Myanmar Case Study for the Workforce Disclosure Initiative

The Workforce Disclosure Initiative aims to improve the quality of jobs in companies’ operations and supply chains. This case study highlights issues faced by people working in Myanmar’s garment sector.
Introduction

The Workforce Disclosure Initiative (WDI) is a programme aiming to unlock the role of investors to improve the quality of jobs in multinational companies’ operations and supply chains. Through the WDI, investors are requesting comparable workforce data from listed companies on an annual basis.

Improved transparency will help investors gain crucial insights into how companies are managing their workforce, and how they compare with peers. The data collected will also inform investor engagement with companies to encourage better employment policies and practices.

As part of the WDI, a series of case studies are intended to highlight the experience of workers in global supply chains, draw attention to some of the systemic challenges to achieving decent working conditions, and highlight examples of good practice. The following case study focusses on the garment sector supply chains in Myanmar.

As one of the world’s fastest growing economies, Myanmar is of significant interest to investors. The case study brings to life a range of issues faced by people working in the supply chains of multinational companies. These issues – covered in the WDI survey – include low pay, excessive overtime, and a lack of training. As is also seen in other geographies and sectors, high staff turnover, health and safety risks, and factory strikes are often consequences of these workforce issues. This is not inevitable: promoting decent work standards can benefit both workers and businesses.

This case study is based on first-hand interviews with garment workers, and interviews with civil society organisations and industry representatives in Myanmar. The case study was written to contribute to public debate and to invite feedback on how these systemic issues across sectors and geographies can be resolved. It has been produced as part of the Workforce Disclosure Initiative, which is coordinated by ShareAction in partnership with Oxfam. This project has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government’s official policies.

Front cover photo credit: Oxfam
Fast Fashion Creates Precarious Conditions in Myanmar’s Garment Sector

A growing sector

Myanmar is undergoing rapid political and economic changes since the end of military rule in 2011. Regarded as the largest underdeveloped market in the world – with a population of 52 million in 2014 – the country has experienced a surge in foreign investment in recent years. As of late 2015, data from Myanmar’s Directorate of Investment and Company Administration (DICA) showed that the total amount of foreign direct investment for the period from 1988 to November 2015 reached $58.2 billion.

The Myanmar garment industry has benefitted from these changes. With young, cheap, and plentiful labour as well as favourable export conditions, the sector has experienced rapid growth. The International Labour Organization (ILO) estimates that the garment sector employs 738,000 workers. Much of this employment is located in industrial zones surrounding the country’s commercial capital Yangon. By 2024, it is predicted that 1.5 million workers will produce garments for an increasing number of international brands.

Myanmar currently exports just under half of its garments to the European Union. It is now cheaper to source from Myanmar than from other garment producing countries such as Cambodia or Thailand. Only Bangladesh is cheaper, but Bangladesh is due to graduate from Least Developed Country status by 2021. This could potentially create further growth in exports from Myanmar to foreign buyers.

For most garment workers, investment from overseas has not yet translated into decent working conditions and improvements in livelihoods. Low wages, extensive overtime to reach production targets, and the weak implementation of labour laws are key issues – together they create precarious employment conditions for the predominantly female workforce and trap them in poverty. Though not unique to Myanmar, one problem is a pronounced lack of management skills within factories to process orders and ensure a professionally-managed workforce. Managers need more financial and technical support, including in Human Resource Management. The demand of consumers and foreign buyers for a rapid turnaround on clothes (known as fast fashion) also negatively impacts on employment conditions in the factories.

Labour standards in Myanmar’s garment supply chains are in need of further improvement. Investors can play a lead role in driving transparency and improvements to the quality of jobs.

Minimum wage: Progress & challenges

In 2015 Myanmar established a daily minimum wage of 3600 Myanmar Kyats, (approx. $2.60), an increase of 60 cents per day on the previous rate. With a working week of six days, the average garment worker earns approximately $16 a week.

The 2015 minimum wage is something which international brands and retailers advocated for when manufacturers were lobbying against the new rate saying it would put them out of business. Brands and retailers belonging to the Fair Labor Association (USA) and the Ethical Trading Initiative (UK) wrote to the Myanmar Ministry for Labour in July 2015. The Fair Labor Association said: “A minimum wage set through consultation with relevant stakeholders will attract rather than deter international companies buying garments from Myanmar, who have committed to paying living wages through their supply chains.” This was welcomed by NGOs and trade unions, including Oxfam, as an example of good practice advocacy by brands.

