

Myanmar labour issues from the perspective of
enterprises: Findings from a survey of food
processing and garment manufacturing enterprises

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Foreword

Myanmar is currently undergoing rapid transformation. After decades of isolation, change has come quickly to the political and economic environment, including the country's labour market. At the same time, there is a scarcity of information on labour markets, particularly from the perspective of enterprises. This study aims to fill that void by presenting findings of a survey conducted among enterprises in the food processing and garment sectors.

There are a number of important findings in the study which show in new and more detailed ways the challenges faced by enterprises in Myanmar. The lack of skilled labour is a major challenge for businesses, yet few invest in human capital development. Industrial relations are immature and worker and employer associations are not common. Neither workers nor employers have significant experience of social dialogue and factory-level engagement. Turnover is significant and often the decision of the worker. Taken as a whole, this report sheds important light on the challenges faced by workers and employers as they collectively strive to improve industrial relations and productivity.

This report is the result of collaboration between the four organizations. The Myanmar Center for Economic and Social Development (CESD) implemented the survey and conducted the analysis and reporting, with funding from the International Development Research Center (IDRC) and staff support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The Employers' Activities project of the International Labour Organization in Myanmar provided technical inputs throughout the process. The result is an insightful and timely analysis of the experiences of businesses in one of the world's fastest-changing labor markets.

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Table of contents

Abbreviations and acronyms.....	vi
Executive Summary	vii
1. Introduction.....	1
2. Survey methodology	3
3. Sample profile: Key characteristics of enterprises in the survey sample.....	5
4. Employment dynamics, labour turnover, and workforce composition.....	9
5. Education, skills, training and foreign labour	14
6. Labour rights and labour relations	24
7. Wages and productivity	27
8. Working time	36
9. Social security system.....	38
10. Suggestions for future policy directions	39
References.....	44
Appendix: Survey design and implementation	48

Abbreviations and acronyms

ADB	Asian Development Bank
ALR	Action Labor Rights
CESD	Centre for Economic and Social Development
CMP	cut-make-pack
CSO	Central Statistics Office
DEval	German Institute for Development Evaluation
DoP	Department of Population, Ministry of Immigration and Population of the Republic of the Union of Myanmar
FAO	Food and Agriculture Organization of the United Nations
FESR	Framework for Economic and Social Reform
FLA	Fair Labor Association
GIZ	Gesellschaft für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation)
HR	human resources
IDRC	International Development Research Centre
IHLCA	Integrated Households Living Conditions Assessment
ILO	International Labour Organization
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
ITC	International Trade Centre
LFS	labour force survey
MFA	Multi-Fibre Arrangement
MGMA	Myanmar Garment Manufacturers Association
MMK	Myanmar kyat
MoC	Ministry of Commerce of the Republic of the Union of Myanmar
MoI	Ministry of Industry of the Republic of the Union of Myanmar
MOLES	Ministry of Labour, Employment and Social Security of the Republic of the Union of Myanmar
MOLIP	Ministry of Labour, Immigration and Population of the Republic of the Union of Myanmar
MOLISA	Ministry of Labour, Invalids and Social Affairs, Viet Nam
MSU	Michigan State University
MW	minimum wage
NGO	non-governmental organization
NLD	National League for Democracy
NMWC	National Minimum Wage Committee
OECD	Organisation for Economic Co-operation and Development
SME	small and medium-sized enterprise
SSB	Social Security Board
TVET	technical and vocational education and training
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization

Executive Summary

Over the past decade, Myanmar's economy expanded rapidly and there is widespread agreement that the country has a huge potential for continued rapid development in the future. At the same time, a key challenge is to ensure that economic growth is inclusive, generating economic opportunities for all segments of the population. One important element of inclusive growth is the creation of decent jobs. To this end, Myanmar's Government embarked on an ambitious agenda to reform and update the country's labour-related legislation. These legislative changes and new labour market dynamics may require companies in the private sector to adapt industrial relations systems, labour practices and management, as well as enterprise models in general.

Currently, knowledge on Myanmar's labour market is quite limited. It is in this context that the Myanmar Center for Economic and Social Development (CESD), with funding from the International Development Research Centre (IDRC), initiated a labour market reform research programme to provide policy-makers and other relevant stakeholders with research-based evidence that can inform the development of policies and measures for a more efficient and equitable labour market, which is conducive to inclusive economic growth. One focal area of this research programme is to look at Myanmar labour issues from the perspective of employers. For this purpose, CESD conducted a survey among a sample of Myanmar private enterprises in the food processing and garment manufacturing sectors to collect quantitative and qualitative information on key labour issues. The two selected sectors not only play dominant roles in Myanmar's economic and employment structure, but these sectors have also proven important for job creation in other developing countries.

The purpose of this report is to present and discuss the findings from the enterprise survey. The data provide insights into the current human resource management practices and the views and perceptions of employers on issues including labour relations and labour market dynamics. When interpreting the key findings summarized in this report, it is important to keep in mind that they are based on a sample of food processing and garment enterprises and may not necessarily apply equally to other sectors of Myanmar's economy.

Employment dynamics, labour turnover and workforce composition

Labour turnover rates in Myanmar are very high. The enterprise survey results indicate that the average labour turnover rate is 57 per cent for garment producers and 39 per cent for food processors. This means that an average factory saw around half of its workforce leave in 2014. This analysis suggests that labour turnover is often worker-initiated. However, the survey does not contain specific data on the causes of the high turnover rate. It may reflect job dissatisfaction, for example due to low wages, poor working conditions, long working hours or other factors. It may also reflect the abundance of job opportunities in other factories. Another possible driver of labour turnover could be the absence of well-functioning grievance mechanisms, underdeveloped industrial relations, or the perceived challenges with resolving disputes jointly between employers and employees. Such high turnover rates create problems for enterprises and disrupt the production process, thereby impacting productivity and reducing incentives to invest in human resource development.

Looking at the gender composition shows that the large majority of workers in garment factories are female, reflecting the importance of the clothing sector in providing formal employment opportunities to Myanmar women. By contrast, most workers in the food processing industry are male. Part-time jobs are not very common. On average, less than 5 per cent of a company's workforce consists of part-time workers. Foreign employees are rare (1.2 per cent in garment enterprises and 0.2 per cent in food companies).

Education, skills, training and foreign labour

Managers and professionals account for small shares of companies' total workforces. Managers make up around 2.5 per cent of a typical company's total workforce while professionals account for about 6 per cent. Looking at the educational achievements of companies' workforces, the findings indicate that around 60 per cent of employees in both industries have completed secondary or high school. Overall, compared to Myanmar's population as a whole, the workforces of the enterprises that participated in the enterprise survey appear to be quite well educated. However, when asked to assess the composition of their workforces in terms of skilled versus low skilled production workers, survey participants reported around 60 per cent of their production workers are low skilled. Moreover, they ranked the inadequately educated labour force as the most severe impediment to their operations.

Offering training and skill development programmes is an important means for companies to enhance skill levels, productivity and professionalism of staff. The enterprise survey results indicate that a minority of enterprises reported spending money on employee training (22 per cent of garment producers and 14 per cent of food manufacturers). These percentages appear to be lower than for other countries in the region, such as the Lao People's Democratic Republic, Viet Nam or China. Moreover, among the small proportion of enterprises that reported investments in workforce training, the average expenditure was very low (at about US\$700 per enterprise in 2014). Accordingly, the number of employees who benefit from paid external training is very small (on average only around 3.5 per cent of enterprises' workforces). Other no-cost training mechanisms, such as job orientation programmes, mentoring and on-the-job training, were not necessarily captured by the data noted above. Yet, more than three quarters of all surveyed enterprises indicated engaging in at least some kind of training for their workers (even if it is not paid). The most common form is in-house training, which almost half of the sample enterprises provide, followed by training offered by government agencies.

Another way that enterprises can try to improve their productivity is to hire foreign experts, thereby sourcing skills that are not available domestically and transferring knowledge and know-how to the local workforce. Overall, 36 per cent of the enterprises in the sample indicated that they have at least one foreign employee. The occupational group most commonly filled with foreign staff is managers and professionals; 24 per cent of enterprises report having at least one foreign manager or professional. Similarly, 23 per cent employ foreign engineers and technicians. The share of garment producers that employ foreign staff is much higher than the share of food manufacturers.

Labour rights and labour relations

Awareness of and compliance with labour rights is far from complete in Myanmar. The fragmented legal framework, its often poor and arbitrary implementation, and the country's authoritarian political history have impacted labour relations, specifically the models and forms of interaction between employers and employees that are practiced in enterprises. Workers' representation, for example, is still a sensitive issue. Labour unions were long forbidden under law and only recently were allowed. At the same time, labour associations are important for social dialogue. Of surveyed enterprises in the food processing sector, 29 per cent have a workers' association, compared to 56 per cent of enterprises in the garment sector.

The topic of wages paid to workers has been a notable area of debate in Myanmar in recent years. Demands for wage increases were particularly common in the garment sector where 44 per cent of respondents indicated that their workers asked for higher remuneration during the last three years. By contrast, demands for wage increases affected only 3 per cent of the food processing companies in the sample. Moreover, the frequency of demands for wage increases has been much higher in the garment sector, with some companies reporting three or four requests for higher wages during the last three years. Meanwhile, food processing enterprises have at most been faced with two such demands. The private sector enterprises interviewed have also experienced industrial relations challenges during the last three years, particularly in the garment sector. More than a third of the garment enterprises in the

sample have seen their workers going on at least one strike during the last three years, compared with only 2 per cent of the surveyed food manufacturers.

Another important issue is the use of employment contracts and pay slips by enterprises. Both are documents that ensure transparency and accountability in industrial relations. Since September 2015, the Ministry of Labour has required enterprises to use official employment contracts containing information on wage rates, working hours, days off, benefits and a termination date. However, the use of employment contracts is not yet universal. Among the garment companies participating in the survey, almost all have employment contracts with their workers, while less than half of the food processing enterprises in the sample do. Meanwhile, pay slips are issued by 99 per cent of garment companies but only half of food processing enterprises. Some labour activists have pointed out that pay slips are not always provided in Myanmar language but either partially or entirely in a foreign language that only few, if any, workers can understand. However, the extent to which foreign-language pay slips are used is disputed.

Wages and productivity

Wage levels have been an important labour-relations issue in Myanmar in recent years and the cause of many strikes. Partly in response to these labour disputes, the Government of Myanmar passed the Minimum Wages Act in 2013. A minimum wage rate of 3,600 kyats (MMK) per day came into force on 1 September 2015 (corresponding to a monthly minimum wage of approximately US\$91). Many companies, especially in the garment sector which is both labour-intensive and particularly exposed to international competition, protested against this minimum wage rate, claiming it was too high and would harm their competitiveness. Myanmar's minimum wage rate ranks among the lowest in Asia, as does the country's GDP per capita.

The survey was conducted before the minimum wage rate was established, meaning that it is not possible to determine the percentage of enterprises compliant with the new Minimum Wages Act. However, the survey results show that 58 per cent of enterprises reported that the average wage they were paying to machine operators and plant workers would have been below the new minimum wage rate, while this share is even higher at 64 per cent for service and sales workers. The percentages are somewhat higher in the food processing sector than in the garment sector. One important caveat is that the average wages refer to take-home wages for workers (including overtime pay and different bonuses and benefits) while the minimum wage refers to the basic wage rate. The data show that low worker remuneration was common before the new minimum wage rate was established, and evidences the magnitude of the change and possibly the difficulties of integrating the new minimum wage rate into companies' payment systems.

The paper also analyses the typical composition of wages. Interestingly, some companies in the sample do not pay a basic wage; in fact, 16 per cent of them do not (all of them are micro or small food processing enterprises). Apart from that, the majority of enterprises set wages to reflect overtime pay; attendance, skills, seniority and production bonuses; and housing and transportation allowances. On average, the basic wage rate makes up only 52 per cent of a worker's wage, with the remainder being derived from additional payment items. This structure could imply a certain degree of income insecurity for workers. Overtime payments account for 16 per cent of an average worker's total wage while attendance bonuses and productivity bonuses account for around 10 per cent and 8 per cent, respectively. Wage structures that rely more heavily on non-wage remuneration are much more prevalent in the apparel sector than in the food processing sector.

Labour productivity is a major factor in determining whether an enterprise is competitive and profitable, and in setting workers' wages. Calculating labour productivity by dividing a company's sales value by its number of workers yields an average monthly productivity per employee of MMK547,000 in the food processing industry and MMK155,000 in garment factories. However, these figures are not directly comparable as food processing enterprises provided their sales data based on market prices charged to customers whereas most garment enterprises provided their sales data based on the Cut-

Make-Pack (CMP) (or processing) fees that they receive. Thus, while sales figures for food manufacturers also reflect the cost of inputs such as raw materials and intermediate goods, the same is not true for garment enterprises producing under the CMP model where most or even all inputs are typically provided by the buyer.

It is interesting to compare these figures with workers' remuneration. On average, the garment enterprises in the sample pay monthly wages of MMK127,720 to their workers while food processors pay MMK103,926. This means that in the garment sector there is only a narrow gap between the measure for monthly labour productivity and monthly average wages. This reflects that most of the sales figures of CMP enterprises actually represent labour costs related to labour-intensive assembly work, but it also suggests that garment enterprises operate on a rather slim profit margin (at least per employee) with possible implications on their room to manoeuvre for wage increases (at current productivity levels). Finally, survey findings show that average labour productivity in enterprises with a labour turnover rate below 30 per cent was almost twice as high as in companies with a labour turnover rate above 30 per cent, indicating a correlation between lower labour turnover rates and higher labour productivity.

Working time

Working time is an important element of working conditions, in addition to the treatment by supervisors, non-discrimination, access to facilities (e.g. toilets, drinking water), and workplace safety. In most enterprises (82 per cent), employees work six days a week. Meanwhile, 3 per cent of respondents indicated that in their factories the average working week is five days or less. At the same time, while no garment enterprise reported a seven-day work week, 6.8 per cent of food producers did.

On average, labourers working in the enterprises in the sample get 53 minutes of break time per day. The average working time in the surveyed enterprises is 46 regular hours per week; however, workers in garment companies, on average, work 1.5 hours more a week than their counterparts in food processing enterprises (46.7 versus 45.2 hours). Moreover, workers in garment enterprises, on average, work almost three times more overtime than in food processing enterprises (14.3 versus 5.5 hours a week).

Social security system

Myanmar's Social Security Board (SSB) under the Ministry of Labour has a long history of providing social services, employment sickness benefits and other compensations related to work injuries. However, over the last three decades the SSB did not perform well in terms of the quality and cost of its health care services. In 2012, the Government initiated a reform of the SSB, expanding its portfolio to include employment benefits and programmes for pension and housing. This reform seems to have taken effect also in the enterprises surveyed, 92 per cent of which indicated that they are registered at the SSB, although the average share of full-time workers who have a social security card is somewhat lower at 78 per cent.

On average, contributions to the SSB made up less than 1 per cent of companies' total sales value in 2014, yet the contributions are often viewed as burdensome, with 56 per cent of the garment companies and 21 per cent of food manufacturers in the sample indicating that SSB contributions are a burden for them. At the same time, less than half of the survey respondents indicated that the SSB provides full service and benefits to their employees. On the positive, however, 72 per cent of garment enterprises and 53 per cent of food processing companies feel that the quality of SSB services has improved in the past few years.

Suggestions for future policy directions

The results of the analyses point to various areas where further reform seems desirable so that the following suggestions for future policy directions to support increased employment opportunities, improved working conditions, and inclusive economic growth can be derived:

1. **Streamlining and implementation of labour laws.** During the last couple of years, a plethora of laws were repealed, amended or newly passed, but less attention has been given to the actual implementation of these laws, rules and regulations. There is a need to reinforce efforts to streamline labour legislation, remove contradictions, improve transparency and clarity, and dedicate sufficient resources to the proper implementation of existing laws, rules and regulation.
2. **Reducing labour turnover rates.** Promoting and facilitating or, if necessary, enforcing the use of employment contracts could make employment relations more stable. Policy initiatives could also aim to encourage or support the establishment of grievance systems within enterprises. Any measure that helps to strengthen factory-level dialogue, improve working conditions, or otherwise address concerns of workers and management may also help to reduce labour turnover rates.
3. **Supporting human capital development.** Labour productivity in Myanmar is low and enterprises indicate that the scarcity of skilled labour is a big obstacle to success. At the same time, enterprises themselves invest little in human resource development. In this context, government policy can aim at expanding the supply of government-provided training and at supporting private sector initiatives (e.g. private training centres). The Government should consider offering incentives to companies to increase their demand for skill development programmes and to provide training to their employees.
4. **Promoting social dialogue and improving industrial relations.** This implies providing the right legal and institutional framework. Myanmar currently does not have specialized labour courts, for example. Apart from that, the Government can also act as convening authority and provide platforms for dialogue and exchange between employers and workers.
5. **Ensuring compliance with the Minimum Wages Act and other labour laws.** The Government has a central role to play in terms of improving compliance with the entire labour law framework which would help to ensure decent working conditions for workers while providing employers with a more predictable operating environment. An important example is promoting compliance with the minimum wage law and, if necessary, enforcing it, not only to ensure that workers earn the minimum income to which they are legally entitled and that allows them certain living standards, but also to maintain conditions of fair competition among market participants.
6. Promoting the universal **implementation of the social security scheme.** This will help to increase the number of beneficiaries and ensure no enterprise can gain a competitive advantage from reduced labour costs derived from the non-payment of social security contributions.
7. **Promoting return migration of (semi-)skilled Myanmar nationals** currently working abroad. Some of them have developed skills as a result of their work experience in foreign countries that are not available but needed in the local labour market. This is particularly true for technical and managerial skills as well as skills for international transactions (e.g. language and communication).
8. On a broader level, the Government of Myanmar could embark on an **international publicity campaign to associate “Made in Myanmar” products** with decent work. The Government should also work to ensure that these claims are factually accurate by promoting safe and decent working conditions in factories.

1. Introduction

Myanmar is in the middle of a profound economic, social and political transformation. The country's transition towards democracy is accompanied by an opening of its economic system along with wider social change involving urbanization, internal and external migration, and social policy reforms, including in the areas of health and education. The international community has welcomed these developments and the gradual reintegration of Myanmar. These trends can be expected to continue or even accelerate under the current Government.

Over the past decade, Myanmar's economy expanded rapidly and this economic growth is forecasted to continue in the coming years.¹ To a large extent, this has been driven by broader private sector engagement. Today, there is widespread agreement that Myanmar has great potential for rapid development owing to its enormous natural resources, abundance of (young) labour, and geostrategic location. At the same time, numerous challenges remain. Neither the economic nor the political transformation can be expected to be easy and totally smooth. Myanmar still ranks among the poorest countries in Asia and is classified as a least developed country (LDC). Its economy is predominately agrarian, characterized by low productivity and hampered by underdeveloped infrastructure and financial systems. Moreover, despite the lifting of most sanctions,² Myanmar's full integration into regional and international economic systems will take time.

Given high levels of poverty, one of the key challenges will be to ensure that economic growth is inclusive in that it generates economic opportunities for all segments of the population and that the dividends of increased prosperity are distributed equitably across people, thereby benefitting large sections of society. One important element of inclusive growth is the creation of decent jobs. While both the 2009–10 Integrated Households Living Conditions Assessment (IHLCA) (UNDP, 2011) and the 2014 Myanmar Population and Housing Census (DoP, 2016) show that the unemployment rate in Myanmar is low, they also reveal that the rate of underemployment is very high, with this problem being particularly acute in rural areas. Moreover, the labour force participation rate, especially of females, is low and a large share of the population finds work only in the informal sector.³ On top of that, the quality of jobs is often poor and high-productivity jobs are scarce.

The Framework for Economic and Social Reform (FESR), the key policy document encapsulating the development strategy of the previous Government of Myanmar and guiding its policy measures, specifically emphasized that the country's economic growth must benefit the broad population by increasing access to decent employment opportunities. Strengthening the country's labour system and supporting the development of an efficient and equitable labour market have, thus, been important development priorities for Myanmar for some years now, and have been recognized as a means of achieving inclusive economic growth.

To this end, the previous Government embarked on an ambitious agenda to reform and update the country's labour-related legislation.⁴ In fact, many key labour laws were seriously outdated when the previous Government took office, including Acts on Trade Disputes, Minimum Wages, Employment and Training, or Social Security, dating from the 1940s, 1950s or even 1920s (i.e. colonial times). Some

¹ See, for example, ADB (2016), IMF (2016) or World Bank (2015a, 2016).

² Some sanctions remain in force or have been extended; see, for example, The Irrawaddy (2016) and Martin (2012).

³ Myanmar has a large informal sector with most informal workers living in poverty. The urban poor, for example, are typically employed in the informal sector, or work as casual, low skilled labour in construction or other service sectors, many with limited education and skills. According to UNDP (2011), own-account workers represented 40 per cent of total employment in 2009–10 while casual labourers (who often come from rural areas) made up 18 per cent. Unpaid family workers represented another 15 per cent. "Thus, a rough estimate of the informal sector in 2009–10 would be 73 per cent of the total labour force" (World Bank, 2014a, p. 15).

⁴ For an overview, see Park (2014), Thura Swiss Research (2012) or www.myanmargarments.org/factoryinformation/lawsregulations/.

of these old laws are still effective, including the Factories Act of 1951 (which provides stipulations on, inter alia, working hours, overtime pay, worksite safety and health measures) and the Payment of Wages Act from 1936 (which has provisions on the period of wage payments and wage deductions). However, the past few years have also seen far-reaching efforts to amend and update existing labour-related legislation and to enact new laws. For example, the 1951 Leave and Holiday Act was amended in 2014 and a new Social Security Law, a new Minimum Wages Law and a new Employment and Skill Development Law were passed in 2012 and 2013. A new Settlement of Labour Disputes Law became effective in 2012 and a new Labour Organization Law was enacted in 2011. The latter is of particular importance for the reshaping of industrial relations in Myanmar as it replaced the old law which had banned labour unions and prevented workers from forming labour organizations, having their representatives recognized by and negotiate with employers, and carrying out peacefully strikes and other collective activities.

These changes in labour legislation and the new dynamics in the labour market imply that companies in the private sector have to adapt their industrial relations systems, their labour practices and management, and often their enterprise models more generally. At the same time, compliance with labour and social standards is of increasing importance for Myanmar companies if they want to export their products to buyers in Europe or the United States.

It is in this context that the Myanmar Center for Economic and Social Development (CESD), with funding from the International Development Research Centre (IDRC), initiated a labour market reform research programme with the objective of providing policy-makers and other relevant stakeholders with research-based evidence that can inform the formulation and design of policies and measures that lead to a more efficient and equitable labour market, which is conducive to inclusive economic growth.

