inform policy.
 - **Large-scale public works:** Launch labour-intensive infrastructure projects

- (e.g., rural roads, irrigation) to provide immediate, short-term employment.
- **National TVET programme:** Fund a massive expansion of Technical and Vocational Education and Training (TVET), offering stipends for returnees to enrol in courses targeted at growth sectors (e.g., agro-processing, construction, tourism). The success of this hinges on concurrently addressing the quality and perception challenges within the TVET ecosystem¹³.
 - **Job matching and private sector incentives:** Offer wage subsidies or tax breaks to businesses in Special Economic Zones (SEZs) that hire and train returnees.
 - **Active labour diplomacy:** Seek new bilateral agreements for skilled labour with countries like South Korea, Japan, and Malaysia to diversify options.
 - **Potential outcomes:**
 - **Positives:** Mitigates immediate unemployment; builds a more skilled and resilient domestic workforce for the long term; increases Cambodia's economic competitiveness.
 - **Risks:** Requires significant government expenditure, likely necessitating international loans and aid; implementation challenges could include administrative challenges and inefficiency; delayed impact, as the benefits of training are not immediate.
 - **Strategic implication:** Given fiscal constraints and institutional capacity limits, a **phased roll-out** is essential to ensure sustainability and reduce risks of inefficiency. The benefits of training and reintegration measures will also take time to materialise. This approach, in addition, can serve to offset the potential impacts of Thailand's diversification.
 - **Core philosophy:** Facilitate, don't direct. Create the conditions for the private sector and individual entrepreneurs to generate jobs.
 - **Key strategies:**
 - **Entrepreneurship “fast-track” programme:** Offer a package of low-interest loans, startup grants, and business management training, scaling up the small-scale cash grant programmes tested during the pandemic¹⁴.
 - **Targeted SEZ incentives:** Provide powerful, targeted incentives for factories in SEZs that commit to hiring a high percentage of returnees, concentrating job creation in established industrial areas.
 - **Skills vouchers:** Provide returnees with vouchers redeemable at approved private and public TVET institutions, allowing for market-driven training choices and fostering competition among providers.
 - **“One-stop-shop” regional service hubs:** Establish centres in provinces with high returnee populations to provide assistance with business registration, loan applications, and job searching.
 - **Potential outcomes:**
 - **Positives:** Fosters a sustainable, bottom-up economic recovery driven by SMEs; more fiscally efficient than Scenario 2 by leveraging private capital; empowers individuals and could spur local innovation.
 - **Risks:** May exacerbate inequality, benefiting those with existing savings or skills; could lead to geographic concentration of jobs around SEZs; high failure rate for new businesses could lead to further debt. This scenario builds domestic economic resilience as an alternative to migration.

Scenario 3: The “decentralised entrepreneurship and SEZ focus”

This hybrid, market-driven scenario focuses on empowering returnees to become job creators and leveraging existing economic hubs for employment.

Summary comparison and recommendation

Feature	Scenario 1: Localised absorption	Scenario 2: National reintegration	Scenario 3: Decentralised entrepreneurship
Approach	Reactive, passive	Proactive, centralised, state-led	Proactive, decentralised, market-led
Primary tool	Subsistence agriculture, informal economy	Public works, national TVET programmes	Microfinance, SEZ incentives, skill vouchers
Cost	Low (immediate)	Very high	Moderate
Timeframe	Immediate dispersal, slow recovery	Slow implementation, long-term benefit	Medium implementation, medium-term benefit
Main risk	Economic hardship and social pressures	Debt, governance challenges, inefficiency	Inequality, high business failure rate

Lessons from the past: The COVID-19 exodus

The current situation is not without precedent, though the scale is far greater. During the **COVID-19 pandemic**, more than **265,000 Cambodian migrants** returned from **Thailand** after border closures and job losses¹⁵. The experience from 2020-2021 offers two critical lessons:

1. Effective social protection measures

The government's **cash transfer programme**¹⁶, which utilised the existing IDPoor system, proved highly effective in providing immediate, large-scale social assistance. This intervention was instrumental in supporting household financial stability, maintaining food security, and helping families manage debt obligations during the initial phase of the return. The 2025 border conflict triggered an even larger return – over 400,000 workers in just days – with many arriving in vulnerable conditions and some burdened with debt¹⁷. This amplifies the need for rapid scaling of social safety nets and cash assistance linked to emerging vulnerabilities and regional disparities.