While the minimum wage law is an important sign of progress, manufacturers in Myanmar have reported...
issues in complying with it. Compliance with labour laws – and indeed international standards which are often higher than national laws in a developing country – should be a shared responsibility between employers and sourcing companies. However, manufacturers report concerns that brands are asking them to abide by laws in a context in which it is impossible to do so, given the low piece rate paid. One told ethical trade consultancy Impact: “We are being asked for gold and being paid in bronze.” Another said: “It feels like we are trapped in a cellar and the water is rising.”

As a result, factories often hire workers on probation, or as interns, for their first three months. Employers are allowed to pay workers less than the minimum wage for that period. Workers report that employers terminate these contracts after three to sometimes six months so they can hire new, cheaper labour. This results in a high turnover of workers, which impacts on production quality, and means factory personnel are distracted by constant recruitment.

This is a demonstration of the challenges involved in translating improved legal frameworks and commitments from multinational companies into better conditions for workers. Workers still report that they have to do significant overtime to ensure wages cover their basic needs. Most are unable to save because their wages are spent on basics such as food, housing, health care, and sending money to their families. To reduce money spent on housing, many workers live in dormitories or squat in the slums around the industrial zones, often without access to electricity and running water.

May Thu, a garment worker interviewed by Oxfam, moved to Yangon from Myanmar’s countryside to work in the factories. Initially hired as an intern, May Thu earned half the wage of her colleagues for a year, despite doing exactly the same work as them. May Thu likes her job but is unhappy about the poor levels of training and the enormous pressure to finish factory orders.

**Excessive overtime and low efficiency**

Foreign buyers’ typically demand a fast turnaround time on clothes orders. This often results in tight deadlines and excessive overtime for garment workers in Myanmar. Interviews with workers revealed that the average worker does two to three hours overtime a day, often meaning they return home in the dark. The factories are under tremendous pressure to meet production targets on time. Many workers claim that a considerable amount of overtime is not paid, or even recorded, which amounts to ‘wage theft’. To receive their unpaid overtime pay, workers have to speak to their supervisors. Many are scared to do this for fear of recrimination. Even if they do speak to their supervisor there are long delays in payment.

Phyu Phyu is a 23 year old garment worker who lives in an industrial zone near Yangon. Her contract states that she works eight hours a day, Monday to Friday, and four hours on Saturdays. In reality, she does an additional five or six hours overtime most days, driven by the deadlines for the orders from predominantly foreign buyers. This is well beyond the legal limit of 10 hours a day (including overtime), and has a negative impact on production quality and efficiency. “It is impossible to finish the tasks on time unless we work during the night,” says Phyu Phyu.
Sickness means pay is cut

Many garment workers in Myanmar have their pay cut if they take time off due to sickness. As a consequence they come to work even if they are unwell, which often leads to the illness becoming worse resulting in money being spent on medicines, or more days taken off.

Training on health and safety issues is rare. When accidents occur in factories the injured are usually sent to the factory clinic, who cover the costs of the treatment and the day’s wages. A 2015 survey conducted by Oxfam found that a third of interviewed workers from 22 factories around Yangon reported that they had been injured at work. Many were also afraid of factory fires, as building exits were often blocked or locked.

“I have never had any safety training. A friend of mine was injured by a machine during work, the factory granted her medical leave – but it is unpaid. My job training was short. It was very difficult for me to understand how the machines work, so I relied on my seniors in the factory to teach me how to use the machines. It took about two months of practice to master the sewing machine,” says Phyu Phyu, a garment worker.

Garment factories set their own age restrictions

In Myanmar, it is common to see young people and children below the legal minimum working age working in restaurants, on construction sites, on farms, and in factories. Many drop out of school to support their families. The minimum working age in Myanmar is 14, although workers are restricted to working four hours a day until they reach 16. Most factories set their own age restriction, usually between 16 – 18 years old. Frequent monitoring and checks in factories of larger suppliers have led to crackdowns on child labour in those factories but this has not tackled the causes of the problem.