One focal area of this research programme is to examine and strengthen the knowledge base on the demand side of the Myanmar labour market by looking at labour issues from the perspective of employers. Such a study is an essential component of any comprehensive labour market analysis (GIZ, 2014). For this purpose, CESD conducted a survey among a sample of Myanmar private enterprises to collect both quantitative and qualitative information on key labour issues. In the past, it was difficult to formulate policies because of the general lack of data. Through this enterprise survey, CESD and IDRC seek to contribute to filling this gap. The findings of the survey – that are presented in this report which benefitted from publication support from the International Labour Organization (ILO) – will add to the evidence base upon which labour market policies in Myanmar can be formulated.

To create more jobs and increase productivity, Myanmar must develop its human resources, especially through skills development. As mentioned, there have been numerous government initiatives to reform labour legislation and the education system to improve opportunities for skills development, but the benefits from these reforms will only be seen in the medium to long term. More immediate creation of job opportunities requires short- to medium-term expansion of the private sector, especially in labour-intensive industries (ADB, 2014; OECD, 2013). The survey conducted by CESD focused on agri-food processing and garment manufacturing, two sectors that are of great importance for Myanmar's economic and employment structure. According to information from Myanmar's Ministry of Industry, food and beverage production is the most important manufacturing activity, generating more than half of the country's gross manufacturing output in 2011–12, while the garment industry ranks third, contributing 4.83 per cent to total manufacturing output.⁵ These two sectors also play dominant roles in terms of numbers of enterprises and employment. According to the Myanmar One Pager Business Census conducted by the United Nations Development Programme (UNDP, 2014), more than half of all manufacturing enterprises are in the food processing subsector, while the textile and garment sector accounts for 7 per cent of all manufacturing enterprises. In terms of employment, UNDP (2014) finds the textile and garment industry to contribute 34 per cent of all manufacturing jobs and food processing another 27 per cent, reflecting the fact that the former is more labour-intensive than the latter. These

⁵ Since these figures date from 2011–12, it is possible that the individual sectors' shares in total manufacturing output have changed somewhat in the meantime. See www.smedevelopmentcenter.gov.mm/.

two are also sectors where Myanmar has a comparative advantage and which have proven important for economic growth and job creation in developing economies. The CESD enterprise survey focused on the food processing and garment manufacturing sectors to learn more about labour dynamics and issues of key importance to Myanmar's current and future economic and social development.

The data collected provides insights into sample companies' current human resource management practices and systems. The data also sheds light on their views and perceptions of key issues concerning labour relations and labour market dynamics as well as related policy needs. The purpose of this report is to present and discuss the key findings from this enterprise survey. More specifically, it addresses questions as follows: What are typical characteristics of enterprises as labour market participants, and how much variance is there? What employment and labour turnover dynamics have enterprises experienced in the recent past? What is the skill composition of a typical company's workforce and how engaged are enterprises in providing training to their employees? How widespread is the use of foreign labour? What is the current situation with regard to labour relations, compliance with labour rights and working conditions in factories? What can be said about current wage levels for different types of work and in different sectors? Finally, to what extent is the new social security system accepted and used, and how effective and efficient do employers perceive this scheme to be?

Currently, knowledge on Myanmar's labour market is quite limited. This is largely due to a combination of limited institutional data collection, the small amount of research undertaken on the topic in the recent past and the dynamic nature of the subject. This survey has been conducted to help fill this gap. Myanmar's labour regulations are at a very nascent stage of development, and a lack of predictable and fair employment remains a problem for enterprises and workers. A better understanding of the legal and regulatory system of labour relations from the point of view of enterprises can be used to inform policy reforms and to help improve the investment and operating environment for enterprise development and job creation.

Overall, it is important to recognize the country's political context and the consequences of its many years of isolation, including the limited range of research on Myanmar's economic system and social dynamics. This paper, therefore, should be primarily viewed as baseline research and its main contribution will be to complement other efforts to take stock of and improve knowledge on Myanmar's changing labour market. This contextualization and framing of the research is essential to make the reader aware of the important limitations that this implies.

The remainder of this report is structured as follows: Section 2 presents the survey methodology and implementation while section 3 summarizes some key characteristics of the enterprises that have participated in the survey. Section 4 looks into employment dynamics and labour turnover rates. Section 5 presents the findings from the analyses on the educational achievements and skills of the workforce of the sample enterprises as well as investments in training and the use of foreign labour. Section 6 discusses the situation of labour relations and enterprises' compliance with labour standards while section 7 looks at wages and productivity. Section 8 presents insights on working conditions in the enterprises surveyed and section 9 discusses enterprises' use and perception of Myanmar's social security system. Finally, section 10 concludes the report and offers some directions for policy-makers engaged in labour market reforms in Myanmar.

2. Survey methodology

Compared to many other countries, data availability in Myanmar is quite poor and information on companies and the labour force is quite limited. The lack of statistics and knowledge on Myanmar's labour markets is also a major constraint to sound policy-making aimed at generating employment, making the labour market more efficient and equitable, and providing relevant education and training.

A key source of information on the supply side of labour markets, which is also used to formulate labour market policies in many countries, is the labour force survey (LFS), which typically provides a comprehensive analysis of the composition and characteristics of a country's labour force. While the Ministry of Labour, Immigration and Population (MOLIP) conducted an LFS in 2015 with the support of the International Labour Organization (ILO),⁶ the data collected has not yet been made publicly available and it is not clear to what extent it the Ministry will use it to inform policy-making. The most recent accessible data are from the 1990 national LFS which is outdated and generally considered to be unreliable. Other important sources of information for policy-makers are household surveys and censuses as they often produce relevant labour market statistics. In Myanmar, as mentioned above, the Integrated Households Living Conditions Assessment (IHLCA) was conducted in 2009–10 and the Population and Housing Census was carried out in 2014 (see UNDP, 2011; DoP, 2016), both of which collected some information on labour force characteristics.

To understand the demand side of labour markets, it is important to gather information from employers and enterprises. In many countries, government authorities such as statistics offices or ministries of industry conduct regular enterprise surveys. In Myanmar, such a regular and comprehensive exercise has not yet been established although plans exist to do so. Some data exist within the Ministry of Industry (MoI) as well as within the Central Statistics Office (CSO). However, it seems data collection is not undertaken systematically, based on a stringent methodology in line with international standards and according to a given schedule and programme. As a result, there is no reliable and comprehensive dataset on enterprises in Myanmar. In view of this data gap, a number of international development organizations recently conducted a series of surveys in Myanmar. These include an enterprise survey conducted jointly by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the Organisation for Economic Co-operation and Development (OECD) and the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) (see Soans and Abe, 2015), a One Pager Business Census by UNDP (2014), a survey on small and medium-sized enterprises (SMEs) by the German Institute for Development Evaluation (DEval, 2015), as well as the World Bank Enterprise Survey, Investment Climate Survey and Doing Business Survey (World Bank 2014b, 2015b, 2015c).

These surveys are potentially useful data sources on the demand side of Myanmar's labour market. However, while they have helped to improve the availability of information on Myanmar's business sector, they differ in surveying methods, sample sizes and topics covered. This means that the data produced by these surveys are not always fully comparable.⁷ Most importantly, they did not focus on labour issues and they tend to provide rather shallow coverage of labour-related questions. This is why CESD decided to conduct its own survey. The following section briefly summarizes the survey methodology and implementation (while a more detailed description is provided in the appendix).

The questionnaire used in this survey was developed jointly by CESD and IDRC. It consisted of different types of questions, including dichotomous questions, multiple choice questions, constant sum questions, rank order scaling questions, demographic questions and closed ended questions.

The survey sample was determined through convenience sampling, selecting companies from two sets of enterprise lists: 1) lists provided by different Industrial Zone Management Committees; and 2) a list of apparel producers provided by the Myanmar Garment Manufacturers Association (MGMA). Survey participants were then selected randomly from these two sets of enterprise lists. Part of the convenience sampling was to restrict survey locations to Yangon Region and Mon State, and to focus on certain

⁶ See www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_378029/lang--en/index.htm.

⁷ The One Pager Business Census arguably was based on the most representative sample, covering over 31,000 enterprises drawn from different business registries, but it covered only a very small number of topics. The DEval survey was carried out among a random sample of companies, but focused purely on privately owned urban SMEs in the manufacturing and services sectors. The DEval survey had a large sample size (2,200 enterprises), as did the UNESCAP-OECD-UMFCCI survey, which covered SMEs and larger enterprises and included agricultural and state-owned enterprises in the sample drawn from business registries from UMFCCI which implies a certain sample bias. The World Bank Enterprise survey was based on a rather small sample of 632 registered enterprises and excluded agricultural enterprises.

industries, primarily manufacturing of food products and apparel, but also wood products, paper and other manufacturing sectors. In total, 205 companies were asked to participate in the survey. Seven of them declined to do so, leaving a sample size of 198 enterprises.

This sample is not fully representative of all Myanmar companies for the following reasons: the sampling frame was incomplete; the survey had a deliberate focus on the manufacturing sector; within manufacturing, the survey focused on only two key industries, namely food processing and apparel; and the survey had a regional focus on Yangon Region and Mon State. The convenience sampling also introduces the risk of a certain selection bias in some of the responses, which cannot be entirely dismissed. Some respondents may have answered the survey in ways that were less accurate but more socially desirable, particularly when questions touched upon sensitive or controversial issues.

Before its actual implementation, a pre-testing of the survey was undertaken in June 2015. The actual survey was then carried out from July to November 2015 among a sample of enterprises operating in different industrial zones in Yangon Region and Mon State. The survey team who visited companies to conduct face-to-face interviews typically consisted of the research team leader, research associates, research assistants and enumerators from the Ministry of Labour of Myanmar.

The research team targeted company owners and high-level management staff as survey respondents. In several cases, however, mid-level administration officers were delegated to reply to the survey team's questions during factory visits, which has implications for the scope and reliability of responses. Most importantly, in some cases this meant that respondents were not able to answer the full list of survey questions and returned an incomplete questionnaire. There were also other instances where respondents were unwilling to provide information on topics deemed sensitive, resulting in smaller sample sizes for a subset of survey questions. Further details on the survey implementation, difficulties encountered and data caveats can be found in the appendix.

3. Sample profile: Key characteristics of enterprises in the survey sample

This chapter summarizes and discuss some relevant characteristics of the enterprises that participated in the survey. It is important to understand the profile of the enterprises and to provide the background and context for the more detailed analyses of labour-related issues that will follow.

Table 1 gives an overview of the sample for the survey. It comprises a total of 198 enterprises (one of which did not provide employment information, therefore inhibiting the classification of it as a small, medium or large enterprise), of which 52 per cent operate in the apparel sector and 45 per cent in food manufacturing.⁸ While, admittedly, the survey is not fully representative of the business population in Myanmar, apparel and food are two of the country's most important and most labour-intensive manufacturing industries and the survey aimed for more in-depth analysis on them. Following common practice (see UNESCAP 2012), micro and small enterprises are defined as those with less than 50 workers, medium-sized as those with 50–249 workers, and large enterprises as those with more than 250 employees.⁹ According to this definition, the sample is composed of 27 per cent of micro and small enterprises, 27 per cent of medium-sized enterprises and 45 per cent large enterprises. While the sample of food processors is mostly made up of SMEs, the sample of garment producers is dominated by large enterprises, reflecting the labour intensity and scale operations that are typical for that sector. Overall,

⁸ The sample include enterprises that produce fishery products, noodles, candy, (instant) coffee, cooking oil, dairy products, jam, bakery products, water and snacks, for example.

⁹ Note that this definition deviates from the definition of SMEs stipulated in Myanmar's 2013 SME Law (available at www.smedevelopmentcenter.gov.mm/?q=en/def_sme). The definition used in the survey is less peculiar and complex and is much more commonly used in other jurisdictions (see UNESCAP, 2012), and thereby facilitates cross-country comparisons.

however, SMEs are under-represented in the sample. According to an article published in the *Global New Light of Myanmar* (2013), an estimated 99.4 per cent of all registered companies in Myanmar are SMEs. Moreover, the average number of employees per enterprise in the sample is higher than that of the 2014 UNDP One Pager Business Census (105 versus 8 for food manufacturers, and 657 versus 106 for apparel producers) (see Table 3 below and UNDP, 2014, p. 12). This suggests that the sample covers rather larger companies and the findings reported here may not fully apply to SMEs.

Table 1. Composition of survey sample in terms of enterprise size

Industry (ISIC code)	Micro and small	Medium	Large	Total	Share in total
		<i>Number</i>			<i>Percentage</i>
10. Manufacture of food products	52	27	10	89	45
14. Manufacture of wearing apparel	1	22	79	102	52
Others	1	5	0	6	3
<i>Total</i>	<i>54</i>	<i>54</i>	<i>89</i>	<i>197</i>	
Percentage of total	27	27	45	100	

Table 2 provides an overview of the average age and the age distribution of the companies in the sample, distinguishing between the food processing and the garment sectors. As can be seen in the last column of that table, the enterprises surveyed in the food manufacturing sector were, on average, almost twice the age of those in the apparel manufacturing sector (15.2 versus 7.4 years). At the same time, the share of new enterprises (aged less than five years) is more than three times higher in the apparel sector (56 per cent) than in the food processing sector (17 per cent). Although, as mentioned, it is not clear how representative the survey sample is for Myanmar's industry as a whole, this stark contrast in age profiles suggests differing levels of competition and exposure to global markets as well as various recent domestic and international developments. More precisely, Myanmar has become an increasingly attractive location for apparel manufacturing over the last five years, with relative increases in wages in neighbouring countries such as China, factory accidents in Bangladesh, the easing of sanctions and foreign investment reforms as important push and pull factors (Berg and Hedrich, 2014). All this resulted in a relatively recent boom in Myanmar's garment sector, reflected in an upsurge in the founding of new enterprises. Indeed, the Myanmar Garment Manufacturers Association (MGMA) reports that during 2014 and 2015 it gained more than 120 new members, mostly foreign companies (2015). By contrast, the more locally oriented food processing sector has not experienced such a boom of new business entries and incumbents seem to dominate the market. Enterprise creation rates, therefore, clearly seem to vary across industries.

Table 2. Age distribution of survey enterprises

Industry	<=5 years	5<age<20 years (percentage)	> 20 years	Average age (years)
10. Manufacture of food products	17	65	18	15.2
14. Manufacture of wearing apparel	56	41	3	7.4
All survey enterprises	38	51	11	11.1

Source: CESD enterprise survey.

Some further characteristics of the enterprises in the sample are summarized in Table 3. First of all, it appears that food manufacturers tend to be family businesses (92 per cent of respondents compared to just 60 per cent among garment manufacturers). Second, food processing enterprises tend to be smaller than apparel producers; this is reflected both in the larger share of small-sized companies (see Table 1) and the lower average number of workers per company (105 versus 657). Third, food manufacturers are also less likely to export (only 27 per cent of surveyed enterprises reported that they are exporting) which, among other things, reflects their lack of international competitiveness but also their ability to cater to local tastes and preferences (Byerlee et al., 2014). Fourth, only a very small minority of the food processors surveyed here (namely 3 per cent) have at least partial foreign ownership, implying that most are fully locally owned.¹⁰

¹⁰ Note that the category "enterprises with foreign ownership" (or "foreign-invested enterprises") includes both enterprises that are fully foreign-owned and enterprises that have at least some (partial) foreign shareholding.

Table 3. Selected enterprise characteristics by industry

Industry	Share of family enterprises	Member of enterprise association	Enterprises that export <i>Percentage</i>	Enterprises with foreign ownership	Workers per enterprise <i>Number*</i>
10. Manufacture of food products	92	70	27	3	105
14. Manufacture of wearing apparel	60	97	84	61	657
Total (incl. paper, wood and other)	75	84	61	32	391

Note: * Numbers are averages.
Source: CESD enterprise survey.

Garment producers tend to supply foreign markets, with 84 per cent of sample enterprises declaring themselves exporters.¹¹ Moreover, almost two thirds of them reported partially or even full foreign ownership. The higher export orientation, greater extent of foreign ownership and larger average workforce size among garment enterprises is a reflection of the predominance of the labour intensive Cut-Make-Pack (CMP) production model,¹² which a large share of garment enterprises (including those sampled here) are engaged in (see ILO, 2015; MGMA, 2015; MoC and ITC, 2015). Meanwhile, membership rates in enterprise associations are higher in the apparel sector than in the food processing sector (see Table 3), which can be explained by the requirement of apparel manufacturers to be MGMA members to obtain import permits, which are essential to participate in the CMP model given that local supply of essential input materials such as fabrics, yarn or accessories is very limited.¹³

Table 4. Countries of origin of foreign investors in Myanmar (Percentage)

Investors	Full sample	Food producers	Garment producers
China	6.20	1.10	11.20
EU countries	1.60	1.10	2.00
Hong Kong, China	6.20	1.10	11.20
Japan	9.30	2.20	16.30
Republic of Korea	9.80	0.00	19.40
Taiwan, China	2.60	0.00	5.10
Other	5.00	1.10	8.00
No foreign investment (locally-owned)	66.80	96.60	38.80

Note: Multiple responses were possible so figures do not necessarily add up to 100 per cent.
Source: CESD enterprise survey.

Table 4 presents the most important countries of origin of foreign investors in the companies in the sample and enables comparisons between the food sector and the garment industry. In the former, the share of fully domestically owned enterprises (96.6 per cent) is much higher than in the latter (38.8 per cent), reflecting the fact that garment enterprises tend to be more integrated into cross-border value chains than food manufacturers. Most foreign investment in Myanmar's garment sector comes from the Republic of Korea, Japan, China, and Hong Kong (China); between 10 per cent and 20 per cent of the garment enterprises surveyed here report foreign investment from these countries. While investors from Japan, China and Hong Kong (China) are also the most important sources of foreign capital in the food processing sector, the percentage of food producers with asset holdings from these countries is much smaller. In other words, the Myanmar food processing industry is still largely in domestic hands.

¹¹ By comparison, 58.5 per cent of garment producers participating in the World Bank Enterprise Survey identified themselves as direct exporters while an additional 12.3 per cent said that they were engaged in indirect exports. The somewhat higher percentage in the sample, thus, likely reflects the sampling frame used for that survey which drew from the MGMA membership list.

¹² The CMP model is a form of contract work where local garment factories carry out only simple and labour-intensive assembly activities while foreign buyers take care of all the sourcing (shipping the necessary inputs to the Myanmar factory) and all the marketing and distribution.

¹³ To obtain an import license, garment companies must apply for MGMA endorsement. The endorsement, based on MGMA's assessment of the application, is required by the Ministry of Commerce (MoC) for the import license.

Export markets for enterprises in the survey sample can have implications for the human resource practices and labour relations the companies need to have in place.¹⁴ Buyers in certain export markets (especially in Europe and the United States) are much more demanding in terms of compliance not only with safety and quality standards (particularly in the food sector) but also with labour and other social standards (and proof thereof) than in other markets (see UNIDO 2010, 2011, 2015; Goto et al., 2011). That is, exporting to certain markets requires suppliers to fully respect labour rights and to be fully compliant with labour laws and other social standards. As mentioned above, overall, Myanmar's garment sector is much more export-oriented than its food processing sector (see Table 3). Some 46 per cent of garment enterprises in the sample reported that they are exporting to Japan (making it the single most important export market in the survey) followed by the Republic of Korea at 25 per cent (giving it rank 4). This reflects the fact that in reaction to sanctions and boycotts imposed by the United States and the EU starting in 2003, Myanmar garment producers began to target East Asian economies as substitute export markets and Japan and Korea are still the most important buyers of Myanmar clothing items today (Kudo, 2008; MoC and ITC, 2015). The lifting of sanctions in recent years, however, led to both the United States and the EU gaining ground again as export markets for Myanmar garment products. In fact, 33 per cent of apparel producers in the sample named the United States as an export destination and 32 per cent of respondents said they ship products to EU countries. The United States and the EU, hence, rank second and third in terms of frequency of being mentioned as export markets by survey participants.¹⁵ Apart from the top four (Japan, the United States, the EU and the Republic of Korea), other export markets were mentioned only by a small minority of survey respondents.

Table 5. Myanmar's major export destinations by industry

Export market	Food		Apparel	
	Percentage of respondents	Rank	Percentage of respondents	Rank
Australia	3.3	(7)	3.9	(6)
China	5	(2)	6.6	(5)
EU countries	5	(2)	31.6	(3)
Hong Kong, China	3.3	(7)	1.3	(11)
Japan	10	(1)	46.1	(1)
Korea, Republic of	1.7	(11)	25	(4)
Malaysia	5	(2)	2.6	(8)
Singapore	5	(2)	1.3	(11)
Thailand	5	(2)	2.6	(8)
United Arab Emirates	3.3	(7)	NA	NA
United States	1.7	(11)	32.9	(2)
Viet Nam	3.3	(7)	NA	NA

Note: Multiple responses were possible per respondent so figures do not necessarily add up to 100 per cent.
Source: CESD enterprise survey.

The picture is quite different for the food processing sector. While Japan was the most frequently mentioned export market, it was mentioned by only 10 per cent of respondents (compared to 46 per cent in the apparel sector). Similarly, the three other markets that dominated the ranking in the apparel sector (namely the United States, the EU and the Republic of Korea) are of much less significance as export markets for Myanmar food manufacturers. Other countries seem equally important as buyers of Myanmar food products, including countries that play no or just a minor role as export markets for Myanmar apparel, such as Thailand, Malaysia, Singapore, Viet Nam or Hong Kong (China). Moreover,

¹⁴ This can actually go both ways. Myint et al. (2015), for example, find that average wages are higher in foreign-owned garment companies operating in Myanmar than in locally-owned enterprises. ALR (2016), by contrast, points to significant levels of non-compliance, particularly with laws on working hours and overtime, in many Korean-owned garment factories.

¹⁵ Please note that these percentages only refer to the share of survey respondents mentioning a given country as an export market. They do not say anything about trade volumes or values. That is, while the share of respondents mentioning the United States and the EU as export markets is higher than the share of respondents identifying the Republic of Korea as an export destination, this does not necessarily imply that their total export volume or value to the United States and the EU is higher than to the Republic of Korea. Given that business relationships are still at an early stage, shipment sizes to the United States and the EU might still be smaller than to the Republic of Korea.