2. Challenges in long-term economic integration

Despite the success of short-term relief, significant challenges emerged in facilitating long-term economic integration. Key observations include:

- **Reliance on informal coping mechanisms:** In the absence of sufficient formal employment, many returnees transitioned into the informal economy or subsistence agriculture. This often resulted in underemployment, preventing full use of the skills acquired abroad.
- **Need for structured economic pathways:** While the majority of returnees expressed a desire to find work domestically, surveys indicated that available opportunities often did not match the income levels previously earned in Thailand¹⁸.
- **Potential of targeted programmes:** Smaller, targeted interventions showed promise. For instance, programmes providing cash grants for small business startups and cash-for-work schemes in rural infrastructure demonstrated the potential of more structured support in creating viable livelihoods¹⁹.

The primary learning from this experience is the importance of complementing broad social protection with dedicated strategies for economic integration. This ensures that the valuable human capital of the returning workforce can be effectively aligned with domestic market needs, supporting both individual livelihoods and national development.

Conclusion

A purely **reactive approach (Scenario 1)** risks long-term economic stagnation and social instability, yet it remains an essential **immediate short-term measure** to ease pressure on individuals and households facing urgent hardship. The most effective and resilient response would be a **sequential, blended strategy** that recognises we cannot do *without* Scenario 1, but *cannot do only* Scenario 1.

The RGC should first implement **immediate relief measures (Scenario 1)** to provide critical support while simultaneously preparing the groundwork for longer-term structural interventions. As **Scenarios 2 and 3 will take time to come into effect**, the government should quickly follow up with **labour-intensive public works (Scenario 2)** to provide a safety net and inject cash into rural economies, while concurrently rolling out the **market-driven tools of Scenario 3**—such as skills vouchers and entrepreneurship support. This will allow for a phased-approach and ensure immediate needs are met, while building toward sustainable, long-term job creation and a more robust domestic economy capable of withstanding external shocks. The key is recognising that Scenario 1 serves as the **bridge** that allows vulnerable populations to survive while the more transformative but slower-implementing Scenarios 2 and 3 take root and begin generating results.

Encouragingly, the RGC's actions to date suggest it is on the right track. The government has moved swiftly beyond initial humanitarian aid to implement a proactive reintegration strategy. Evidence of this includes the launch of **nationwide job forums** advertising hundreds of thousands of vacancies and, critically, a programme offering **free vocational training** paired with a monthly cash stipend to support returnees from vulnerable households²⁰. This blended approach of providing both immediate financial support and long-term skills development is a promising foundation for managing this unprecedented challenge. In addition, policy should also focus on ensuring the **quality and relevance of this skills training** and strategically linking this newly developed human capital to the export

diversification opportunities presented by **regional comprehensive economic partnership (RCEP)** agreements.

To further strengthen resilience, continued monitoring of labour market dynamics, remittance flows, and social stability indicators is recommended. Enhancing multi-stakeholder coordination – including central and local governments, development partners and the private sector – will also be vital for adaptive and effective policy implementation in the evolving post-conflict environment.

Endnotes

- 1 Kiripost. 2025. "Thailand Turns to Sri Lanka to Plug Labour Gap After Cambodian Exodus." August 21. <https://kiripost.com/stories/thailand-turns-to-sri-lanka-to-plug-labour-gap-after-cambodian-exodus>.
- 2 Bordon, Giulio. 2024. *Workers in the Cambodian Informal Economy: Insights into Labour Statistics from the 2019 LFS*. ILO Brief. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40asia/%40ro-bangkok/documents/briefingnote/wcms_917516.pdf.
- 3 Neth, Kosalathanan. 2025. "Economic Consequences of Cambodia's Border Conflict with Thailand." *Khmer Times*, August 17. <https://www.khmertimeskh.com/501739967/economic-consequences-of-cambodias-border-conflict-with-thailand/>.
- 4 World Bank. n.d. "Data for Cambodia, Viet Nam, Thailand, Lao PDR." Accessed August 21, 2025. <https://data.worldbank.org/?locations=KH-VN-TH-LA>.
- 5 UNFPA. 2020. *Rapid Assessment on Social and Health Impact of COVID-19 Among Returning Migrant Workers in Cambodia*. New York: UNFPA. https://cambodia.unfpa.org/sites/default/files/pub-pdf/final_survey_report_rmw_rapid_assessment_20dec2020.pdf.
- 6 Phak, Seangly. 2025. "Ministries Coordinating School Enrolments for 50,000 Children of Returning Migrant Workers." *Phnom Penh Post*, August 14. <https://www.phnompenhpost.com/national/ministries-coordinating-school-enrolments-for-50-000-children-of-returning-migrant-workers>.
- 7 Sok, Sereyath. 2023. "Cambodia, Thailand Discussed Labour and Vocational Training." *Cambodian People's Party*, August 4. <https://www.cpp.org.kh/en/details/354012>.