In some instances, forged national identity cards are used to get around the age restriction. Factory managers have become more aware of this issue due to pressure from foreign buyers and now check identity cards carefully. Due to forged national identity cards, the Myanmar Garment Manufacturers Association (MGMA) recommends that: “…foreign retailers and sourcing agents request factories from whom they source to require township documentation certifying age.” The MGMA also says that: “Workers who are below 18 years of age are legally required to get an SSB [Social Security Board] certification. This means they need to be examined by a medical doctor to determine fitness to work and to assess age.”

Most data on the role of children in the garment sector is based on interviews with workers. The BSR (Business for Social Responsibility) states that underage workers are rare, but that young workers aged between 16 and 18 do make up a small percentage of garment workers. Oxfam heard anecdotal evidence of under 16 year olds being hired as daily labourers. Workers reported that the youngest colleagues they had seen were around 14 years old (the legal minimum working age), with some saying they themselves started at 15.

This is consistent with the findings of a 2016 survey by a Dutch NGO of 400 workers in 12 factories. One of the workers, asked her age by the researchers, replied: “Do you want to know my real age or my age at the factory?” Another said: “When buyers come into the factory the child workers are being told not to come to work that day.”
Recent strikes

Neither workers nor their supervisors are fully aware of the labour laws and workers’ rights in Myanmar. The labour associations and unions can give assistance, but workers are often too afraid to approach them or join a union. Under Myanmar’s military rule labour unions were prohibited and prominent leaders imprisoned. As a consequence, the level of union activity is still very low today. Where unions are active, they often lack expertise in negotiating the resolution of disputes.

Most factories have internal negotiation committees that deal with dispute resolution and grievances. They are made up of both workers and employer representatives, which makes workers afraid to raise issues as they fear supervisors may punish them for speaking out. For many, it takes a lot of courage to ask for breaks or their correct overtime pay. Workers need to be able to raise issues collectively if the difference in power between employers and employees is to be overcome.

Despite these barriers to taking action, Myanmar has experienced a number of recent strikes by workers at factories. On several occasions, hundreds of workers have gone on strike to voice their anger over unpaid bonuses, the sacking of labour leaders, delays in salary, overtime payments, and the general neglect of labour law by factories and local authorities. These strikes can seriously delay production, especially if workers destroy factory equipment, leading to additional financial losses for factories and further delays.

Sandar, a labour rights activist, says: “There were huge demonstrations about the minimum wage in many factories. A movement also started in my factory. I decided to go to the labour association for support.”

A dispute in February 2017 resulted in a Chinese-owned factory, which supplies international retailers such as H&M and Primark amongst others, being closed for weeks. The dispute, which saw the production line destroyed and managers attacked, was due to workers demanding better pay and conditions. Analysts believe it highlights the need for the Government of Myanmar to enact social and labour reforms, while at the same time reassuring investors looking to take up trade opportunities after decades of isolation.

This is just one example in the past year of how strikes can impact a factory’s production line. Factory owners and associations are aware of these risks and some try to provide much-needed training on Human Resource Management, technical skills and compliance. But this is often only possible with the support of foreign-funded development initiatives, and the lack of management skills remains a key issue.

The role of international brands and retailers

The garment factories in Myanmar receive orders from buyers across the globe, including Asian companies as well as European and American international retailers and brands. Many Myanmar factories are owned by large Asian companies, often based in China or Korea.
Competition is fierce among the factories to attract business. Factories take as many orders as they can to maintain profits. The pressure is particularly high for Myanmar-owned factories which struggle to remain profitable as they cannot access the same financial and technical resources as companies from neighbouring countries.

Companies sourcing from Myanmar and other developing countries need to understand the conditions faced by people working in their supply chains. They should use their influence with factories to sustainably improve these conditions. As a factory representative told Oxfam: “I would be happy if buyers came and said: ‘We have a partnership, I’m willing to invest my knowledge and technical supervision into this factory.’”

Good practice for companies sourcing from Myanmar

At the factory level, some examples of good practice are emerging. For instance, a skills training centre established by Pyoe Pin to develop technical and management skills in the industry, and a programme called Smart Myanmar which engages local manufacturers in standards expected by international buyers.