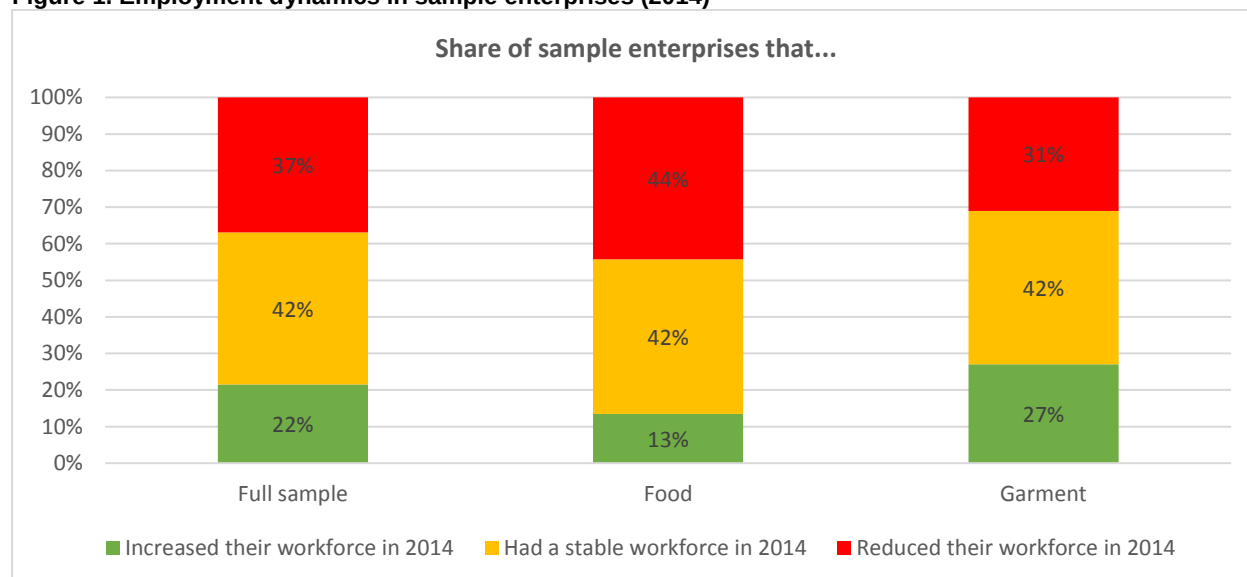
unlike in the apparel sector, Middle Eastern countries such as Kuwait, Qatar, Saudi Arabia or the United Arab Emirates were mentioned as importers of Myanmar food products.

4. Employment dynamics, labour turnover, and workforce composition

This section provides a detailed analysis of responses to the labour-related questions in the survey. It covers issues such as employment dynamics, labour turnover, educational profile, skills, training, employment of foreign labour, labour rights and labour relations, wages paid, working conditions, and the usage of and perceptions on the social security system. This will enable the development of a better understanding about companies' human resource management practices and labour relations and, more generally, about labour market issues in Myanmar from the perspective of employers.

As observed above, Myanmar food processors tend to have a smaller workforce than garment manufacturers. In the sample, the average garment enterprise employs 657 workers while the average food producer employs just 105 workers (see Table 3). Looking at employment dynamics, only slightly more than a fifth (22 per cent) of the enterprises in the sample reported that they increased their workforce during 2014 (see Figure 1). By contrast, more than one third (37 per cent) of surveyed enterprises indicated that they reduced the number of employees in that year. The largest group of enterprises in the sample (42 per cent) did not change in size during 2014. Interestingly, however, the total number of employees across all enterprises in the sample increased between 2013 and 2014. This makes sense in a growing economy like Myanmar's and signals greater concentration of employees at larger enterprises.

Figure 1. Employment dynamics in sample enterprises (2014)

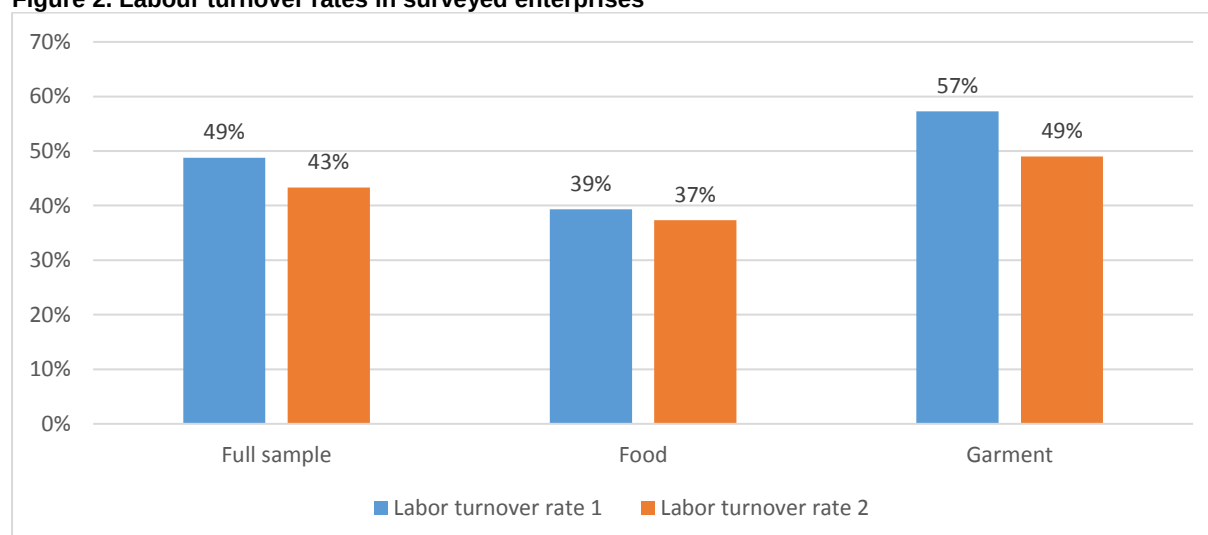


Source: CESD enterprise survey.

However, employment dynamics differ between the food processing and the garment sectors: While only 13 per cent of the food manufacturers in the sample reported an increase in the size of their workforce in 2014, the share was much higher for the booming garment sector at 27 per cent. By contrast, the share of enterprises that reported a reduction in the number of employees is higher in the food processing sector than in the garment sector (44 per cent versus 31 per cent), possibly showing that Myanmar's food processing enterprises are suffering from increasing foreign competition in the wake of economic opening. Meanwhile, 42 per cent of both the food manufacturers and the garment producers in the sample indicated that the size of their workforce did not change in 2014.

This is also confirmed by looking at another indicator, namely enterprise-level labour turnover rates. Figure 2 shows two types of labour turnover rates for the whole sample as well as for the food processing and garment sectors separately: “Labour turnover rate 1” is defined as the average share in an enterprise’s total workforce of all the workers who left in 2014 (including workers who resigned, retired, died or were fired) while “Labour turnover rate 2” is more narrowly defined as the share of resigned workers in an enterprise’s total workforce in 2014. As can be seen in Figure 2, “Labour turnover rate 1” is found to be 57 per cent for the garment producers in the sample, compared to 39 per cent for the food processors surveyed here. This means that an average garment factory saw more than half of its workforce leave in 2014. Figure 2 also reveals that the “Labour turnover rate 2” for 2014 was equally high at 49 per cent for garment producers and 37 per cent for food manufacturers. Using slightly older data, Tanaka (2016) found even higher labour turnover rates. Drawing on information collected through surveys among Myanmar garment enterprises between 2013 and 2015, she reports that, on average, about 6 per cent of workers voluntarily quit their jobs every month (Tanaka, 2016, p. 4), which corresponds to an annual turnover rate of about 70 per cent to 75 per cent. Moreover, the data shows that over 80 per cent of survey enterprises reported that they saw at least one employee resign in 2014. The small difference between the values for “Labour turnover rate 1” and those for “Labour turnover rate 2” suggests that the high labour turnover rates are largely initiated by workers.¹⁶ Most resignations are indeed the workers’ decision. In some cases, however, workers are also pressured to resign, not least to alleviate their employer’s severance pay requirements.¹⁷

Figure 2. Labour turnover rates in surveyed enterprises



Note: “Labour turnover rate 1” is defined as the average share in an enterprise’s total workforce who left in 2014 (including workers who resigned, retired, died or were fired) while “Labour turnover rate 2” is defined as the share of resigned workers in an enterprise’s total workforce in 2014.

Source: CESD enterprise survey.

High labour turnover rates are, thus, one of the key issues in Myanmar’s labour market. This is also confirmed by anecdotal evidence and by information collected through qualitative interviews conducted at the margins of the survey. Moreover, high labour turnover rates also affect other sectors, not just those analysed here (see Lim, 2015, for example). While it is not unusual that employees resign and leave a company, what is notable is that the average labour turnover rate for the survey sample as a whole was more than a staggering 40 per cent in 2014 (regardless of whether it is measured according to definition 1 or definition 2) due to resignations or other reasons for leaving in 2014.¹⁸ However, some

¹⁶ These figures, therefore, also imply that essentially there is very little firing and laying off. To a certain extent, this might also reflect enterprises responding in a way that they perceive as socially desirable.

¹⁷ See: <http://www.investinmyanmar.com/myanmar-labor-laws/>.

¹⁸ High labour turnover rates are actually quite a common phenomenon in garment industries of developing countries. For example, Dinh (2013, p. 57) found labour turnover rates of up to 85 per cent in Guangdong Province, China, while MOLISA (2011, p. 17) reports labour turnover rates of between 20–40 per cent in the Vietnamese apparel sector in 2011. Meanwhile,

enterprises in the sample reported labour turnover rates of more than 100 per cent or even more than 200 per cent.

The high turnover rates in Myanmar factories could be driven by a number of factors, however due to the survey's methodology it is not possible to identify any causal factors with certainty. One potential driver of turnover is workers' dissatisfaction with their jobs. There is evidence from other studies that low wages, poor working conditions and long working hours can increase turnover rates. Tanaka (2016) finds that labour turnover rates are lower in plants with better working conditions. In other cases, workers also decide to leave because they are discontent with management or the ambiguous nature of their responsibilities (Tip, 2013). Some enterprises in Myanmar exhibit some of these characteristics (see figure 20, figure 23 or table 12 below, for example).

Another potential factor could be the lack of professionalism among some workers. According to an interview with a human resource specialist in Myanmar, a certain proportion of workers, especially new entrants into the labour market, appear to lack a professional attitude (in terms of punctuality or absenteeism) which may result in their dismissal during or after their probation period. Some workers also have relatively low levels of frustration tolerance so they quit easily when they feel treated unfairly or pressured by supervisors or production targets.¹⁹

A third driver could be shortcomings in management practices. Some managers and factory owners may believe that workers are easily replaced so they may not screen job applicants thoroughly nor try to retain their workers. Moreover, from interviews with workers, some non-governmental organizations (NGOs) draw the conclusion that supervisors and overseers often lack the skills, especially soft skills, needed for their job and they quickly resort to verbal abuse in stressful situations (ALR, 2016; Oxfam, 2015). These potential drivers are complicated by the lack of well-functioning grievance mechanisms and the inexperience with a culture of dialogue and willingness to resolve disputes jointly between employers and employees. Without a functional channel through which workers and employers have confidence that disputes can be impartially resolved, some workers may resort to resignation.

High labour turnover rates are likely also a reflection of Myanmar's very dynamic and rapidly changing economy which is constantly creating significant numbers of new employment opportunities in other factories. For many workers, especially rural migrants newly arrived in Yangon, the garment industry may represent a "first stop". They work for a period of time in a factory, which allows them to gain some work experience and develop some skills. They remain alert to opportunities around them, and may talk to co-workers and acquaintances or even cycle through factories to see if other companies offer better wages or slightly better working conditions. Indeed, Tip (2013) reports that employee turnover is particularly high at the entry level. Those workers with at least some educational achievements (such as a high school degree) may even try to find a better job in another sector, such as in services or as an office worker.

Finally, some labour turnover may be driven by migrant workers leaving their factory job to return home to engage in their communities, marry, start a family, take care of relatives, or embark on further education. Overall, the elevated levels of labour fluctuation seem to be a symptom of high labour mobility and tight and dynamic labour markets in Myanmar where workers – in view of the potential driving factors listed above – are rather quick to resign and change jobs.

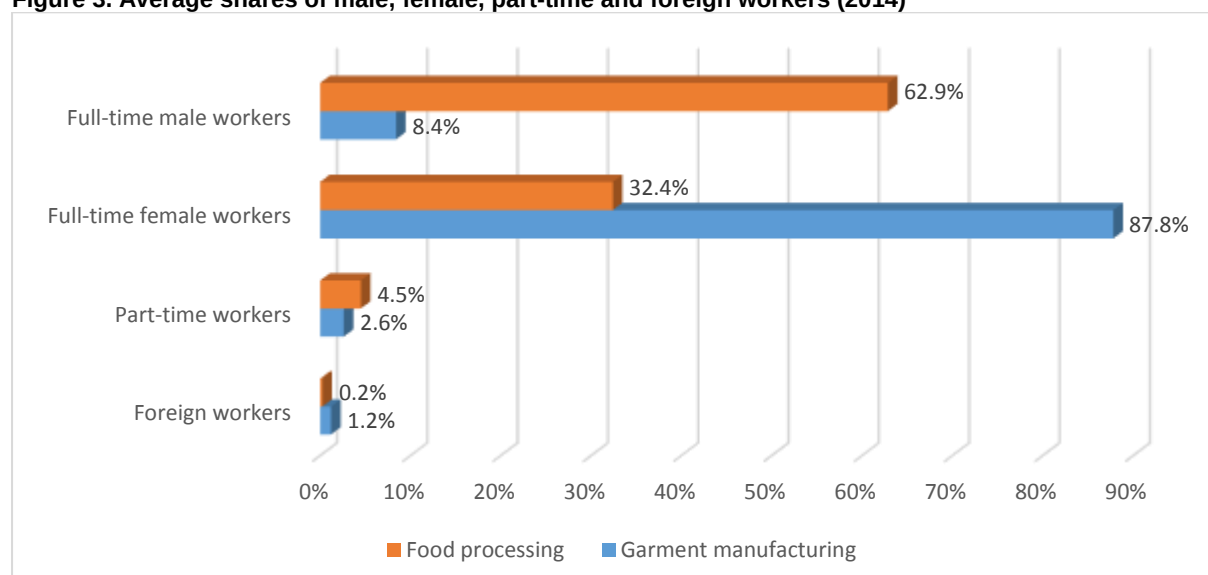
Record et al. (2014, p. 153) calculate monthly attrition rates to be between 3.5 per cent and 6 per cent in Lao garment factories (roughly corresponding to yearly turnover rates of between 40 per cent and 75 per cent). Similarly, Vixathep and Matsunaga (2012) report high labour turnover rates in Cambodia's clothing sector. These examples show that the situation in Myanmar is not unique and that labour-intensive industries in other countries have faced similar difficulties to attract and retain workers. These studies all characterize the observed labour turnover rates as 'high'. Given that the labour turnover rate recorded for the companies in the sample are similar or even higher, it is fair to characterize the rate as 'very high'.

¹⁹ Information obtained through an interview with a human resources specialist based in Yangon.

In any case, high turnover also creates problems for enterprises. First, it disrupts the production process. Second, it can have negative impacts on productivity as new employees, hired to replace workers who have resigned, typically need some time for learning(-by-doing), mentoring and on-the-job training before they are up to speed and as productive as their predecessors. Third, some workers who leave a factory may complain to peers or start rumours that damage the reputation or reduce the company's ability to attract skilful or reliable workers in the future. Lastly, enterprises have little incentive to invest in human resource development through training if newly trained employees readily leave the company when offered a higher wages in another factory. This can decelerate or even impede processes of skills upgrading and productivity enhancements. This issue will be discussed again below.

Figure 3 illustrates the workforce composition of the enterprises in the survey sample in terms of gender, form of employment (full time versus part time²⁰), and country of origin (local versus foreign workers) in 2014. It shows the percentages of jobs, on average, occupied by male and female full-time workers, part-time workers and foreigners in the food processing and apparel manufacturing industries. The percentages shown there add up to 100 per cent for each of the two industries. The data for part-time and foreign workers are not disaggregated by sex.

Figure 3. Average shares of male, female, part-time and foreign workers (2014)



Source: CESD enterprise survey.

As can be seen in Figure 3, most employees in garment factories are female full-time workers (almost 90 per cent). This is similar to the situation in many other countries and points to the importance of the clothing sector in terms of providing formal employment opportunities to Myanmar women. By contrast, male workers dominate the food processing industry where they account about 63 per cent of workers.

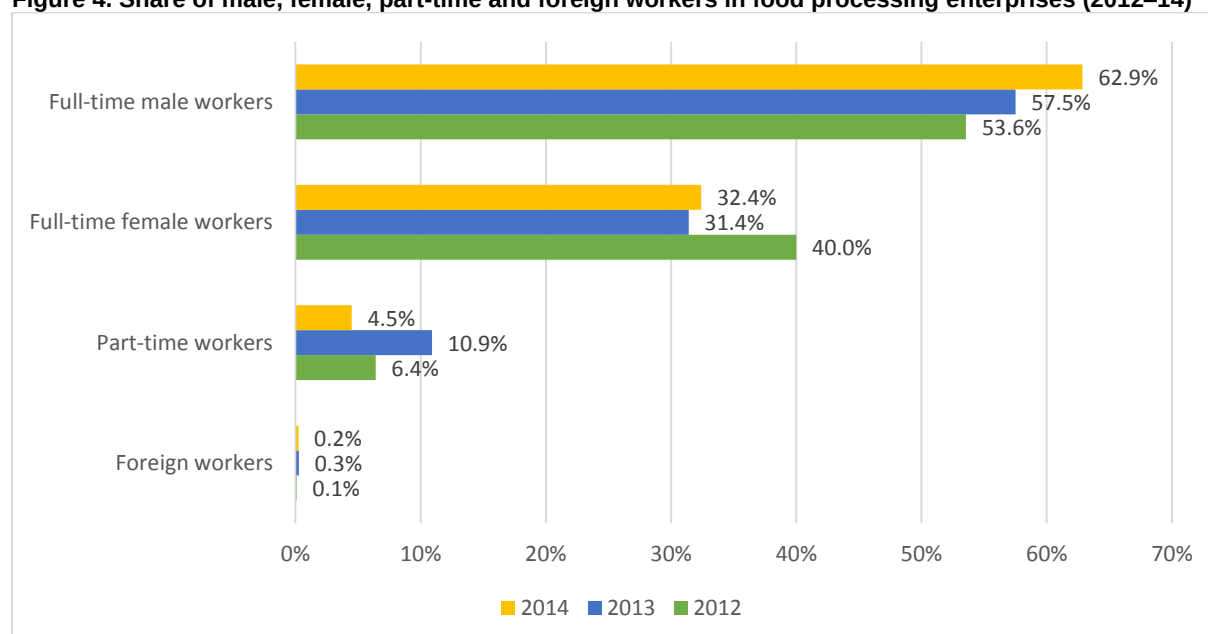
Part-time jobs are much more common in the food processing industry than in the garment industry. Around 4.5 per cent of a typical food manufacturer's workforce consists of part-time workers while the corresponding proportion, on average, is only 2.6 per cent for garment producers. A main reason for this may be that food manufacturing enterprises are often subject to seasonal trends, for example to process fruit, vegetables or other agricultural crops. When food manufacturers are exposed to such a

²⁰ It is important to note here that the survey questionnaire asked about part-time workers but not about seasonal workers. It is therefore likely that at least some respondents included seasonal workers in their count of part-time workers. In general, there is a certain tendency to use the terms 'seasonal workers' and 'part-time workers' interchangeably. A likely reason for this imprecise use of terminology is that seasonal workers are seen as working only during certain parts of the year so they are understood to work part time only. This caveat is important to keep in mind when interpreting the figures reported here on part-time workers.

seasonal trend, they usually hire part-time workers who are often paid on a daily basis to cope with the seasonal fluctuations in the workload.²¹

Foreign staff make up the smallest share in the workforces of the companies in the sample. However, their share is much higher in the garment industry compared to the food manufacturing industry (1.2 per cent versus 0.2 per cent). On the one hand, this is likely due to the higher number of foreign-owned enterprises (which often bring their own managers from overseas) and the greater export orientation (which requires certain skills, e.g. language skills) in the garment industry (see also Table 3) whereas local food producers focusing on the domestic market usually do not hire foreign workers. Indeed, as will be shown further below, most of these foreign employees occupy positions as managers, professionals, technicians or engineers. By contrast, there are almost no low-skilled foreign workers. On the other hand, this might also reflect differences across sectors in terms of the supply of necessary skills in the local labour market. However, according to anecdotal evidence collected through field interviews during survey implementation, food processing enterprises may hire foreign labour on a short-term basis for acquiring technical knowledge. In any case, all these differences are indications of the divergent nature, skill requirements and task profiles of the two industries studied here.

Figure 4. Share of male, female, part-time and foreign workers in food processing enterprises (2012–14)



Source: CESD enterprise survey.

Figure 4 shows how the workforce composition of food processing enterprises changed between 2012 and 2014, with an increase in the share of male full-time workers from 54 per cent to 63 per cent. This suggests that new jobs in the food processing industry have gone primarily to men while the share of women employees was more affected by job cuts or resignations, resulting in an even higher number of men among full-time workers. Meanwhile, the shares of part-time workers and foreign workers remained more or less unchanged between 2012 and 2014.²² Unfortunately, due to low response rates for earlier years (i.e. 2012 and 2013), it was not possible to conduct a similar analysis of employment composition trends for the garment industry.

²¹ Another possible reason is that, compared to the garment sector, more food processing enterprises operate in the in-formal sector where often no employment contracts are signed. However, given that all (or almost all) of the enterprises in the sample operate in the formal sector, the dataset does not enable such possible differences to be observed.

²² There were hikes for both in the year 2013 but that seems to have been due to outliers.

5. Education, skills, training and foreign labour

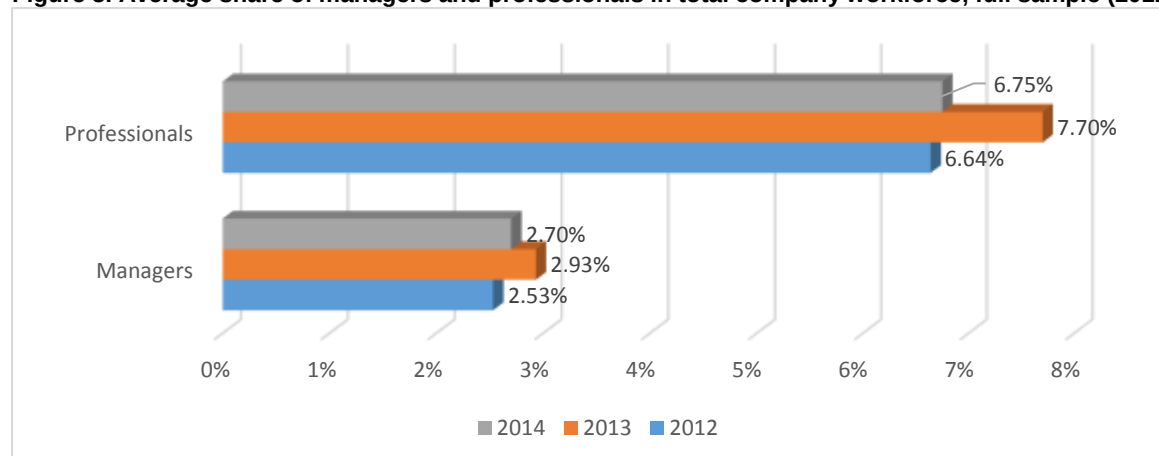
This section examines in more detail the education and skills profile, the level of training activities, and the employment of foreign labour of sample enterprises. As reported in Table 3, most of the surveyed enterprises (92 per cent of food processing and 60 per cent of apparel manufacturing) are family-operated. A significant share of family-operated enterprises (around 90 per cent) reported that the founder or owner had secondary or even university education (see Table 6), with some differences across sectors. Overall, the founders or owners of family-run apparel manufacturing enterprises are more likely to be university educated when compared with food manufacturers (78 per cent versus 69 per cent). At the same time, there is a much higher share of family-run food manufacturers whose founder or owner has no formal education or only primary education (12 per cent) when compared to garment companies (2 per cent).