- 8 Reuters. 2025. "Thailand Turning to Sri Lankan Workers to Cope with Cambodian Exodus, Official Says." August 19. <https://www.reuters.com/world/asia-pacific/thailand-turning-sri-lankan-workers-cope-with-cambodian-exodus-official-says-2025-08-19/>.
- 9 Delgado, Anton L., and Sopheng Cheang. 2025. "Cambodian Migrant Workers Face an Uncertain Future as Thai Border Conflict Drives Them Home." *APNews*, August 12. <https://apnews.com/article/cambodia-thailand-migrants-cease-fire-099622abab2aaca9c69fbd342b6b7dac>.
- 10 Blau, Gavan, and Dennis Arnold. 2024. "Debt, Land and Labour: Cambodian Migrant Workers' Precarious Livelihood Strategies." *Global Social Policy* 24 (2): 203–24. <https://doi.org/10.1177/14680181241258062>.
- 11 UNDP. 2024. "Tracking The Impacts of The Cash Transfer Program for The Poor and Vulnerable Household during Covid-19 in Cambodia." <https://www.undp.org/cambodia/publications/policy-brief-number-10-tracking-impacts-cash-transfer-program-poor-and-vulnerable-household-during-covid-19-cambodia>.
- 12 World Bank. 2021. *An Assessment of Cambodia's Cash Transfer program for the Poor and Vulnerable Households during COVID-19*. <https://documents1.worldbank.org/curated/en/661201624622956583/pdf/An-Assessment-of-Cambodia-s-Cash-Transfer-Program-for-the-Poor-and-Vulnerable-Households-During-COVID-19.pdf>.
- 13 Song, Sopheak, and Phal Chea. 2024. "Vocational Education and Training in Cambodia." In *International Handbook on Education in Southeast Asia*, edited by Lorraine Pe Symaco and Martin Hayden, 251–274. Singapore: Springer Nature. https://doi.org/10.1007/978-981-16-8136-3_44-1.
- 14 Khmer Times. 2022. "Khmer Enterprise Handover Assistance Package Grant to 49 SMEs and Startups." February 25. <https://www.khmertimeskh.com/501032061/khmer-enterprise-handover-assistance-package-grant-to-49-smes-and-startups/>.
- 15 United Nations Sustainable Development Group. 2022. "Upon Returning Home from Thailand, Cambodian Migrant Women Grow Their Businesses." March 25. <https://unsdg.un.org/latest/stories/returning-home-thailand-cambodian-migrant-women-grow-businesses>.
- 16 UNDP. 2024. *Tracking The Impacts of The Cash Transfer Program for The Poor and Vulnerable Household during Covid-19 in Cambodia*. Policy Brief Number 10. <https://www.undp.org/cambodia/publications/policy-brief-number-10-tracking-impacts-cash-transfer-program-poor-and-vulnerable-household-during-covid-19-cambodia>.
- 17 Judd, Adam. 2025. "Thailand Faces Severe Labour Shortage as an Estimated 400,000 Cambodian Workers Flee Due To Border Tensions." *The Pattaya News*, August 4. <https://thepattaya-news.com/2025/08/04/thailand-faces-severe-labour-shortage-as-an-estimated-400000-cambodian-workers-flee-due-to-border-tensions/>.
- 18 International Organization for Migration, and Asian Research Center for Migration, Chulalongkorn University. 2019. *Assessing Potential Changes in the Migration Patterns of Cambodia Migrants and Their Impacts on Thailand and Cambodia*. Bangkok: International Organization for Migration.
- 19 FAO Cambodia. 2022. "Cash-for-Work Assistance Helping Families with the Most Basic Needs amid the Pandemic." United Nations Cambodia, June 23. <https://cambodia.un.org/en/225746-cash-work-assistance-helping-families-most-basic-needs-amid-pandemic>.
- 20 Mom, Kunthea. 2025. "TVET Enrolment Soars as Job Forums Expand Nationwide." *Khmer Times*, August 20. <https://www.khmertimeskh.com/501742389/tvet-enrolment-soars-as-job-forums-expand-nationwide/>.