At the sector level, the Myanmar Centre for Responsible Business (MCRB) is also engaging local business on international standards. MCRB Director Vicky Bowman told Asia Focus in an interview earlier this year: “We want to encourage more investment, but investment that is responsible.” The Centre has advocated for legal and regulatory changes to bring business practice into line with international human rights standards, whilst providing a neutral platform for discussion.

The importance of engaging at the local level is also recognised by multinational companies operating in the country: “To support the garment industry in Myanmar to become sustainable and competitive, buyers need to engage closely with their suppliers and with local stakeholders,” says Felix Ockborn, Sustainability Manager at H&M. “Our team in Myanmar are working with suppliers, trade unions and local partners on capacity building to improve labour relations, working conditions and productivity in the factories.”

There is a need for a more transparent system of value distribution in the supply chain, based on how much it costs to comply with labour laws. A minimum piece rate per garment should be established, which sourcing companies should commit to paying. Workers’ wages based on at least the minimum wage (earned in normal working hours without overtime) should be ring-fenced in a separate factory account, so that they are not subject to commercial competition.

Towards better employment policies and practices

Myanmar’s garment industry stands at a crossroads. Garment jobs have the potential to enable workers to develop their skills, work their way out of poverty, and support their families. From here Myanmar can follow its current course, a trajectory similar to that of Bangladesh, where the terrible collapse of Rana Plaza in 2013 was a stark reminder of the risks faced daily by its four million garment workers and to the reputation of brands and retailers. Or it can chart a ‘higher road’ course, characterised by investment in professional Human Resource Management and a workforce of workers aware of their rights, motivated, equipped to produce good quality products, and engaged in the success of the enterprise.
This alternative course would enable Myanmar to take advantage of the social and economic opportunities the country has at this moment in its history. Investors participating in the Workforce Disclosure Initiative can help to help make this possible.

The role of investors

Like many developing countries, Myanmar needs foreign investment to deliver better outcomes for its population. But it needs to ensure investment delivers for the majority of people by building the workforce of tomorrow. Tackling issues like low pay, excessive overtime, and a lack of training will be central to this. Shareholders of multinational companies can play a key role in driving positive change.

Investors could harness their influential position to ask companies about what they do to align their business practices with their ethical policies. They could ask how companies promote and enable good practice by the factories they source from. Investors could also add their voice to collective advocacy initiatives aiming to ensure the minimum wage is a living wage, and that it is properly implemented and enforced.

Many international brands and retailers are still establishing themselves in countries like Myanmar. By encouraging them to take progressive measures now, investors can help companies chart the ‘higher road’ course on workforce issues. This will continue to build confidence in Myanmar and other developing countries as attractive places to invest in and source from. At the same time, it will support progress towards achieving the United Nations’ Sustainable Development Goals.30

By encouraging them to take progressive measures now, investors can help companies chart the ‘higher road’ course on workforce issues.
References


15. Ibid.


18. Ibid.


21. Ibid.


23. Ibid.


Disclaimer

ShareAction is not an investment advisor, and makes no representation regarding the advisability of investing in any particular company or investment fund or other vehicle. A decision to invest in any such investment fund or other entity should not be made in reliance on any of the statements set forth in this publication. While ShareAction has obtained information believed to be reliable, it makes no representation or warranty (express or implied) as to the accuracy or completeness of the information and opinions contained in this report, and it shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages. The contents of this report may be used by anyone providing acknowledgement is given to ShareAction. This does not represent a license to repackage or resell any of the data reported to ShareAction and presented in this report. If you intend to repackage or resell any of the contents of this report, you need to obtain express permission from ShareAction before doing so.

About ShareAction

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits. ShareAction is coordinating the Workforce Disclosure Initiative (WDI) in partnership with Oxfam and other aligned organisations. In its pilot year the WDI survey has been backed by more than ninety institutional investors representing assets under management of $8.6 trillion.

https://shareaction.org/wdi

About Oxfam

Oxfam is an international confederation of 20 organisations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Oxfam is a global voice on poverty & inequality, women’s rights, humanitarian issues and climate change and has substantial experience of engaging with multinational companies to improve their employment policies and practices, as well as their supply chain transparency.

https://oxfam.org.uk