Table 6. Education level of founders/owners of family-run enterprise (Percentage)

Education level	10. Manufacture of food products	14. Manufacture of wearing apparel
No formal education	3	2
Primary education	9	0
Vocational/diploma	0	2
Secondary	29	18
University	59	78

Source: CESD enterprise survey.

Figure 5. Average share of managers and professionals in total company workforce, full sample (2012–14)



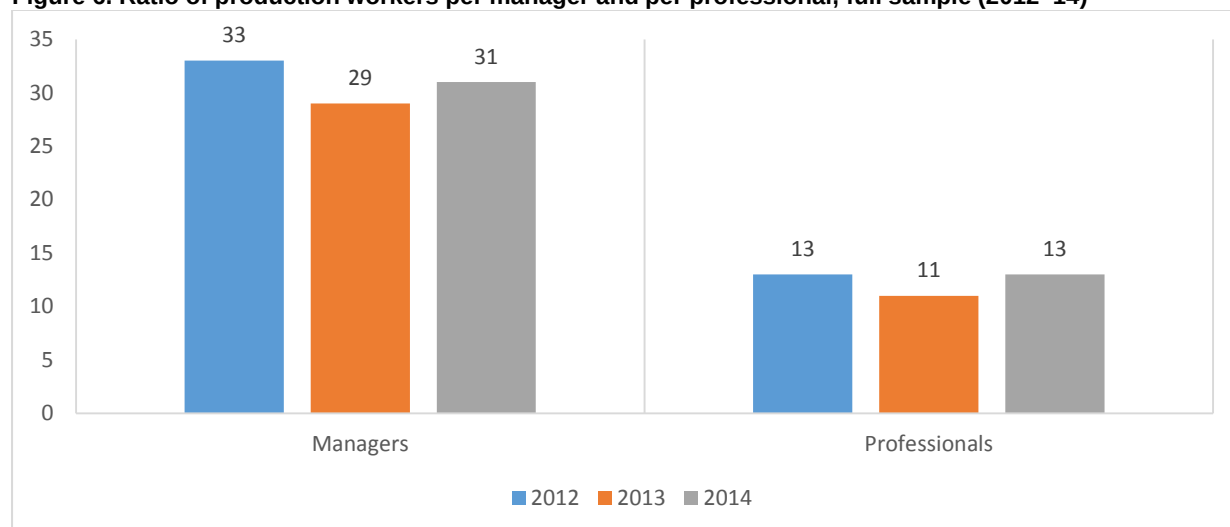
Source: CESD enterprise survey.

In terms of non-production employees in the workforce of sample enterprises, managers and professionals make up rather small shares of the total (i.e. production plus non-production) workforce. As can be seen in Figure 5, managers comprise around 2.5 per cent to 2.7 per cent of a typical company's total workforce while professionals account for about 6 per cent to 7 per cent. Interestingly, there has been a slight upward trend in the relative importance of managers and professionals for the workforces of the companies in the sample, with the average share of managers in the total number of company employees increasing from 2.53 per cent to 2.70 per cent between 2012 and 2014 while the share of professionals rose from 6.64 per cent to 6.75 per cent. In both cases, a hike in 2013 may be an outlier, but the data are not conclusive on that point.

The same trend is observable in Figure 6 which shows the ratio of production workers per manager and the ratio of production workers per professional. In 2012, there was one manager per 33 workers. By 2014, this ratio had gone down to 31, implying that an average manager had two production workers less to manage. Put differently, there were more managers per production worker in 2014 than in 2012. Meanwhile, the ratio of professionals per production worker did not change much between 2012 and

2014, remaining at 13, implying that there was no visible trend towards professionalization in the workforces of the enterprises in the sample.

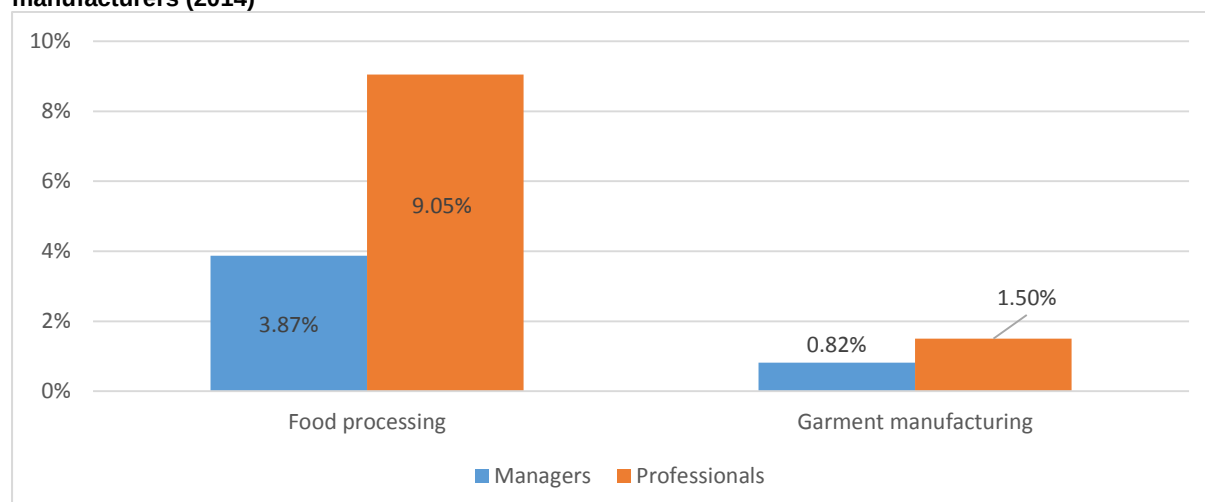
Figure 6. Ratio of production workers per manager and per professional, full sample (2012–14)



Source: CESD enterprise survey.

Comparing across industries, however, reveals some differences. In 2014, the average share of managers in the workforces of garment enterprises was only 0.82 per cent while it was 3.87 per cent among food processors (see Figure 7). Similarly, professionals make up only about 1.5 per cent of an average garment manufacturer's workforce whereas they account for 9.05 per cent of a typical company in the food processing industry. This reflects the fact that production of garments typically happens on a large scale, carried out in largely standardized processes in big factories by predominately low-skilled labour that can be supervised and managed by a rather small group of professionals. It also reflects the fact that management and professional tasks (such as procurement, marketing and distribution) in many foreign-owned garment enterprises are to a certain extent carried out in headquarters abroad and not in the factory located in Myanmar.

Figure 7. Average share of managers and professionals in the workforces of food processors and garment manufacturers (2014)

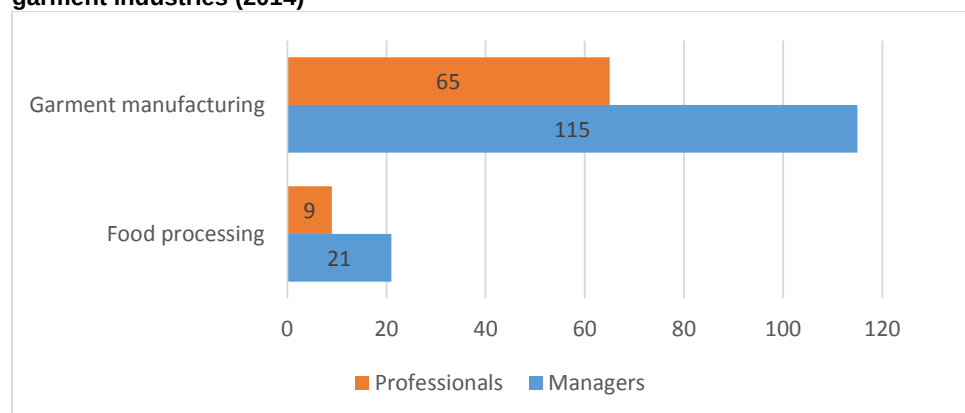


Source: CESD enterprise survey.

Figure 8 shows a similar issue. In 2014, there was one manager per 21 production workers in the food processing industry whereas one manager in the garment sector was responsible for, on average, 115 production workers. Similarly, there was, on average, one professional per nine production workers in food processing enterprises but only one professional per 65 production workers in the garment

industry. Obviously, these differences are partly related to the significantly smaller average size of food processors. However, they also imply that the span of control is narrower in Myanmar's food processing industry than in its garment sector.

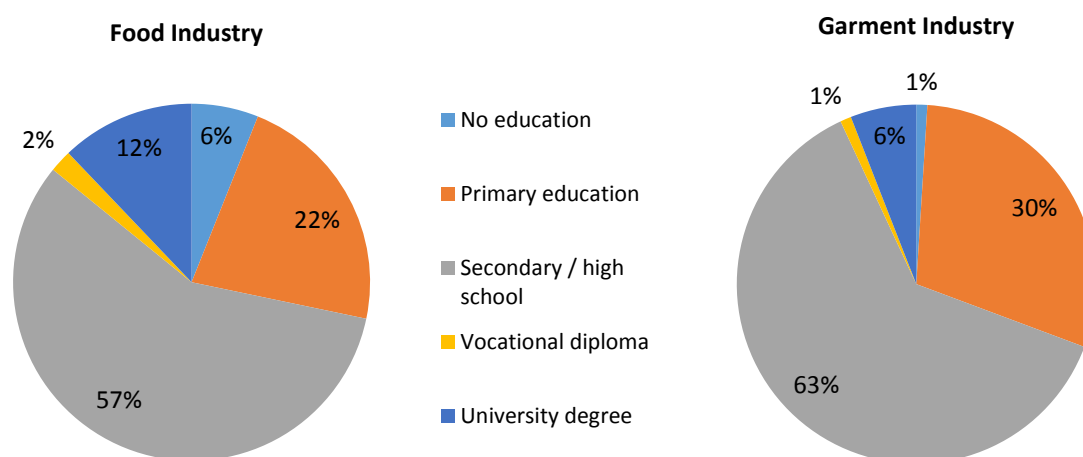
Figure 8. Ratio of production workers per manager and per professional in the food processing and garment industries (2014)



Source: CESD enterprise survey.

After having examined the relative importance of higher ranking non-production staff (such as professionals and managers) in the workforce of enterprises surveyed, the following section provides an analysis of educational achievements of sample companies' employees and of the skills composition of companies' production workforces more specifically.

Figure 9. Education level of workforce in the food processing and garment industries (2014)



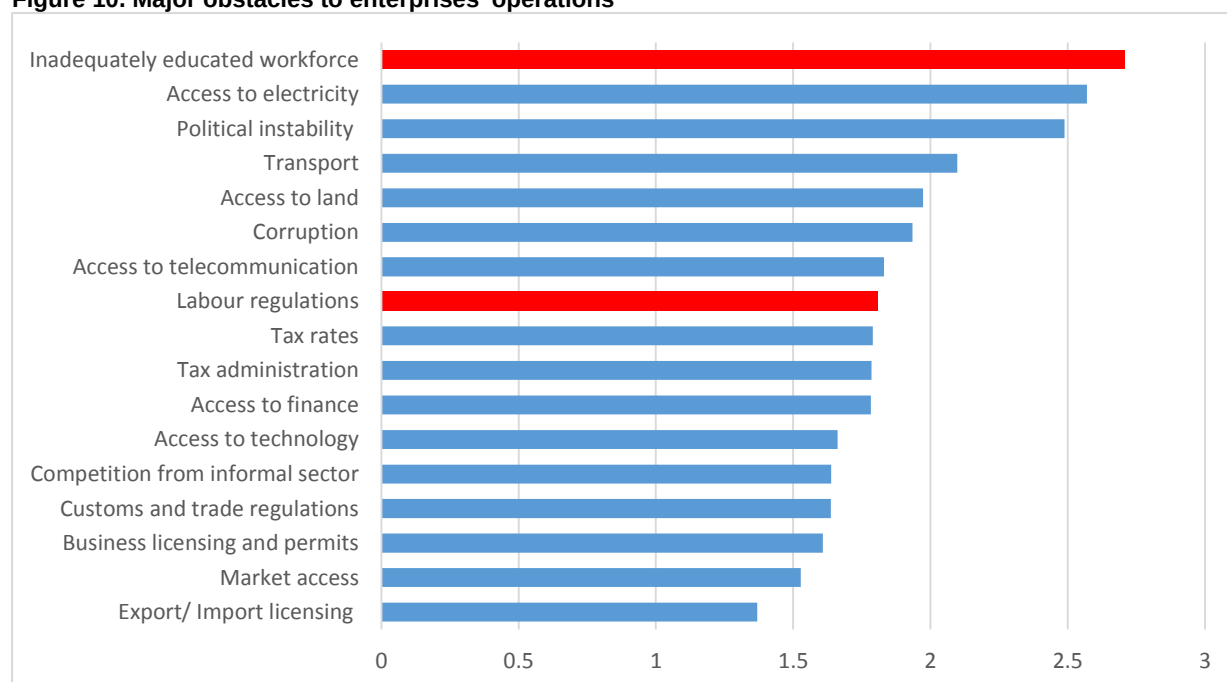
Source: CESD enterprise survey.

Figure 9 shows the average educational achievements of companies' workforces. Around 60 per cent of employees in both industries have completed secondary or high school, meaning that more than half of the workforce of food and garment producers has at least 8–12 years of schooling. There are, however, some differences across sectors at both extremes of the educational ladder. On the one hand, the share of employees with a university degree is higher in food processing companies than in garment enterprises (12 per cent versus 6 per cent). On the other hand, the share of workers with no formal education at all is also much higher in the food processing industry than in the garment industry (6 per cent versus 1 per cent). By contrast, workers that have only completed primary school make up a bigger proportion in the garment industry than in the food processing industry (30 per cent versus 22 per cent). Overall, the workforces of the enterprises that participated in the survey appear to be quite well

educated;²³ however, this obviously says little about the quality of the education that they have received. Anyway, given the education level that they have, workers seem to have a basis that allows them to be receptive to learning and able to absorb new knowledge to upgrade their skills when provided with training.

At a general level, Myanmar's labour force has been criticized for a lack of skills by both local and foreign entrepreneurs. Indeed, one question in the survey asked respondents to evaluate to what extent they viewed different issues to be an obstacle to their operations. More precisely, they were given a list of possible obstacles to operating in Myanmar and asked to rate them from 1 (no obstacle) to 5 (very severe obstacle). Their responses provide interesting insights on what enterprises see as key constraints to being successful. Figure 10 shows the average scores for these different obstacles. The inadequately educated workforce was given the highest score, meaning that it was ranked as the most severe impediment to enterprises' operations. This points to a widespread perception among enterprises that there is a scarcity of skilled labour that jeopardizes their competitiveness and is an impediment to being successful. Access to electricity and political stability were identified as the second and third most severe obstacles. Labour market regulations are ranked as only the eighth most severe impediment on this list; interestingly, however, garment producers see them as a much bigger obstacle (in fact, the sixth most important one) than food processors (rank 13). A shortage of skilled labour was actually also mentioned as a major bottleneck to current operations of enterprises participating in the UNESCAP-OECD-UMFCCI survey and the World Bank Enterprise Survey (Soans and Abe, 2015; World Bank, 2014).

Figure 10. Major obstacles to enterprises' operations



Note: Respondents were asked to rate each of these possible impediments to operating on a scale from 1 to 5 where 1=no obstacle - 5=very severe obstacle; the figures presented here are average scores.

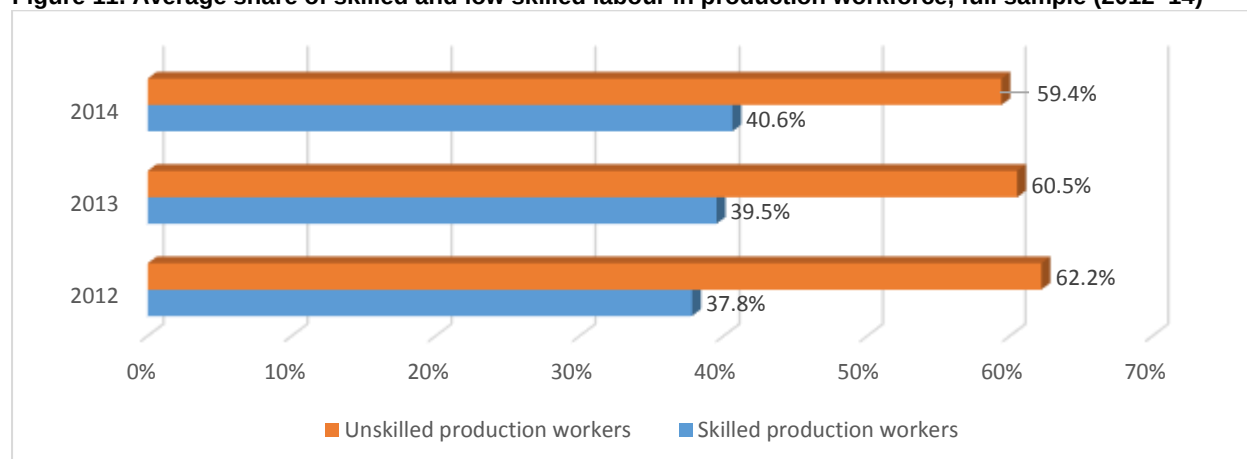
Source: CESD enterprise survey.

Another question in the survey asked respondents to indicate the number of skilled production workers and low skilled production workers employed in their company. The questionnaire did not offer a definition of what characterizes a 'skilled' (as opposed to 'low skilled') worker so it was left to the respondent to decide who qualifies as a skilled worker and who does not. Figure 11 displays the survey

²³ By comparison, according to data from the 2014 Myanmar Population and Housing Census, only around 10 per cent of Myanmar's population aged 5 years or older completed high school while 14 per cent have no formal education and another 45 per cent completed only primary school (DoP, 2015).

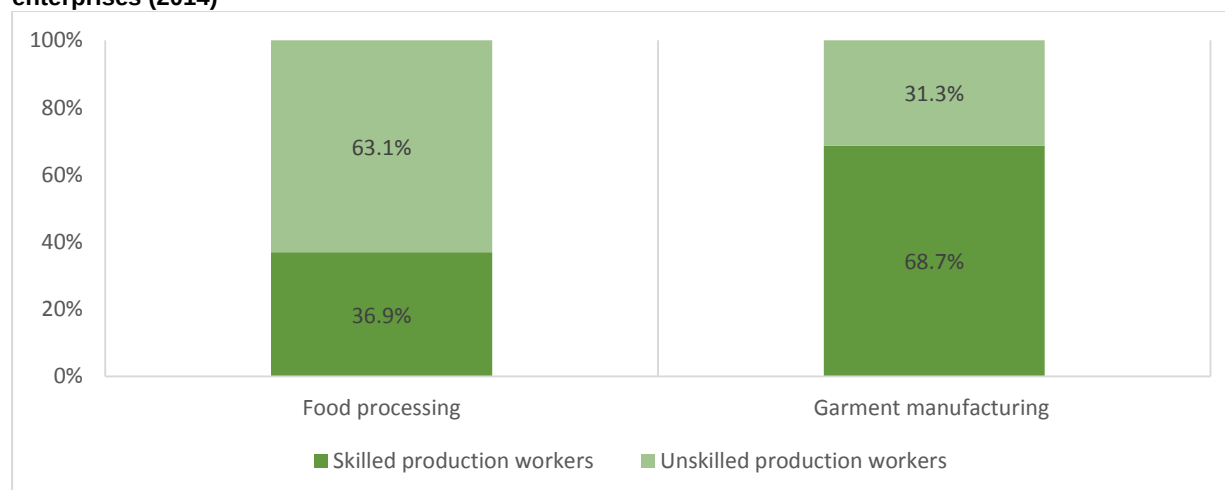
findings on the composition of the workforces in terms of skilled and low skilled production workers. Around 60 per cent of production workers are low skilled. This is not surprising given that the companies in the survey sample operate in sectors that are not skill-intensive but rather rely on cheap, low-skilled labour. Interestingly, however, the share of skilled production workers increased over time between 2012 and 2014 from 37.8 per cent to 40.6 per cent of the sample enterprises' total production workforces. This could be a reflection of the growing recognition among companies that in an increasingly open and competitive market context employing skilled labour is not only an asset but a prerequisite for survival and prosperity. In other words, enterprises increasingly recognize that hiring and retaining skilled production workers is essential for production efficiency, cost effectiveness and also for the training of and skill transfer to new employees. The upward trend in skilled labour might also reflect efforts by companies to train their employees and upgrade their skills – but evidence provided further below casts some doubt on this hypothesis (see Figure 13).

Figure 11. Average share of skilled and low skilled labour in production workforce, full sample (2012–14)



Source: CESD enterprise survey.

Figure 12. Average share of skilled and low skilled labour in food processing and garment manufacturing enterprises (2014)



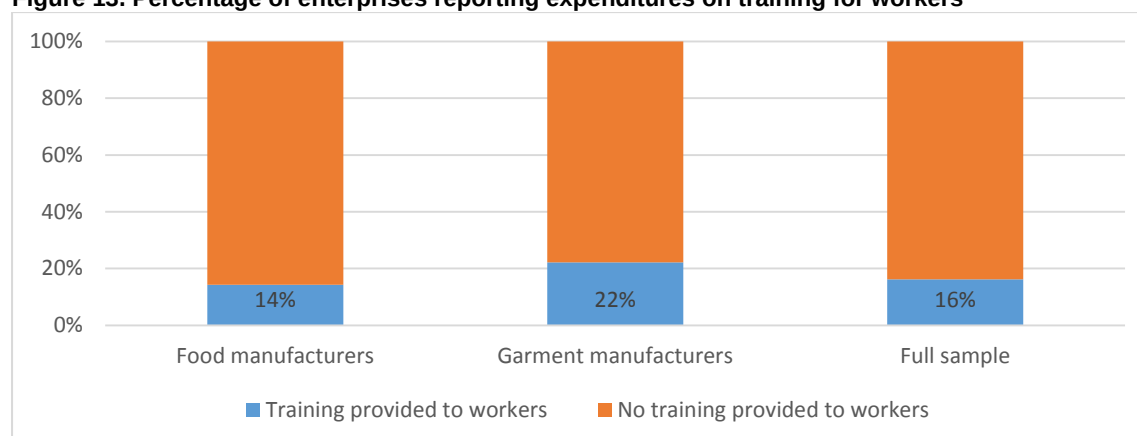
Source: CESD enterprise survey.

Comparing across sectors, the share of skilled labour in garment enterprises' production workforces, at 68.7 per cent, is almost double that observed for the food processors in the sample (at 36.9 per cent) (see Figure 12). This suggests that garment production in Myanmar is more skill intensive than food processing. However, this finding is a bit surprising for a number of reasons. First, garment production is typically seen as a low-skilled industry. Second, as can be seen in Figure 9, the workforces of the food manufacturers in the sample are, on average, slightly better educated than those of the garment producers. As mentioned above, the questionnaire did not define 'skilled' versus 'low skilled' workers, which could have given rise to this discrepancy. Apart from that, the low skill composition may also be

influenced by the higher share of part-time workers in the food processing industry (see again Figure 3 above). However, the results for the garment sector in particular have to be interpreted with caution as they are based on a very small sample of companies as many survey participants decided not to respond to this question.

Offering training and skill development programmes is an important means for companies to enhance skill levels, productivity and professionalism among staff. The survey found that only a very small proportion of enterprises reported expenditures on training for their workers (see Figure 13),²⁴ at 22 per cent among garment producers and 14 percent among food manufacturers.

Figure 13. Percentage of enterprises reporting expenditures on training for workers



Source: CESD enterprise survey.

This finding is much lower than a comparable statistic from the UNESCAP-OECD-UMFCCI survey, where around 47 per cent of respondents reported at least some expenditure on trainings for their employees (Soans and Abe, 2015, p. 40). It is, however, more or less in line with results from the World Bank Enterprise Survey, according to which only a tenth of small enterprises, 26 per cent of medium-sized enterprises and 31 per cent of large companies offer formal training to their workforce. These percentages are lower than for other countries in the region, such as the Lao People's Democratic Republic, Viet Nam, the Philippines or China, where World Bank Enterprise Surveys have been conducted (World Bank, 2014b, p. 9).²⁵

Although the survey did not ask about the causes of the low levels of investment in skills development, it seems likely that one reason is a lack of awareness of the possible benefits of personnel training. Moreover, small enterprises in particular might not have the financial potency for staff development or they simply might not be able to afford to give workers time off to attend training during working hours. Furthermore, the high labour turnover rates that companies are experiencing (see Figure 2) may lead to the view that expenditure on staff skills development is a wasted investment. This suspicion is also

²⁴ The survey asked respondents about their expenditures on training in the year 2013. However, because the response rate on that question was extremely low, these figures are not reported here. However, they suggest that the share of companies reporting expenditures on training for their employees increased between 2013 and 2014. One reason for this increase could be companies' expectation of intensifying regional competition related to the inception of the Economic Community of the Association of Southeast Asian Nations at the end of 2015. Enterprises are preparing by trying to enhance their competitiveness through training their workforce.

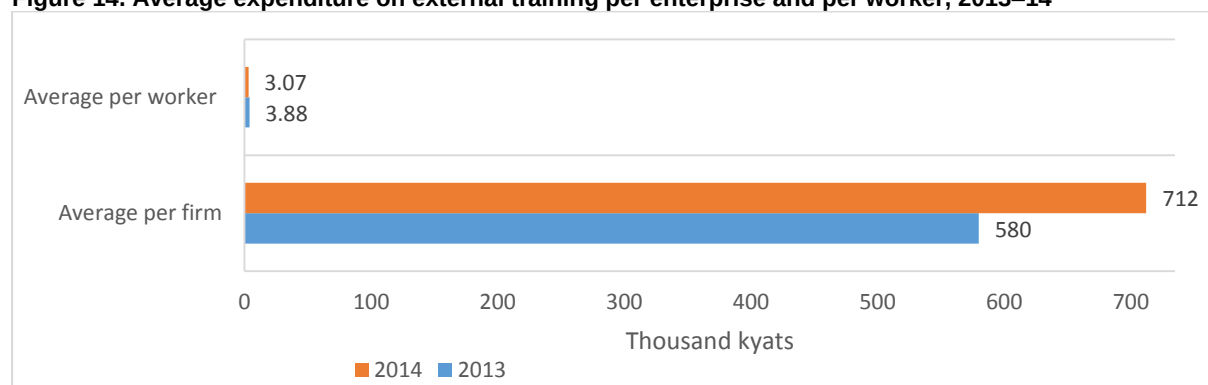
²⁵ While it is difficult to fully explain these differences, they are probably related to differences in sampling methods, survey implementation practices and the sectoral composition of the different survey samples. Indeed, Soans and Abe (2015) report that expenditure on training varies with enterprise size, but almost 70 per cent of microenterprises and around 45 per cent of small enterprises spend nothing on training. These rates are much lower for medium and large enterprises. There are also likely to be differences across sectors, as the survey results suggest. In fact, according to calculations made available to the authors by UNESCAP, 42 per cent of garment enterprises and 43 per cent of food-processing enterprises report at least some expenditure on external training, below their full sample average of 47 per cent. In Myanmar, the garment sector is particularly severely affected by high labour turnover rates which, as argued above, reduce incentives for employers to invest in training and skills development.

shared by Soans and Abe (2015, p, 40) who state that “[f]irms may be reluctant to spend on training for employees as they are afraid that employees will move to other firms.” This can create a vicious circle whereby companies, out of fear that newly trained employees will leave their job when offered a higher wage somewhere else, invest little in training their workforce, thereby not offering a longer-term commitment and perspective on their contractual relationship and not instilling a sense of loyalty in their workers, which in turn makes the workers feel more replaceable and more willing to leave. From a macroeconomic perspective, this is bad news as such a deadlock probably hampers advances in productivity.

It should be noted, however, that because the data reported here focus on expenditure on training, it is likely that internal and more informal training mechanisms, such as job orientation programmes, mentoring and on-the-job training, were not reported in the survey. Such mechanisms of skill development and skill upgrading are definitely important, particularly for SMEs. Indeed, information collected through other enterprise surveys confirms that most enterprises organize in-house training for their staff to upgrade their skills (Soans and Abe, 2015; Deval, 2015; World Bank, 2014b). This will be discussed again below.

Given how many (or, actually, how few) companies invest in employee training, it is interesting to see how much they spend. Figure 14 shows that in 2014 companies that invested in training spent on average about 700,000 kyats (MMK) (roughly US\$700). While this corresponds to an increase compared to 2013 (according to the very limited data for 2013), this is still a very small amount. Moreover, as can be seen in Figure 14, the average amount of money enterprises spent per worker is not only very low (at around MMK3,000) but has also decreased. This figure is not far off from the finding of the UNESCAP-OECD-UMFCCI survey, in which around 60 per cent of the sampled enterprises reported annual training expenditures of less than MMK5,000 per employee (Soans and Abe, 2015).²⁶ Overall, only a small proportion of enterprises reported training expenditures and reported expenditures were very low.

Figure 14. Average expenditure on external training per enterprise and per worker, 2013–14



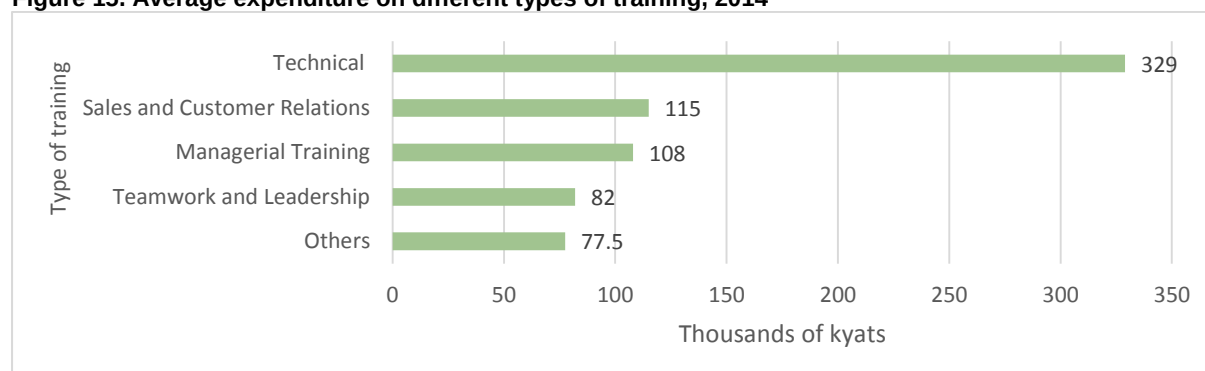
Source: CESD enterprise survey.

Figure 15 gives a breakdown of training expenditure for the year 2014. For enterprises that reported expenditure on training, figure 15 shows how much they spent, on average, on different types of training. The data show enterprises spent most on technical training at MMK329,000, followed by training on sales and customer relations (MMK115,000) and managerial training (MMK108,000). Such training is important to improve productivity, quality assurance and market penetration. This suggests that some enterprises may be preparing for the more intense competition they (rightly) expect in the future due to regional and global economic integration dynamics. To withstand increasing competition, it is crucial for Myanmar companies not only to upgrade the technical skills of their workforce but also to invest in the improvement of skills at the management level and in areas that might not have been so important under previous enterprise models (including language skills or sales and customer relations).

²⁶ Additional sector-level calculations made available to the authors by UNESCAP show that this percentage is even higher in the food processing sector (61 per cent) and the garment sector (62 per cent).

However, given the currently low incidence of training and the extremely low expenditures shown in the data, future success will probably require enterprises to scale up their efforts in this area.

Figure 15. Average expenditure on different types of training, 2014



Source: CESD enterprise survey.

Next, this section presents an analysis of how many employees benefitted from different types of external training in 2014. Overall, the number of beneficiaries is small. On average, only around eight employees per enterprise received training in 2014 (corresponding to about approximately 3.5 per cent of the enterprise workforce). Out of these, 2.6 workers per enterprise received technical training while 2.3 employees participated in training on sales and customer relations (see Figure 16). Even fewer employees benefitted from managerial training (on average 0.75 people per enterprise) and from teamwork and leadership training (only an average of 0.42 employees per enterprise). Obviously, the low number of beneficiaries is, at least partly, a reflection of the fact that there are more workers than managers in the surveyed enterprises. Another interpretation for this pattern is that enterprises perceive the technical skills of their workers to be more deficient and more in need of development than the management skills of their senior staff.

Figure 16. Average number of employees receiving external training, by training type (2014)

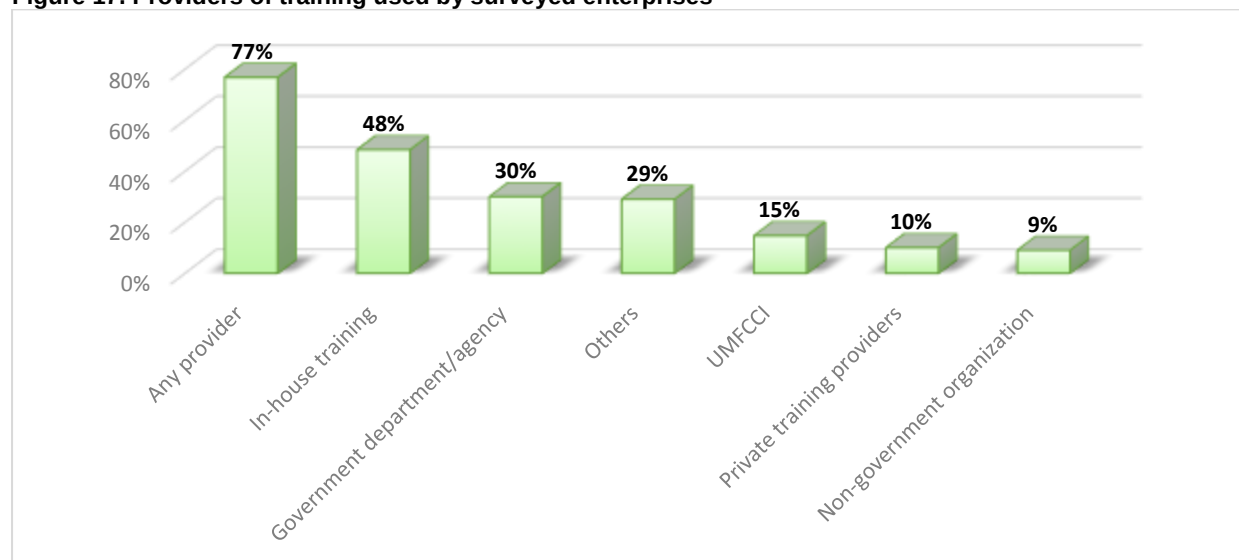


Source: CESD enterprise survey.

The discussion so far has focused on enterprises that reported having spent money on training for their employees. However, as mentioned above, there are also other mechanisms, such as job orientation programmes, mentoring and on-the-job training, how enterprises can engage in developing and upgrading their workforce's skills, and these activities (which are costless, aside from opportunity costs in the sense of workers being off production during training time) were not necessarily captured by the data analysed up to here. Indeed, this can be seen in Figure 17 which shows the importance of different training providers for the companies in the sample. In fact, 77 per cent of respondents indicated usage of at least one of the providers listed in the questionnaire, implying that more than three quarters of all surveyed enterprises engage in at least some kind of training for their workers (even if it is not one that has to be paid for). Moreover, the most common form of skills development is indeed in-house training which almost half of the sample enterprises provide. After that, government departments or agencies are the second most popular providers of training (used by around a third of respondents), followed by

“other” organizations (used by 29 per cent of respondents) which include fire brigades, the Red Cross and United Nations agencies such as the ILO and the Food and Agriculture Organization of the United Nations (FAO). By comparison, training offered by UMFCCL, private training providers, and NGOs are used only by a minority of companies (between 9 per cent and 15 per cent).

Figure 17. Providers of training used by surveyed enterprises



Note: The category “Any provider” shows the percentage of enterprises that made use of at least one of the training providers listed in the survey questionnaire.

Source: CESD enterprise survey.

These figures show that food processors and garment industries rely strongly on costless workplace training. The dominant kind of training is, thus, likely to be very basic, e.g. consisting of telling employees what they need to do, giving them basic instructions on how to do it, etc. In any case, this seems to be the preferred means to improve the efficiency and skills of their workforce rather than spending money on external training. In-house training seems to be perceived as a cost effective way for enterprises to upgrade their employees’ skills without needing to reduce their working hours much (as would be the case if workers have to attend training outside the company’s premises). Although the survey did not ask enterprises what kind of training they received from the different providers (namely the Government, UMFCCL, NGOs, private institutes and other organizations), it is understood that most training offered by these organizations are in the areas of managerial skills, entrepreneurship, hygiene and safety training. By contrast, they hardly offer training on technical skills development. This is also particularly true for the “other” organizations listed in the survey questionnaire. When asked to identify what kind of organizations they mean here, respondents very often mentioned entities such as fire brigades and the Red Cross. These organizations are likely to offer training on factory safety and workers’ health issues which can have positive effects on workers’ well-being. However, training of this type is not likely to lead to the development of work-related skills and, hence, will not directly contribute to productivity increases.

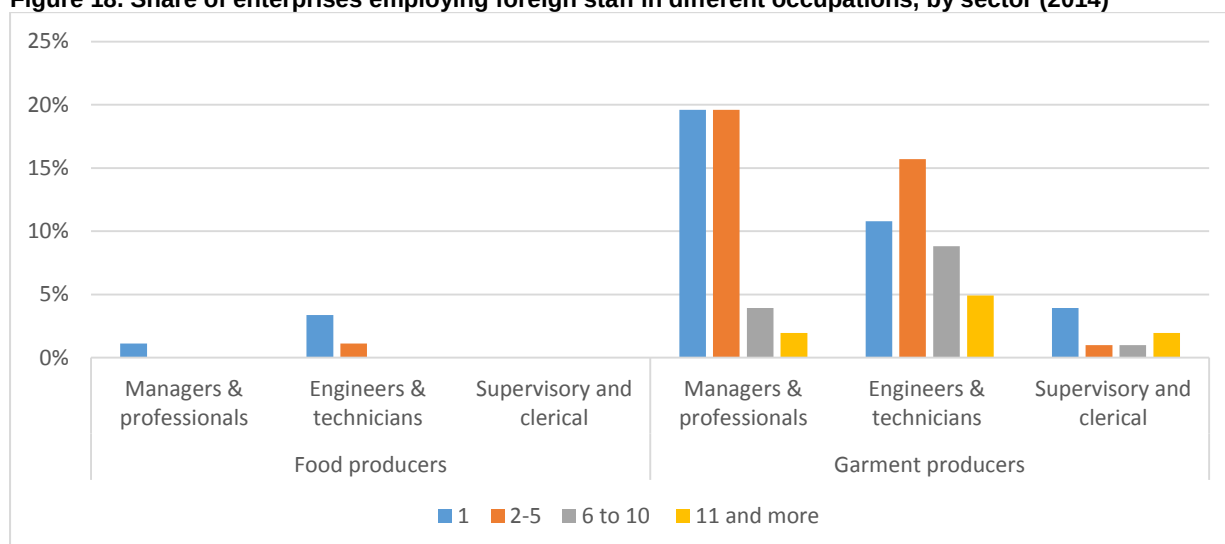
Another way that enterprises can try to improve their productivity and the availability of skills, apart from spending on training for their workers, is to hire foreign experts. This might allow them to source skills that are not (or only scarcely) available domestically from abroad. Moreover, foreign experts are hoped to not only raise productivity directly but also to transfer their advanced knowledge and know-how to the local workforce. Although it is not possible to directly determine such knowledge transfers and spillovers from the survey, the extent of employment of foreign staff can provide a useful indication of this. Table 7 and Figure 18 show the percentages of enterprises in the sample that employ foreign staff in different occupational groups. Figure 18 also shows the usage of foreign staff across sectors.

Table 7. Share of enterprises employing foreign staff in different occupations

Category of employment	Number of foreign employees							
	1	2	3	4	5	6 to 10	11 or more	None
Managers and professionals	10.6	6.1	2.0	1.0	1.0	2.5	1.0	75.8
Engineers and technicians	7.1	3.5	1.5	2.0	2.0	4.5	2.5	76.8
Supervisory and clerical	2.0	0.0	0.0	0.0	0.5	0.5	1.5	95.5
Plant and machine operators and assemblers	0.5	0.0	0.0	0.0	0.0	0.0	0.0	99.5

Source: CESD enterprise survey.

Overall, 36 per cent of the enterprises in the sample indicated that they have at least one foreign employee. As can be seen in Table 7, foreign staff are most likely to work as managers and professionals. More specifically, 24 per cent of all enterprises report having foreign managers and professionals, although of these the majority employ only two or fewer. Similarly, 23 per cent employ foreign engineers and technicians. More precisely, 7.1 per cent of enterprises reported having just one foreign engineer or technician, 7 per cent employ two to four foreign engineers or technicians and 7 per cent hired six or more foreign engineers and technicians. Furthermore, only 4.5 per cent of enterprises indicated that they employ foreigners as supervisory and clerical workers, as it is possible to source these skills locally and such roles require local language skills. Finally, as can be seen in the last row of Table 7, there are hardly any foreign plant and machine operators and assemblers because there is an abundance of local staff that can fill these positions at low cost.

Figure 18. Share of enterprises employing foreign staff in different occupations, by sector (2014)

Source: CESD enterprise survey.

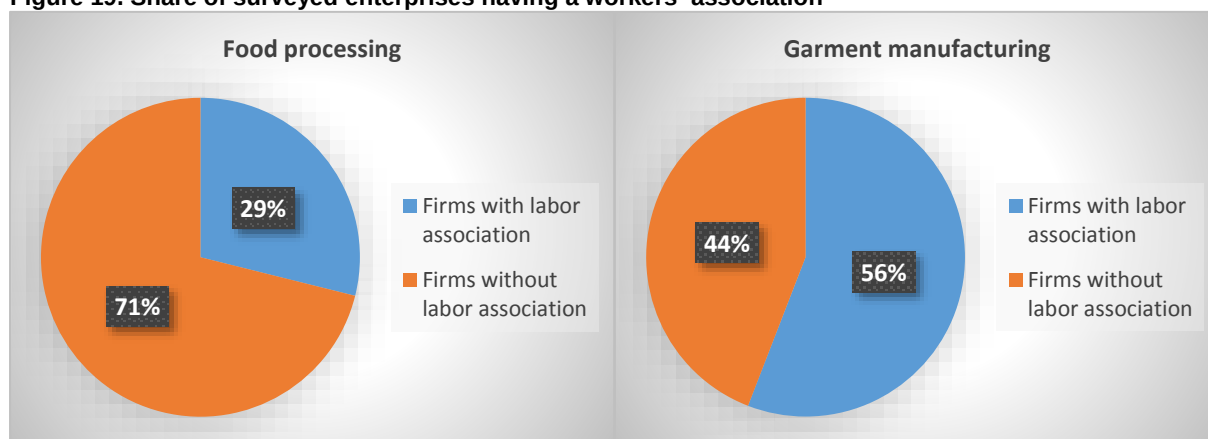
Comparing across sectors, Figure 18 reveals that garment producers in the sample that employ foreign staff is much higher than the share of food manufacturers. More precisely, only 4.5 per cent of food manufacturers have foreign engineers or technicians in their workforce and a mere 1.1 per cent have a foreign manager or professional. By contrast, 45.1 per cent of the garment producers in the sample employ at least one foreign manager or professional (and 5.9 per cent employ more than five) while 40.2 per cent of them have at least one foreign engineer or technician in their workforce (and 13.7 per cent have more than five). Overall, hiring foreign staff seems to be less important for food processors, perhaps because their degree of integration into regional and global value chains is lower than in the garment sector (see again Table 3 above). When an enterprise in a developing country becomes a supplier to a lead international enterprise, the latter often send foreign managers and specialists to the supplier enterprise to serve as liaison with headquarters, to improve operations in the production facility and to enhance coordination and integration more generally.

6. Labour rights and labour relations

Awareness of and compliance with labour rights is far from complete in Myanmar. For example, the legal framework is incomplete and complies with international labour standards to a very limited extent. Myanmar has not ratified the majority of ILO Conventions, which are legally binding international treaties once they are ratified by ILO member states. To date Myanmar has ratified only three out of the eight fundamental ILO Conventions, none of the four ILO Governance Conventions and merely 19 out of 177 technical ILO Conventions.²⁷ This fragmentary legal framework, its often poor and arbitrary implementation and the country's authoritarian political history have impacted the models and forms of interaction between employers and employees that are practiced in enterprises.

Workers' representation, for example, is still a sensitive issue, especially in Myanmar where labour unions have long been forbidden and allowed only recently as part of the recent political opening. Labour association is, in fact, at an early stage of development; the new Labour Organization Law came into effect in 2011 as part of an ambitious reform agenda undertaken by then-President Thein. Labour associations are important for social dialogue and collective bargaining, and freedom of association is a key element of labour rights. More than half of participants in the survey (57 per cent) said they have no workers' association while only 43 per cent of enterprises said that they have one. As can be seen in Figure 19, labour representation is particularly low in the food processing sector where only 29 per cent of enterprises have a labour union. In the garment sector, this share is almost twice as high at 56 per cent. One of the main reasons for this huge difference is that most food processors are small enterprises with less than 50 employees, and it is less common for workers to organize in such small companies. A study on the Myanmar garment sector by Oxfam (2015) found that 63 per cent of the factories where they interviewed workers had a union. This actually compares quite favourably with the situation in the garment sectors of other Asian countries. According to Vaughan-Whitehead (2014), based on a dataset compiled in 2010 through an auditing exercise by the Fair Labor Association (FLA), 50 per cent of garment factories in Indonesia, Pakistan and the Philippines reported having a trade union, compared to 54 per cent in China and 93 per cent in Viet Nam.

Figure 19. Share of surveyed enterprises having a workers' association



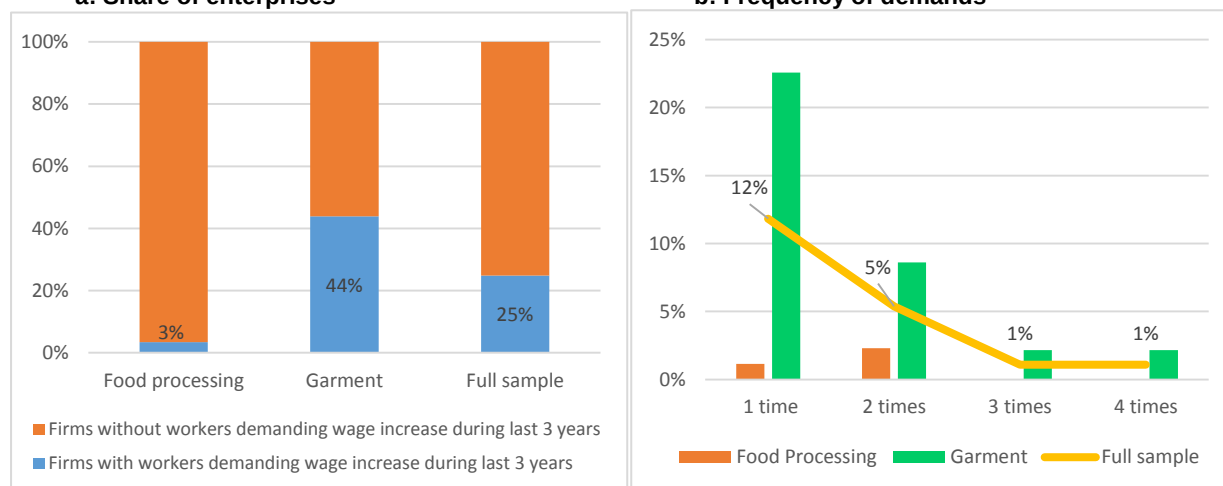
Source: CESD enterprise survey.

A workers' association can play an important role in formulating and voicing workers' demands and wants. Workers' wages have been a hot topic in Myanmar, especially before the introduction of a legal minimum wage in September 2015. Figure 20a shows that a quarter of surveyed enterprises have had

²⁷ See: www.ilo.org/dyn/normlex/en/f?p=1000:11210:0::NO:11210:P11210_COUNTRY_ID:103159 and www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103159 for information on Myanmar as well as www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm for general information on ILO Conventions.

at least one demand for wage increases during the last three years.²⁸ Such demands for wage increases were particularly common in Myanmar's garment sector at 44 per cent of respondents. By contrast, demands for wage increases are a rare phenomenon in the food processing sector, and only 3 per cent of the companies in the sample reported such demands during the last three years.

Figure 20. Demands for wage increases during the last three years
a: Share of enterprises **b: Frequency of demands**



Note: The difference in the percentages between the two panels resulted because some enterprises indicated that they have had wage demands but did not provide information on the number of wage demands.
Source: CESD enterprise survey.

Moreover, the frequency of demands for wage increases has been much higher in the garment sector. As can be seen in Figure 20b, some companies reported that their workers have asked for higher wages three or four times during the last three years. Meanwhile, food processors have at most been faced with two such demands during the last three years.

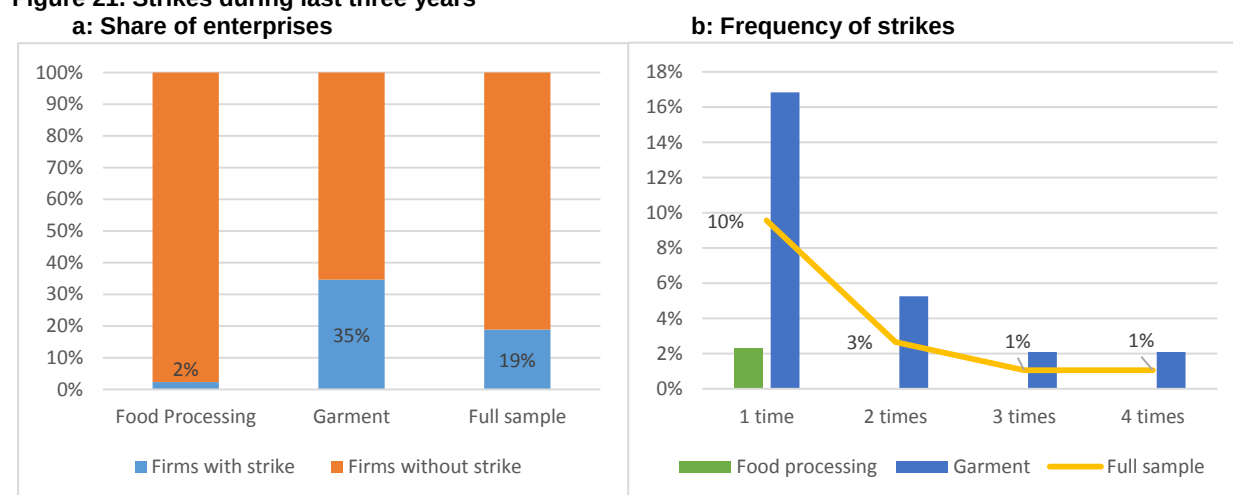
Overall, industrial relations have not been very peaceful during the last three years, particularly in the garment sector. As is shown in Figure 21a, almost a fifth of the enterprises in the sample reported that their workers went on at least one strike during the last three years. There is a possibility that the figures reported by survey respondents are low as the incidence of strikes is a delicate and sensitive issue. Even so, 35 per cent of respondents from garment companies admitted that there had been at least one strike at their factories during the last three years. By contrast, only 2 per cent of respondents from the food processing sector said that workers had gone on strike. Moreover, those food processors whose workers went on strike reported that there had been only one such strike during the last three years. In contrast, around 9 per cent of the garment enterprises in the sample reported more than one strike at their factories, and 4 per cent said their workers had gone on strike three or four times during the last three years (see Figure 21b). Similar to findings on demands for wage increases, the average frequency of strikes has been much higher in garment enterprises than in food processing enterprises.

Another quite sensitive issue is the use of employment contracts and pay slips. Both are documents that ensure transparency and accountability in industrial relations. Yet there has been significant controversy around their implementation in Myanmar, especially following the Minimum Wages Act in 2013 and

²⁸ Caution is required when interpreting these numbers. The possibility that companies were tempted to downplay the occurrence of wage demands and strikes in their responses cannot be entirely dismissed. This is particularly true in Myanmar where workers, based on their newly gained rights under the 2011 Labour Organization Law and the 2012 Settlement of Labour Disputes Law, expressed their concerns and demands through a growing number of protests. Than Win (2012) reports that the official number of labour disputes in Myanmar increased from 395 to 679 between 2009 and 2011. According to information provided by the Ministry of Labour for the year 2013, almost half of all labour protests in 2013 were motivated by dissatisfaction with wages. The garment industry was a particular hotspot. Myanmar's Department of Labour Records reported 447 garment worker strikes nationwide between 2012 and 2014 (cf. ALR, 2016, p. 6). Given this context, and given generally quite low wages in Myanmar, the percentages reported here seem rather low.

the determination of a minimum wage rate in June 2015 (which came into effect on 1 September 2015). In fact, at the end of August 2015, the Ministry of Labour stipulated that by the end of September 2015 companies had to issue official employment contracts containing information on wage rates, working hours, days off, benefits and a termination date. Moreover, companies were required to use of a very detailed standard employment contract format (or template) that the Government developed. This was meant to enforce section 5 of the Employment and Skill Development Law, enacted in 2013, which made violating any stipulation in the contract a criminal offense (Myanmar Times, 2016). Employer representatives and trade unions have expressed reservations to the use of the standard employment contract.²⁹

Figure 21. Strikes during last three years



Note: The difference in the percentages between the two panels resulted because some enterprises indicated that they have had strikes but did not provide information on the number of strikes.

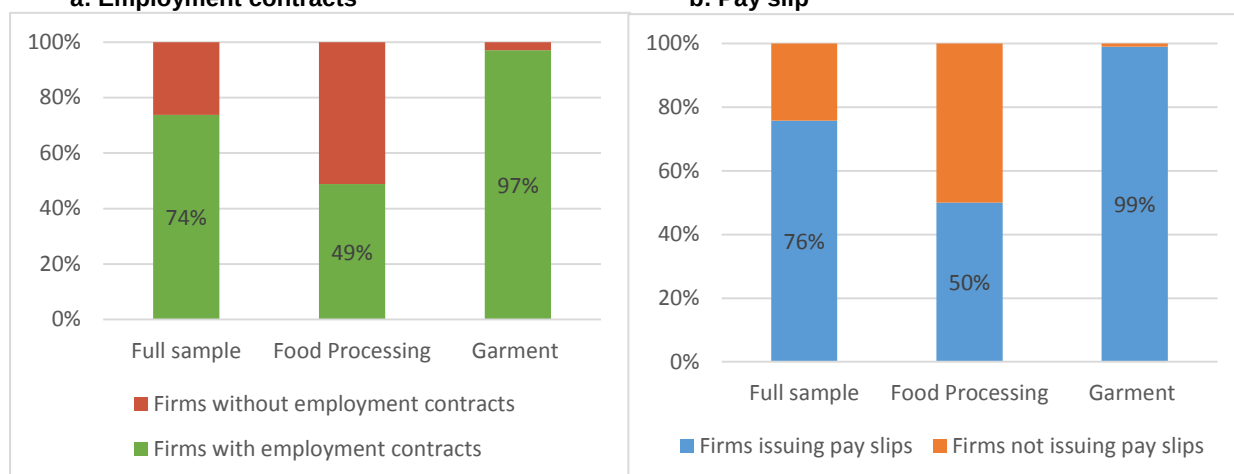
Source: CESD enterprise survey.

As can be seen in Figure 22a, however, employment contract usage during the survey period (which largely fell before the standard employment contract was distributed) was not yet universal, with less than three quarters of the enterprises in the sample indicating that they signed employment contracts with their workers. It is not clear whether this has changed since the implementation of the standard employment contract in September 2016. The lack of universal use of an employment contract is not just the result of factory non-compliance, though. In a few factories, labour unions have told members not to sign employment contracts as they were seen to contain unfavourable clauses. This is also related to the dispute about the government-stipulated standard employment contract template mentioned above. However, the situation differs significantly between sectors. Among the garment companies participating in the survey, almost all have employment contracts with their workers.³⁰ Meanwhile, the same is true for less than half of the food processing enterprises in the sample. One possible explanation for this relates to the fact that the sample of food manufacturers includes a large number of small or even micro enterprises where employment relations are often handled more informally.

²⁹ The employment contract template includes a very detailed list of 21 mandatory items, some of which conform to common practice while others are usually left to the agreement of the contracting parties (such as accommodation, uniforms and transportation to the workplace). This list is a source of possible disagreement between employer and worker representatives (see: <http://myanmarlawblog.blogspot.com/2015/10/mols-standard-employment-contract.html>). Moreover, there are concerns that the required employment contract will conflict with labour laws should the latter be amended in the future.

³⁰ However, anecdotal evidence provided by sector experts suggests that the issuance of employment contracts is less common than reported here, especially in small factories. In a similar vein, surveys among garment workers by Oxfam (2015) and ALR (2016) report that between a third and 60 per cent of workers claimed that they have not signed employment contracts with their employer.

Figure 22. Share of enterprises using different employment systems
a: Employment contracts **b: Pay slip**



Source: CESD enterprise survey.

Similar to employment contracts, the usage of pay slips³¹ is quite common with almost 80 per cent of the enterprises in the sample issuing one to their workers (see Figure 22b). Again, however, the pay slip system is practiced much more frequently by garment enterprises (where 99 per cent use it) than by food processors (of which only half use it). This is comparable to findings from garment sectors in other Asian countries; Vaughan-Whitehead (2014) reports that the large majority (93 per cent) of apparel producers covered by FLA audits were found to provide a pay slip to individual workers, with percentages ranging from 64 per cent in India and 86 per cent in Bangladesh to 95 per cent in China and 100 per cent in Indonesia, Thailand and Viet Nam. However, a survey among foreign-owned garment factories in Myanmar which was conducted by a labour rights advocacy group found that while pay slips are almost universally issued, they are not always provided in Myanmar language but either partially in English or entirely in a foreign language such as English, Chinese or Korean that only few, if any, workers can understand (ALR, 2016). The extent of usage of pay slips in foreign languages is disputed, though. The Korean Garment Manufacturers Association (KOGAM) and MGMA recently conducted a survey among garment factories which explicitly covered this topic; they found that payslips in all of the surveyed enterprises were in Myanmar language (KOGAM and MGMA 2016).

Overall, the non-universal use of pay slips and employment contracts indicates that the awareness and enforcement of applicable labour law still need to be improved. Employment contracts are important legal documents that help to promote labour rights and regulate labour relations and working conditions to protect workers from exploitation and employers from workers' violations of their obligations. The results indicate that understanding of these issues is still somewhat limited and that there is still some way to go to improve transparency and accountability, two key pillars of well-functioning labour relations, between employers and workers.

7. Wages and productivity

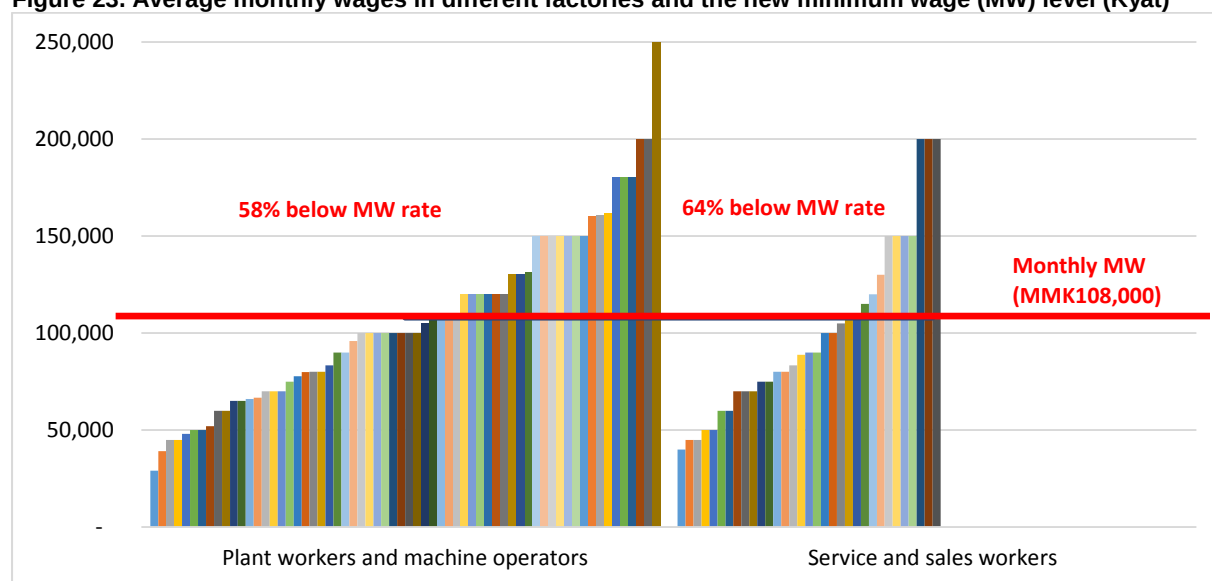
Wages have been one of the most controversial issues in Myanmar labour relations in recent years. A number of workers' strikes in the last couple of years have been motivated by a feeling among workers that they are not paid enough (see Figure 20 and Figure 21 above; see also Oxfam, 2015). Than Win (2012) reports that the official number of labour disputes in Myanmar increased from 395 to 679 between 2009 and 2011. According to information obtained from Myanmar's Ministry of Labour, almost half of all labour protests in the year 2013 were motivated by dissatisfaction with wages. The garment industry has been a particular hotspot. Myanmar's Department of Labour Records reported

³¹ The Government of Myanmar has also issued a template for pay slips but its use is not compulsory.

447 garment worker strikes nationwide between 2012 and 2014 (cf. ALR, 2016, p. 6). Partly in response to these labour disputes, Myanmar's Government passed the Minimum Wages Act in 2013. After two years of tripartite negotiations, a decision was taken in June 2015 for the minimum wage rate to be MMK3,600 per day which came into force on 1 September 2015. Assuming 30 working days per month, this daily rate can be converted into a monthly minimum wage of around MMK108,000 (approximately US\$91 at the current exchange rate).³² Many companies, especially in the garment sector which is both labour-intensive and particularly exposed to international competition, protested against this minimum wage rate, claiming it was too high and would harm or even destroy their competitiveness. A comparison with other countries in the region shows that Myanmar's minimum wage rate ranks among the lowest in Asia. In fact, only Bangladesh's minimum wage rate (at around US\$66 per month) is lower than Myanmar's, whereas minimum wages are higher in South-East and East Asian neighbours such as Cambodia, China, the Lao People's Democratic Republic, Thailand and Viet Nam (see also Bernhardt et al., 2016).³³

Figure 23 shows the average monthly wages of around 60 surveyed enterprises (those that responded to the relevant questions in the survey) paid to machine operators and other plant workers, and service and sales workers (including administrative staff). Each bar represents the average actual wage paid by an enterprise to workers in these two occupational groups. Before discussing the findings, it is crucial to emphasize that the figure shows average take-home wages, including all items on their pay slips such as overtime pay as well as different bonuses and benefits (detailed in table 8). However, because most enterprises were surveyed before the minimum wage was introduced, the data below cannot be used to determine levels of compliance with minimum wage legislation.

Figure 23. Average monthly wages in different factories and the new minimum wage (MW) level (Kyat)



Note: The daily MW rate of MMK3,600 was converted into a monthly rate of MMK108,000 using a conversion rate of 1 month = 30 days; for better legibility, the y-axis was cut at MMK250,000.

Source: CESD enterprise survey.

The lowest average wage in the sample paid by one factory is below MMK50,000 per month while the highest average monthly wage reported by another enterprise is over MMK200,000. The average across

³² Note that the government currently requires businesses to pay workers full daily wages of MMK3,600 for seven days each week, despite the fact that half of Saturday and Sunday do not count as regular working hours.

³³ While labour costs are an important component of competitiveness, especially in labour-intensive sectors such as garment manufacturing, there are numerous other factors as well, including productivity, transaction costs, and quality levels. In some areas, such as electricity, Myanmar lags behind regional competitors in the reliability of its infrastructure, introducing additional (production as well as transaction) costs for businesses. In view of this, Myanmar garment producers were fearing that a high minimum wage rate would raise their labour costs to an extent that would wipe out their competitiveness.

all enterprises and all types of workers is MMK109,099 per month, which exceeds the new minimum wage rate. Interestingly, the average wages paid by the garment enterprises in the sample (MMK127,720 per month) are above those paid by the food manufacturers (at MMK103,926), which somewhat goes against the findings of other surveys, which generally find wages to be higher in the food processing sector than in the garment industry. According to the World Bank Enterprise Survey, for example, average monthly wages were MMK70,371 in the food processing sector but only MMK67,373 in the apparel sector. The fact that these averages are below those in the survey can at least partly be explained by the fact that the World Bank conducted its survey a year and a half earlier (in 2013). Meanwhile, calculations using data for the year 2013 from the UNESCAP-OECD-UMFCCI survey show that average monthly wages in the food sector were higher than in the garment sector for low skilled workers (MMK70,698 versus MMK60,400) but not for skilled workers (MMK100,817 versus MMK121,667). These latter figures suggest that employers in the garment industry are willing to pay quite a premium for skilled labour.³⁴

Given that the averages calculated with data from the enterprise survey include overtime payments, one explanation for this unexpected finding lies in the large cross-sector difference in average weekly working hours (and, in particular, overtime) with garment workers, on average, working 10 hours more overtime a week than their counterparts in the food processing sector (discussed in greater detail below; see Table 12). Another explanation might be that the garment enterprises that provided information on wages³⁵ pay comparatively well.

Most importantly, Figure 23 shows that 58 per cent of responding enterprises reported that the average wage that they were paying to machine operators and plant workers at the time of completing the survey was below the new minimum wage rate (at around MMK108,000 per month). This share is even higher at 64 per cent for service and sales workers. Comparing across sectors, these percentages are somewhat higher in food processing (58 per cent for plant workers and 67 per cent for service and sales workers) than in garment manufacturing (at around 60 per cent for both types of workers). This pattern is also observable in the data from the World Bank Enterprise Survey. However, in their sample the percentages of enterprises paying average wages below the new minimum rate are much higher than in our sample (88 per cent of food manufacturers and 84 per cent of garment producers) – which has to do with their information being older, dating from the year 2013.³⁶

Three very important things must be noted here. First, the numbers reported are based on average wages paid by each responding enterprises. It is important to remember that there is a distribution of wages behind each of these averages, so enterprises with an average wage below the established minimum probably had some workers who were paid above the minimum, while companies with an average wage above the minimum likely also employed workers who earned less than the minimum. Second, as mentioned, these averages refer to take-home wages for workers while the minimum wage rate refers only to the basic wage rate. Third, and most importantly, the survey was conducted before the minimum wage rate was determined and put into force so these enterprises might have increased the wages they pay in the meantime in order to comply with the Minimum Wages Act. However, the prevalence of remuneration below the new minimum wage rate, as illustrated by Figure 23, clearly demonstrates the magnitude of the change and possibly the difficulties of integrating the new minimum wage rate into companies' payment systems. That is, while the situation today is unknown, the information collected through the survey demonstrates the gap that enterprises need(ed) to fill to meet the minimum wage threshold. Overall, the data show that many companies were paying wages below what is now required under the Minimum Wages Act, thereby presenting many companies with challenges.

³⁴ These calculations were made available to the authors by UNESCAP.

³⁵ As pointed out above, the response rate for this survey question was rather low.

³⁶ The difference in the age of data is important for two reasons. First, it can be expected that wages increased in the interim year at least to account for inflation. Second, the Minimum Wages Act was passed in March 2013 but the committee tasked to define an appropriate minimum wage rate was not formed until September of that year. Companies are unlikely to have adapted their wage rates before the Minimum Wages Act was enforced.

Table 8 shows the different items that can possibly show up on a worker's pay slip as well as the percentage of enterprises that actually use them. Interestingly, 16 per cent of the companies in the sample do not pay a basic wage. Looking at these companies in more detail shows that all of them are micro or small enterprises operating in the food processing sector. Meanwhile, all of the garment enterprises in the sample pay a basic wage. Moreover, more than 75 per cent of enterprises indicated that overtime pay and attendance bonus make it on the pay slip of their workers, with these pay slip items being much more commonly (in fact almost universally) used by clothing producers. Apart from that, a large majority of garment enterprises report using skills bonuses, seniority bonuses, production bonuses, and housing and transportation allowances, while the same is true of only a minority of the food manufacturers in the sample.

It is important to note that the composition of pay slips differs between enterprises and often also from one sector to another. In the garment sector, for example, pay slips tend to have more categories of extra payments (in addition to the basic wage) to incentivize productivity. This can be seen from Table 8 according to which 50 per cent of garment factories use eight out of the nine different pay slip items – while in the food processing sector the same is true for only three of the pay slip items.

Table 8. Share of enterprises where the following items are on the pay slip

Pay slip item	Full sample	Food processing	Garment manufacturing
Basic wage	84	63	100
Overtime	78	51	100
Attendance (regularity) bonus	75	54	95
Skill bonus	56	23	81
Production bonus	51	25	72
Service / seniority / loyalty bonus	50	27	71
Housing and transportation allowance	47	40	53
Other	35	15	52
Lunch allowance	31	30	31

Source: CESD enterprise survey.

Table 9 shows how pay slips are typically composed in each industry. The basic wage rate makes up only a bit more than half of an average worker's wage (52 per cent). That is, almost half of a worker's typical income is derived from additional payment items. This can imply a certain degree of income insecurity for workers as benefits can often be withdrawn at the employer's will, especially if they are not contractually guaranteed. Garment workers, in fact, derive only 41 per cent of their average wages from the basic wage rate. By contrast, for workers in the food processing sector, the basic wage, on average, makes up 77 per cent of their total remuneration. Overtime payments account for 16 per cent of an average worker's total wage, therefore being the second most important pay slip item. Attendance bonuses and productivity bonuses account for around 10 per cent and 8 per cent of workers' total wages, respectively, while loyalty and skills bonuses each make up around 5 per cent of an average worker's wage. All these pay slip items, however, contribute much more to apparel sector wages than to wages in the food processing sector. More precisely, a fifth of a typical garment worker's wage is overtime pay (in line with the high number of overtime hours that they work; see Table 12).

Table 9. Average share in total labour costs of different pay slip items (Percentage)

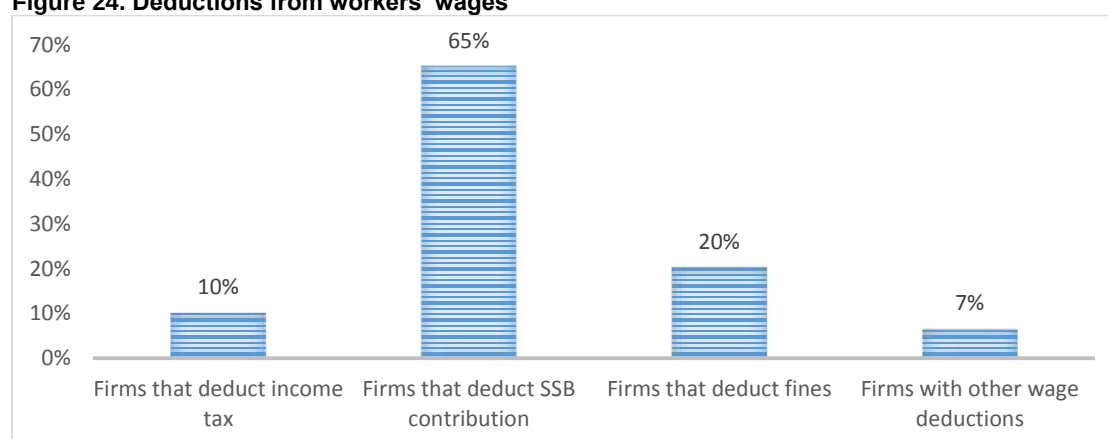
Pay slip item	Full sample	Food processing	Garment manufacturing
Basic wage	52	77	41
Overtime	16	7	20
Attendance (regularity) bonus	10	4	12
Production bonus	8	2	10
Skill bonus	5	2	6
Service / seniority / loyalty bonus	5	4	5
Other	3	1	3
Housing and transportation allowance	1	1	2
Lunch allowance	1	1	1

Source: CESD enterprise survey.

However, there is evidence that the composition of pay slips is changing as enterprises respond to the Minimum Wages Act. Immediately after the minimum wage came into effect, some factories slashed bonuses, reduced overtime hours or discontinued the provision of free or subsidized transportation, saying that otherwise they could not afford higher payroll expenses (Mizzima 2015; Myanmar Times, 2015). While this means that the increase in basic wage rates may not fully or proportionally translate into an increase in total labour income for all workers, it also implies that there is a shift towards a higher relative importance of basic wages in workers' total income. This can be seen as a positive development as it provides more security to workers whose income becomes less dependent on wage components that are variable or subject to employers' discretion.

Enterprises also use pay slips to make deductions from workers' wages. Some of these deductions are stipulated by law while others serve to penalize workers for (actual or alleged) misbehaviour. Figure 24 displays the percentage of sample enterprises that make use of different types of deductions from workers' wages. Two thirds of the enterprises reported that they deduct contributions to the Social Security Board (SSB) from their employees' wages while 10 per cent said they deduct income tax. Meanwhile, 20 per cent of respondents indicated that they deduct fines from their workers' wages (but the survey did not ask them to specify what kind of misbehaviour is punished through such fines). Finally, 7 per cent of companies said they make "other wage deductions". When asked to explain the motives for these deductions, they mentioned leave, food and repayment of loans, but also to penalize absenteeism or tardiness.

Figure 24. Deductions from workers' wages



Note: SSB stands for Social Security Board; "other wage deductions" include deductions for leave, food, loans, absenteeism, coming late.

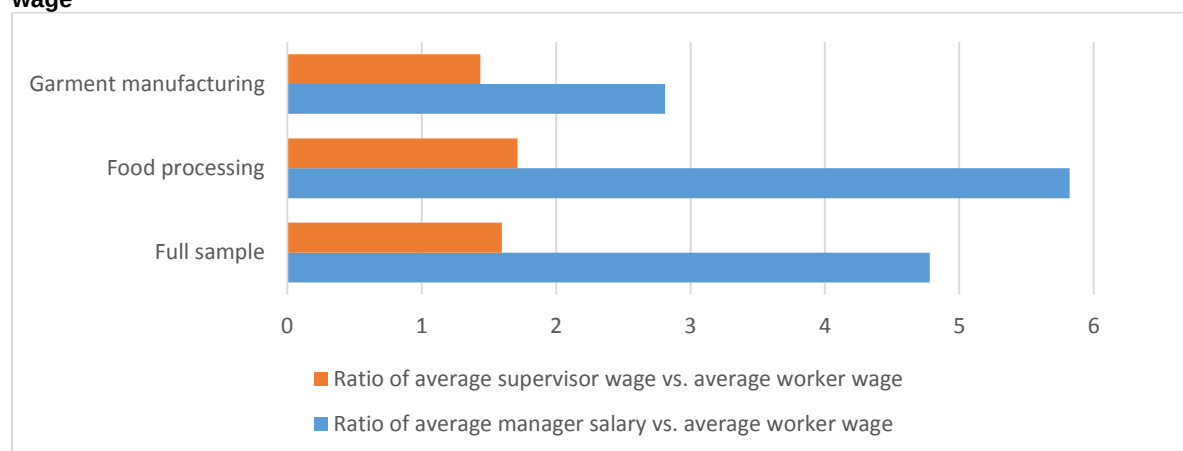
Source: CESD enterprise survey.

The size of the skills premium and income inequality within companies can be measured based on the ratio of an average manager's salary against that of an average production worker, as well as at the ratio of an average supervisor's income against the average wage of a production worker. While the figures have to be interpreted with caution due to very small sample sizes, the data suggest that supervisors typically only earn about 50 per cent more than ordinary workers (see Figure 25). By contrast, managers are, on average, paid five times more than workers in the companies in the sample. However, these ratios differ across sectors and tend to be larger in the food processing industry. Garment factories, on average, pay their managers 2.8 times more and their supervisors 1.4 times more than their production workers. In food processing enterprises, these ratios lie at 5.8 and 1.7, respectively.

Labour productivity is a major factor in determining whether an enterprise is competitive and profitable. It is also a key determinant of workers' income. The following section provides some analyses on labour productivity in the food processing and garment industries whereby labour productivity is calculated by dividing a company's sales value by its number of workers, which serves as a proxy for labour

productivity.³⁷ The figures reported in the following paragraphs refer to monthly, not annual, labour productivity in order to facilitate comparison with the average monthly wages reported above.

Figure 25. Ratio of average manager and average supervisor salaries versus average production worker wage



Source: CESD enterprise survey.

Figures, again, have to be interpreted with caution due to very small sample sizes but average monthly productivity per employee is calculated to be MMK547,000 in the food processing industry and MMK155,000 in garment factories (see Figure 26).³⁸ This suggests that labour productivity is much higher in the food processing industry than in the garment industry. However, this statement has to be qualified as food processors provided sales data based on market prices that they charge to customers while most garment enterprises provided sales data based on the CMP (or processing) fees that they received from the companies that subcontracted them.³⁹ This implies that while sales figures for food manufacturers include the cost of inputs (such as raw materials or intermediate goods) that they had to procure, the same is not true for garment enterprises producing under the CMP model where most or even all inputs are typically provided by the buyer. This also explains why the production cost per employee shown in Figure 26 is much lower in the garment sector than in the food processing sector. An international comparison, using data from the UNIDO INDSTAT and World Bank Enterprise Surveys databases, suggests that labour productivity in Myanmar's food processing sector is significantly below the levels seen in other South East Asian countries such as Malaysia, Thailand and Viet Nam but higher than in the Lao People's Democratic Republic. More precisely, labour productivity in food manufacturing is estimated to be twice as high in Viet Nam, 7 times higher in Thailand and 14 times higher in Malaysia, but a third lower in the Lao People's Democratic Republic. Meanwhile, in the garment sector, labour productivity in Myanmar lags behind all other countries in the region. In Malaysia, Thailand and Viet Nam, labour productivity exceeds that in Myanmar's garment sector six-fold, and even in Cambodia and the Lao People's Democratic Republic it is estimated to be about 2 to 3 times higher (see Bernhardt, forthcoming).

It is interesting to recall that, on average, the garment enterprises in the sample pay monthly wages of MMK127,720 to their workers while the average monthly wage paid to workers in the food processing sector is MMK103,926. This means that in the garment sector there is only a narrow gap between the

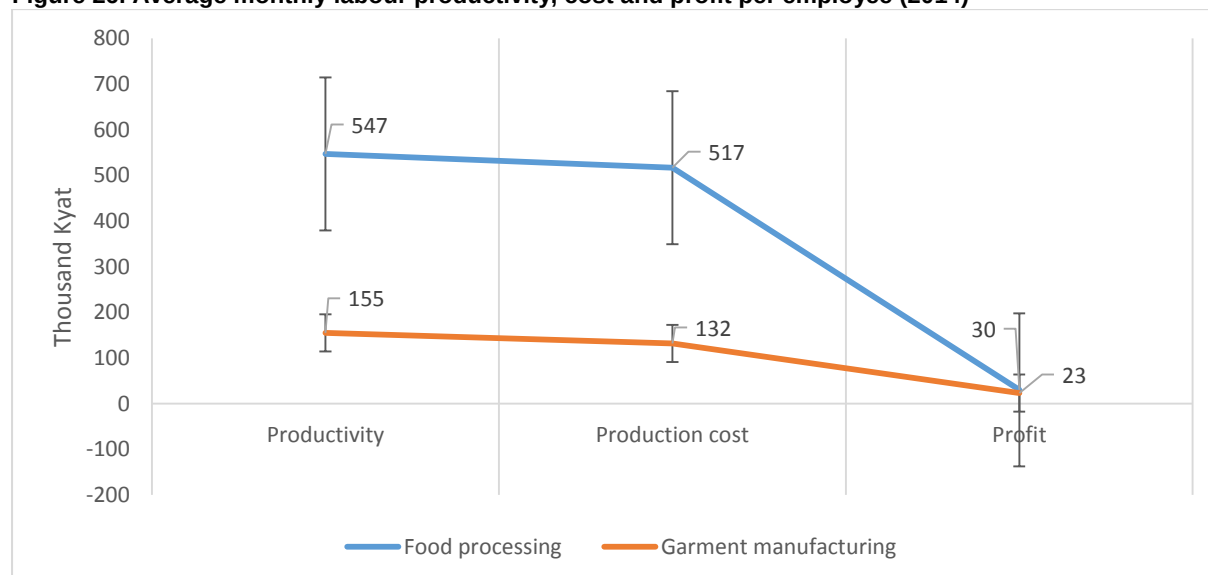
³⁷ Admittedly, a more accurate measure of productivity would be value added per worker but the data do not allow the calculation of this indicator. In view of similar constraints, other studies (e.g. Soans and Abe 2015) also resort to proxying labour productivity by gross revenues per worker. In this case, the sales figures reported by the food processing respondents clearly are not anything close to value added, but those reported by garment producers may be quite a good approximation of value added as this is what the CMP fees that they are earning essentially are about.

³⁸ These figures are actually not too far off from those reported in Soans and Abe (2015, p. 52) who calculate the median annual productivity of surveyed Myanmar enterprises to be MMK3.75 million of gross revenue per employee, which corresponds to a median monthly productivity of MMK312,500 per worker.

³⁹ Apart from that, it might also be the case that survey respondents from the garment sector (more) significantly under-reported their sales value; see the Appendix for more information on data caveats.

measure for monthly labour productivity and monthly average wages. This reflects that most of the sales figures of CMP enterprises actually reflect labour costs related to labour-intensive assembly work (for which they receive their processing or contracting fee). It also suggests that garment enterprises operate on a rather slim profit margin (at least per employee) with possibly significant implications for their room to manoeuvre for future increases in wages (at current productivity levels).

Figure 26. Average monthly labour productivity, cost and profit per employee (2014)



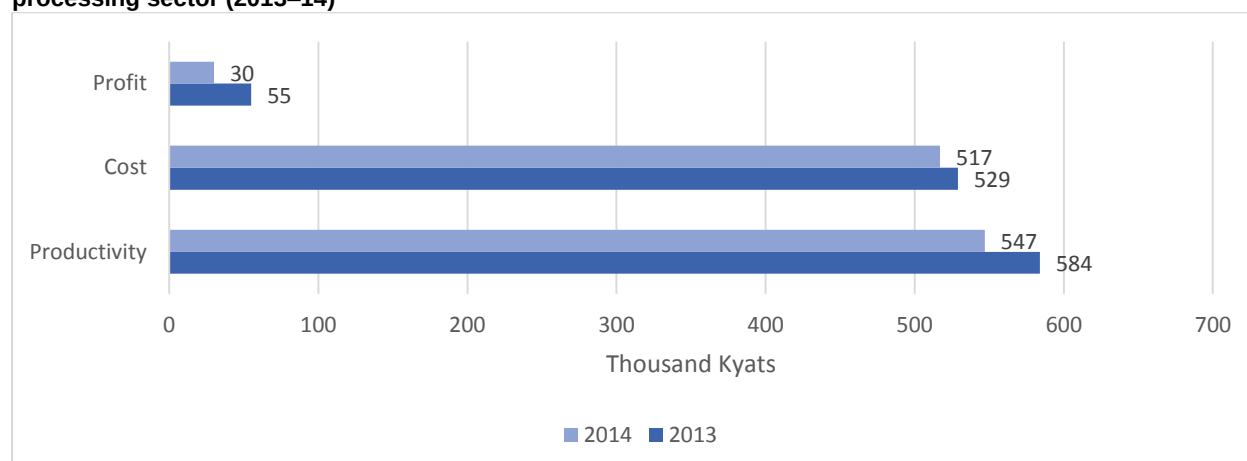
Source: CESD enterprise survey.

Figure 26 also shows that in 2014 the average monthly production cost per worker was MMK517,000 in the food processing industry while it was MMK132,000 in the garment industry. One explanation for this is that production cost data provided by food processors includes the cost of purchasing raw materials and other inputs while garment manufacturers operating under the CMP model hardly incur such costs related to the sourcing of inputs.

Food processors are found to be more profitable than garment companies. In 2014, the average monthly profit generated by a worker at a food processing enterprise was MMK30,000 while it was only MMK23,000 in garment manufacturing (Figure 26). Again, one explanation for this profit gap is that food processing enterprises are able to charge market prices for their products while CMP garment enterprises can only earn processing fees which are typically fixed at a certain rate, implying that garment enterprises have much less leeway than food processors to set prices and thereby determine earnings. Garment enterprises cite claim that their slim profits do not enable them to pay workers higher wages.

For the food processing sector, enough data was collected to calculate productivity, cost and profit figures for the year 2013, which enabled the comparison with figures for 2014. Unfortunately, the same is not possible for the garment sector due to low response rates. As shown in Figure 27, the average monthly productivity per worker in food processing enterprises declined between 2013 and 2014. In fact, sales per worker went down from MMK584,000 in 2013 to MMK544,000 in 2014. Average monthly costs per worker and average monthly profits per worker followed a similar downward trend and were lower in 2014 than in 2013. Lower productivity (measured as sales value per worker) and lower profits might be related to intensifying competition from foreign producers following the opening of Myanmar's economy. As for reduced production costs, one can speculate about a decrease in the prices of raw materials and other inputs.

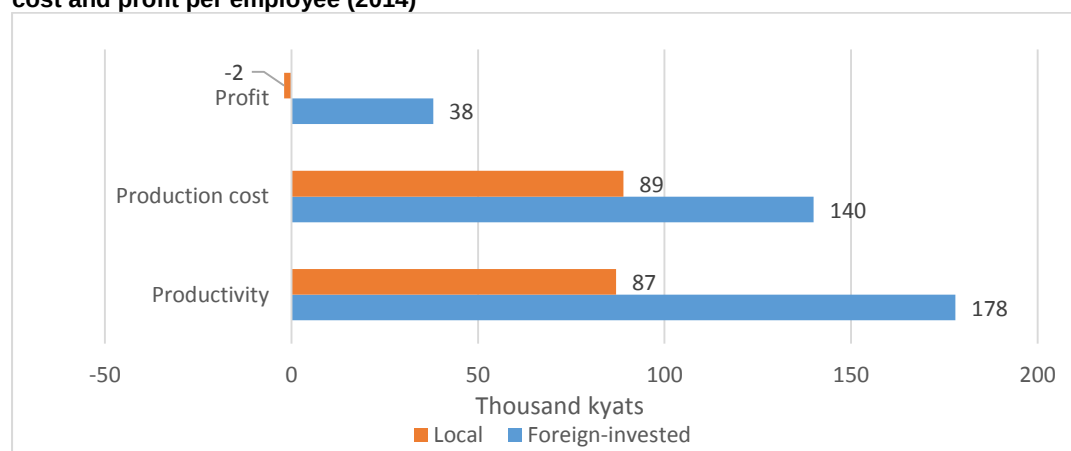
Figure 27. Average monthly labour productivity, production cost and profit per employee in the food processing sector (2013–14)



Source: CESD enterprise survey.

Labour productivity is not determined only by workers' skills and other characteristics such as workers' attitude or age. In fact, managerial efficiency and the technological setup also influence productivity. In developing countries, it is typically assumed that managerial capabilities and technology are more advanced in enterprises with (at least partial) foreign ownership. To test this hypothesis, the labour productivity of enterprises with foreign ownership can be compared with that of locally owned enterprises in the sample. Due to the very small sample size for the food processing sector, this analysis can only be conducted for garment manufacturers (see Figure 28).

Figure 28. Local versus foreign-invested garment enterprises: Average monthly productivity, production cost and profit per employee (2014)



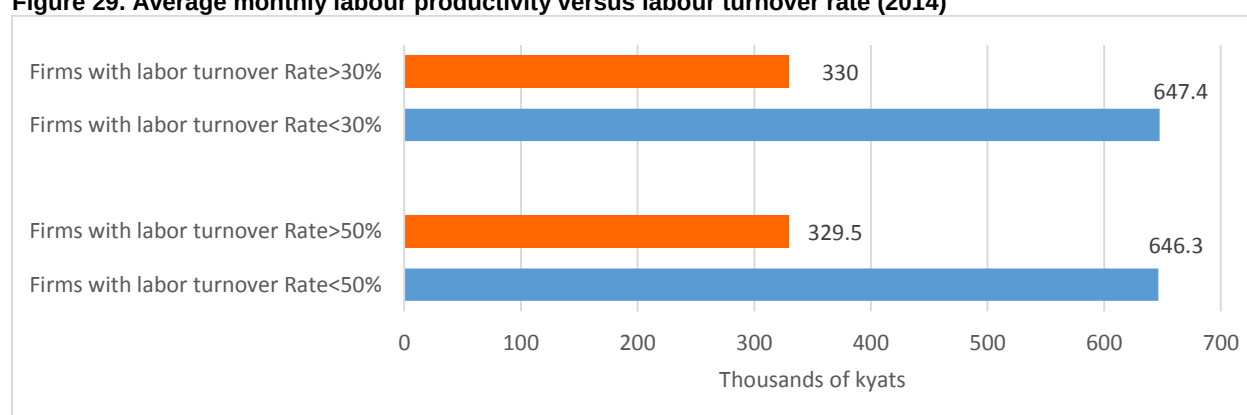
Source: CESD enterprise survey.

The analysis shows that garment enterprises which are fully or partly foreign owned have higher labour productivity (measured to be MMK178,000 of sales value per worker) than locally owned enterprises (at MMK87,000 per worker). Garment enterprises with foreign ownership also face higher monthly production costs per worker than locally owned enterprises (MMK140,000 versus MMK89,000). However, the foreign-invested garment companies in the sample still managed to generate a profit of MMK38,000 per worker in 2014 while local enterprises, on average, registered a loss amounting to MMK2,000 per worker. This suggests quite a discrepancy between foreign-invested and locally owned garment enterprises in terms of efficiency and managerial and technological capabilities. This finding also points out that less productive and hardly profitable locally-owned garment producers will find it particularly challenging to comply with the new minimum wage if they do not manage to increase efficiency and productivity.

The survey findings also illuminate the relationship between labour turnover rates and labour productivity. As discussed above, Myanmar companies face very high labour fluctuation rates (see Figure 2) and this situation can be expected to have a negative impact on labour productivity. First, high labour turnover rates cause disruptions in the production process. Second, new employees, hired to replace workers who have resigned, typically need some time for learning and on-the-job training before their productivity reaches their predecessors' level. Third, enterprises with high labour turnover rates are discouraged from investment in trainings for skills upgrading as they fear that employees will leave if they are offered a higher wage in another company.

This analysis distinguished between enterprises that have a labour turnover rate higher than 30 per cent and those with turnover above 50 per cent. It also distinguished between enterprises that have a labour turnover rate below 30 per cent and those with turnover below 50 per cent.⁴⁰ As can be seen in Figure 29, enterprises with low labour turnover rates are more productive than enterprises with high labour turnover rates. More precisely, average labour productivity in enterprises whose labour turnover rate in 2014 was less than 30 per cent was almost twice as high as in companies with a labour turnover rate of more than 30 per cent (namely MMK647,400 versus MMK330,000 of monthly sales value per worker). The results change little when the threshold is increased to a labour turnover rate of 50 per cent. Enterprises with less than 50 per cent labour turnover had average monthly sales of MMK646,300 per worker whereas those with a labour turnover rate higher than 50 per cent report a labour productivity of only MMK329,500 per worker (with the productivity differential, thus, being equally high at 96 per cent). The positive effect, thus, seems to somewhat flatten out if the labour turnover rate increases beyond a certain threshold.

Figure 29. Average monthly labour productivity versus labour turnover rate (2014)



Source: CESD enterprise survey.

These results suggest that lower turnover rates are correlated with higher labour productivity. Of course, it is hard to know the direction of causality at work. It is possible that enterprises are more productive because they have lower labour turnover rates and, hence, less disruption of production and fewer costs related to the need to find and train new workers to replace those that have left. It is also possible, however, that enterprises with lower productivity are badly managed, which provides further incentive to workers to leave, while enterprises with higher productivity may be able to pay higher wages or provide better incentives to workers to remain loyal and stay on the job. Whatever the direction of causality, the analysis points to a correlation between lower labour turnover rates and higher labour productivity, suggesting that investment in better industrial relations and worker retention may pay off for companies.

⁴⁰ This analysis uses "Labour turnover rate 1" as defined above. The thresholds of 30 per cent and 50 per cent were chosen as they are around the average values calculated above. Because sub-sample sizes were too small, an analysis that distinguishes between sectors was not possible.

8. Working time

Working conditions are hard to measure quantitatively. Working conditions include treatment by supervisors, (non-)discrimination, access to facilities (such as toilets, clinics or drinking water), workplace safety, working hours, break times and workplace qualities such as light, temperature and ventilation.

The extent of working time is an important component of working conditions but also labour relations. As can be seen in Table 10, Myanmar labourers typically work six days a week. More precisely, in most enterprises (82 per cent), employees work six days a week and the average of 5.9 work days a week is the same in both the food processing and apparel industries. Meanwhile, 7 per cent of food processors in the survey (but no garment enterprises), indicated their average working week is five days or less. At the same time, while no garment enterprise reported a seven-day work week, 6.8 per cent of food producers did. In principle, the Factories Act of 1951 stipulates that working days shall not exceed six days per week, but it exempts companies that are classified as a “continuous business”. However, it is not clear what exactly constitutes a “continuous business”. It is also not clear to what extent food processing factories would fall under this category, but it might apply to companies dealing with perishable goods such as dairy products, fish or certain fruits and vegetables. Without further information, it is not possible to determine whether these results indicate legal non-compliance among any surveyed enterprise.

Table 10. Number of working days per week (Percentage)

Unit	Full sample	Food processing	Garment manufacturing
0–5 days	3.1	6.8	0.0
5.5 days	11.2	4.6	17.7
6 days	82.1	81.8	82.4
7 days	3.6	6.8	0.0
Average (days)	5.9	5.9	5.9

Source: CESD enterprise survey.

In this context, the questionnaire asked respondents about the “average working days per week”. The respondents may have reported the number of days that their factory is operating or, conversely, the number of days a single worker, on average, comes into the factory. In the first case, even if a company operates seven days a week, a single worker might still come in just six days that week. Legally, it is problematic if workers do not have a day off. Table 11 helps to shed some light on this issue. It shows that 12.9 per cent of food processing companies (and, again, no garment enterprises) said that their workers have no day off. Where there is an overlap between the 6.8 per cent of food processors who indicated that their employees work seven days a week and the 12.9 per cent who said their workers have no day off, it can be assumed that these are companies where individual workers go to the factory seven days a week. The remaining respondents possibly meant to simply indicate that they operate seven days a week (but on a shift basis so that the workforce changes on weekends).

Workers also need some time to rest. On average, labourers working in the enterprises in the sample get 53 minutes of break time per day and one day off per week (see Table 11 and Table 12). However, these averages mask small differences between sectors. Daily break time tends to be somewhat longer in food processing than in apparel enterprises (58 versus 48.6 minutes) whereas garment workers typically have more time off during the week than workers in food manufacturers (1.03 versus 0.94 days off per week). Generally speaking, the data show that most enterprises (57 per cent) give 1 hour of daily break time; 19 per cent give just half an hour while another 9 per cent of enterprises allow 45 minutes.

Moreover, the large majority of sample enterprises (87.5 per cent) indicate that they give their workers one day off per week. A small minority of enterprises gives their workers 1.5 days off per week (1.2 per cent of food processors and 5.9 per cent of garment manufacturers) or even two or three days off per week (4.7 per cent of food manufacturers); see. However, as mentioned above, 12.9 per cent of food

processing enterprises indicated that their workers do not have even one day off. Whether or not this is prohibited under the Factories Act of 1951 (which requires employers to give their workers at least one holiday each week), again, depends on whether or not the factory concerned qualifies as a “continuous business”.⁴¹

Table 11. Number of days off per week (Percentage)

Unit	Full sample	Food processing	Garment manufacturing
0 days	6.3	12.9	0.0
1 day	87.5	81.2	93.1
1.5 days	4.2	1.2	5.9
2 days	1.6	3.5	0.0
3 days	0.5	1.2	0.0
Average (days)	0.98	0.94	1.03
Maximum (days)	3	3	1.5

Source: CESD enterprise survey.

Table 12. Weekly working hours and overtime, and daily break time

Unit	Full sample	Food processing	Garment manufacturing
Average working hours per week	46.1	45.2	46.7
Maximum working hours per week	64	63	64
Average overtime per week (in hours)	10.4	5.5	14.3
Average break time per day (in minutes)	53.2	58.0	48.6

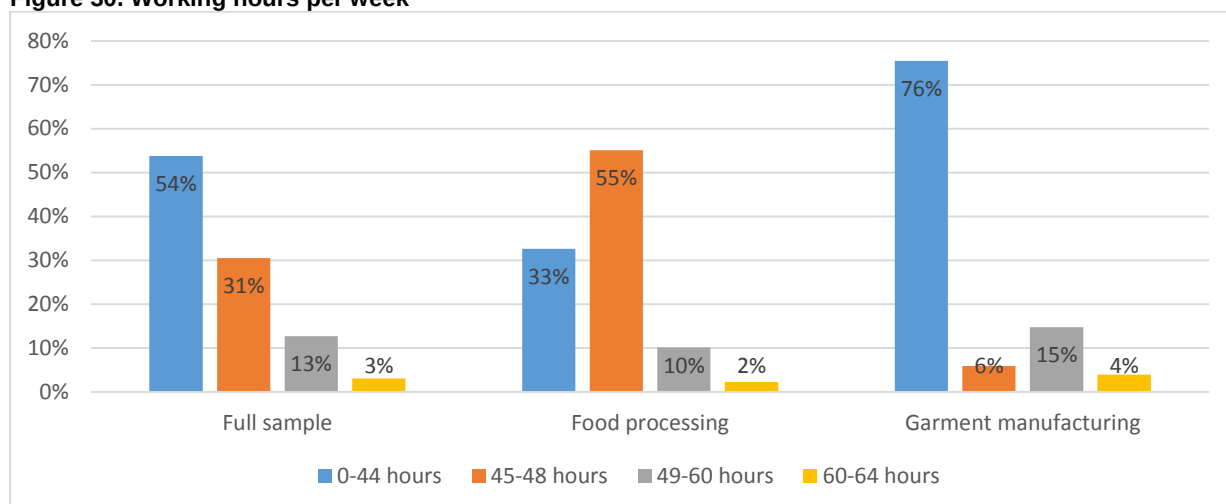
Source: CESD enterprise survey.

Table 12 provides more detail about working hours in the surveyed enterprises. They report an average of 46 regular hours per week; however, on average, employees of apparel production companies work 1.5 hours more a week than their counterparts in food processing enterprises (46.7 versus 45.2 hours). In fact, Myanmar’s labour law considers a maximum of 44 working hours a week as regular working time, namely five days at eight hours a day plus half a day (on Saturday). Everything beyond that is to be considered overtime. On average, the workers in the surveyed enterprises worked 10.4 hours of overtime per week. However, there are huge discrepancies between sectors as workers in garment enterprises work almost three times more overtime than in food processing enterprises (14.3 versus 5.5 hours a week on average).

Figure 30 sheds additional light on working hours in these two sectors. It shows that most garment producers (76 per cent) reported that a typical work week in their factories comprises 44 hours. In food processing enterprises, work weeks of 44 to 48 hours are most common. This means that a large majority of respondents (88 per cent of food manufacturers and 82 per cent of apparel producers) stated that average working hours in their factories are more or less in line with what the law considers regular working hours. There is an additional 10 per cent of food processing enterprises and 15 per cent of apparel companies in the sample that reported that their employees work 49 to 60 hours a week. However, some enterprises indicated that working time in their factories was even longer: 2 per cent of food processors and 4 per cent of garment producers reported weekly working time to be between 60 and 64 hours.

⁴¹ In any case, it is understood from field interviews at the margins of the survey that weeks without a holiday usually happen during harvest season while in off-harvest season workers might even get 2 to 3 days off. In the food processing sector, the number of days off is, thus, partly a function of the need to process raw materials and inputs. Fishery enterprises, for example, often cannot keep the fish outside of a freezer for more than half a day. When it is catching season, (at least some) workers cannot take off Sundays because stock keeps coming in. Inversely, when there is no stock coming in on Friday, workers get the entire weekend off. Similarly, certain fruit cannot be kept out in the open for long and needs to be processed quickly so that during certain periods of the year workers are required to work on Sundays.

Figure 30. Working hours per week



Source: CESD enterprise survey.

The Factories Act of 1951 allows regular working time to be a maximum of 44 hours per week (and 48 hours in “continuous businesses”) but it does not provide a clear limit on overtime hours. In August 2012, the Ministry of Labour issued a directive allowing up to 3 hours of overtime Monday to Friday, and 5 hours of overtime on Saturday. This would allow for a maximum of 20 hours of overtime per week in enterprises that are not “continuous”, for a total of 64 hours of legal work per week. This directive has been distributed publicly, however is not widely circulated, resulting in some confusion about maximum permitted overtime for enterprises under the Factories Act.

9. Social security system

Myanmar’s Social Security Board (SSB) under the Ministry of Labour has a long history of providing social services, employment sickness benefits and other compensation related to work injuries. The scheme started in 1956, in accordance with the 1954 Social Security Law and it used to have a very good reputation among formal sector workers. However, over the last three decades, the SSB failed to expand its coverage and did not perform well in terms of the quality and cost of its health care services. In 2012, the Government initiated a reform of the SSB and enacted a new and more comprehensive Social Security Law in 2013 that stipulated changes in the contribution rates and benefit levels. The new legislation also expanded the SSB’s portfolio to offer pension and housing programmes in addition to employment benefits.

This reform seems to have taken effect also in the enterprises surveyed, 91.9 per cent of which indicated that they are registered with the Social Security Board (SSB). This includes 83 per cent of the food processing enterprises in the sample and all garment producers (Table 13). Again, differences in typical enterprise sizes is one plausible explanation for this cross-sector variation. Meanwhile, the average share of full-time workers who have a social security card is somewhat lower at 78.2 per cent. Interestingly, workers in the food processing sector are more likely to have a social security card than workers in the garment industry (75.8 per cent versus 73.7 per cent) (Table 13). Less than universal coverage can be interpreted as a result of enterprises not registering all their full-time workers or the SSB not being able to provide cards to all registered workers.

The average contribution to the SSB of all surveyed enterprises was around MMK11 million in the year 2014. As a share of companies’ total sales value, SSB contributions made up less than 1 per cent in both sectors studied here, although this percentage was almost twice as high in the garment industry (0.8 per cent) compared to the food processing sector (0.5 per cent) (Table 13). One explanation for this cross-

sector difference certainly lies in the fact that most garment enterprises operate under the CMP model, which implies very different sales computations in the two sectors.

Table 13. Enterprise participation in and contribution to the Social Security Board (SSB) (%)

SSB coverage and contribution	Food processing	Garment manufacturing
Share of enterprises registered at the SSB	83.1	100.0
Share of full-time workers who have an SSB card	75.8	73.7
SSB contribution as share in total sales in 2014	0.5	0.8

Source: CESD enterprise survey.

Even if they represent only tiny shares of companies' sales, slightly more than half of the garment companies (56 per cent) and 21 per cent of the food manufacturers in the sample indicated that SSB contributions are a burden for them (see Table 14). Cross-sector differences in the perception of social security contributions reflect the fact that garment production is more labour intensive and almost 20 per cent of the food processing enterprises do not contribute to the SSB at all (see the first row of Table 13).

At the same time, less than half of the survey respondents indicated that the SSB provides full service and benefits to their employees, including 41 per cent of food processors and 46 per cent of garment manufacturers. Nevertheless, 72 per cent of garment enterprises and 53 per cent of food processing companies feel that the quality of SSB services has improved in the past few years. Finally, more than half of survey respondents thought an unemployment benefit scheme would be useful. That is, a majority of surveyed enterprises are of the opinion that expanding the social security system beyond the current health insurance scheme – a step that is currently being prepared by the SSB – would be beneficial (see Table 14). Overall, thus, the survey suggests that, on the one hand, the coverage of the social security scheme is quite high in the formal sector but, on the other hand, further improvements are needed, especially when it comes to the quality of services provided.

Table 14. Enterprises' perceptions of SSB contributions and services (%)

Share of enterprises indicating that . . .	Food processing	Garment manufacturing
SSB contributions are a burden for them	21	56
SSB provides full service to their employees	41	46
SSB services have improved	53	72
An unemployment benefit scheme would be useful	55	63

Source: CESD enterprise survey.

10. Suggestions for future policy directions

One of the key challenges for Myanmar policy-makers is to put the country on a trajectory of inclusive economic growth that benefits the broad population through increased employment opportunities and improved working conditions. This will require the Government to design and implement policies that promote rapid economic growth, and additional policies will be needed to ensure that economic growth is indeed inclusive. Strengthening Myanmar's labour system is one important area and development priority in this regard.

The Government of Myanmar is already in the process of reforming the country's education system to improve opportunities for skills development, but the benefits from these reforms will materialize only in the medium to long term. More immediate creation of job opportunities requires short- to medium-term expansion of the private sector, especially in labour-intensive industries. These include target sectors of the survey, namely the food processing and garment manufacturing sectors. If enterprises in these and other sectors aim to deliver on the imperative of generating decent and productive jobs, they need an enabling environment, including conducive labour legislation and labour market dynamics and conditions. Enterprises are immediately affected by labour laws as they shape their decisions on hiring, pay, human resources development, working conditions and so on. The legislative framework and

related public institutions are also important factors that influence whether or not employers and workers are able to structure stable industrial relations. Setting the right framework conditions and strengthening Myanmar's labour market system, thus, can significantly contribute to a process of productivity growth.

Indeed, an ambitious agenda to reform and update the country's labour-related legislation has been initiated already by the previous Government, including the amendment of outdated labour laws and the enactment of new laws, rules and regulations. These aim to achieve different objectives such as to improve social protection for workers, enable them to form associations, increase the incomes of labourers, promote employment and skills development, and encourage dialogue between employers' and workers' representatives.

However, notwithstanding a series of achievements within a short period of time, Myanmar still faces major challenges in its labour systems. Despite the abovementioned legal reform efforts, the broader legislative and regulatory regime would benefit from further reform to ensure a positive investment environment, more job opportunities and improved working conditions. Even more important, however, will be the implementation of the existing and modernized set of laws, rules and regulations, and to create awareness as well as a culture of dialogue and collaboration between the different stakeholders. Labour disputes are still quite widespread, average wages and productivity are low, skills are limited and working conditions for many workers do not meet international standards.

The findings of the survey, which were presented in the preceding sections, help to shed further light on the remaining challenges from the perspective of Myanmar enterprises. They can point Myanmar policy-makers to amenable paths and inform strategies and actions to further strengthen Myanmar's labour systems and labour market. In closing, it is important to emphasize again that all results presented in this report should be interpreted with some caution. As mentioned in section 2, there were some difficulties during the survey implementation phase, and the survey sample cannot be assumed to be representative of Myanmar's enterprises. Instead, the survey focused on two subsectors and two regions within the country. There are therefore limits to generalizing the findings from the survey as the situation may be somewhat different in other sectors and other regions. As a result, further research is needed to investigate the labour market conditions in other industries and other parts of Myanmar, to cross-check the findings from the survey with those from other enterprise surveys and to study in more detail Myanmar labour market issues from the perspective of workers. The latter will provide a better understanding of the labour supply side, including skill profiles and possible labour shortages in different locations and professions. It can draw on LFS data once it has been made publicly available and collected over several points in time through regular surveys. Future research should also aim to contribute to learning more about the labour situation of the large informal sector in Myanmar and its interaction with the formal sector.

The following suggestions draw on the analyses of the survey results to point to some areas where further reform seems to be desirable and where public policy can play a role in stimulating and achieving improvements. In doing so, it may offer some directions and suggestions for policy-makers.

1. Streamlining and implementation of labour laws

In the last couple of years, Myanmar has enacted a number of labour market reforms and a plethora of laws have been repealed, amended or newly passed. This has changed and modernized the legislative and regulatory framework considerably. However, less attention has been dedicated to the implementation of all these laws, rules and regulations. An important area of policy-making will, hence, be to clarify and implement existing laws. This report provided some examples where laws, rules or regulations are confusing or even contradictory, and more study and clarification on those issues is critical. One example provided in this paper was the employment contract template which has caused confusion and resistance among stakeholders. Similarly, anecdotal evidence suggests that companies are not always clear about how to correctly calculate overtime rates or how to provide maternity benefits. At the same time, the analysis has shown that few companies were already in compliance with the Minimum Wages Act when it was passed. All this points to the need to streamline labour legislation,

remove contradictions, improve transparency and clarity, and dedicate sufficient resources to the proper implementation of existing laws, rules and regulation.

2. Reduce labour turnover rates

The survey has shown that labour turnover rates are very high and a key problem for both workers and employers. They create disruptions and discourage companies from investing in skills development. Promoting and facilitating or, if necessary, enforcing the usage of employment contracts could be one way to make employment relations more stable by making rights and obligations of both parties more transparent while also serving as a signalling device for both sides. Indeed, the current setup which mandates companies to use a standard employment contract template is not well accepted and in need of reform. Making this more practicable could be a quick win. Policy measures could also aim to encourage or support the establishment of grievance systems within enterprises so that workers have a formal channel for voicing their concerns and complaints and no longer feel that resigning is their only recourse. Any measures that help to increase very low wages, improve working conditions and reduce working hours and pressure on workers should indirectly also help to reduce labour turnover rates.

3. Support human capital development

Labour productivity in Myanmar is low and the enterprises participating in the survey indicated that the scarcity of skilled labour is a big obstacle for their success. At the same time, not least due to the high labour turnover rates just mentioned, companies themselves invest little in human resource development. This is where public policy could come in. Apart from upgrading the public education system – an endeavour that will take time to yield results – policy-makers can offer more targeted support for skills upgrading with positive effects in the short to medium term. Policies can aim to expand government-provided training and support existing private training institutes (such as the one owned by MGMA which offers technical training to garment workers) or private sector initiatives (such as training centres in industrial zones). The objective would be to expand and strengthen the provision of technical and vocational education and training (TVET), including through the establishment of new, modern institutes, possibly with a focus on the skill needs of priority sectors for the country. Such TVET institutes can be publicly or privately owned, or operated through public-private partnerships. Furthermore, in order to ensure that companies increase their demand for skill development programmes and training, the Government should consider introducing measures that incentivize enterprises to send workers or staff to training sessions or even to incur expenditures for formal, external staff training. This could come in the form of grants, subsidies or tax breaks, for example.

4. Promote social dialogue, industrial relations and collective bargaining

Labour relations are still at a nascent stage and labour disputes are quite common. Labour representatives and employer representatives often view each other as opponents rather than as partners in the struggle to achieve common objectives. Therefore, mechanisms that promote social dialogue and that help improve industrial relations need to be established and strengthened, and the Government can support that by providing the right legal and institutional framework. For example, Myanmar currently does not have specialized labour courts but relies only on councils or tribunals to resolve labour disputes. The Government can also act as convening authority and provide platforms for dialogue and exchange. The tripartite National Minimum Wage Committee (NMWC), which was formed under the Office of the President in September 2013 to define an appropriate level for the minimum wage, offers a good example. Committee members include representatives of employers' and workers' organizations, responsible government departments as well as independent experts, including from the ILO as well as local and international NGOs. For almost two years, the Committee provided a forum for consultations, discussions and negotiations among the different parties before a final decision was made on the minimum wage rate.

Ultimately, as a longer-term objective, the Government can promote a shift in the industrial relations setup towards a system of collective bargaining, which has proven successful in many other countries. Effective participation in decision-making processes is important to create a sense of ownership among all partners regarding agreements, thereby increasing the probability of their application in practice.

Bipartite or tripartite decision-making mechanisms also promote a common interpretation of negotiation results, helping to avoid misinformation, confusion and non-compliance due to rule ambiguity. In general, compliance is much more likely with shared rules that result from discussions and negotiations rather than top-down regulation. Moreover, collective bargaining regimes facilitate the awareness of employers and workers of the applicable rules and rates, thereby contributing to greater compliance.

However, collective bargaining systems strongly derive their effectiveness from organized and efficient workers' and employers' organizations. Since labour unions were banned in Myanmar until recently, they lack the experience, knowledge and capacity to meaningfully engage in social dialogue. Similarly, employer organizations and enterprise associations have hardly any experience engaging on labour issues or supporting members to engage in social dialogue, so they similarly lack capacity when it comes to labour-related dialogue. Therefore, measures to promote social dialogue and collective bargaining should be accompanied by programmes to strengthen labour and employer associations by educating them (for example, on the principles of bargaining such as voluntary agreement, flexibility in the level of bargaining, and non-exclusivity of bargaining methods) and increasing their capacity, for example on legal procedures, negotiation techniques and so on. If social partners do not negotiate on an equal footing with capable counterparts, agreements are more likely to be skewed and, thus, less implementable.

5. Ensure compliance with the Minimum Wages Act and other labour laws

At the time of the survey, which was conducted before the new minimum wage rate came into effect, average wages at a large proportion of companies were below the new legal minimum. This indicates that enterprises with small profit margins will struggle to comply with the new minimum wage. Nevertheless, the Government has an important role to play in promoting and enforcing compliance with the law, not only to ensure that the minimum income is upheld and workers are enabled to attain certain living standards, but also to maintain conditions of fair competition among market participants and prevent non-compliant companies from deriving a competitive advantage by violating the minimum wage rate. This will probably require the scaling up of labour inspections for monitoring and detecting violations. At the same time, measures could be taken to mitigate the impacts of the minimum wage on enterprises, for example by reducing other labour costs (such as overtime pay rates, costs of workers' housing or transportation) as well as non-labour costs (such as utilities or land lease).

More broadly, the Government has a central role to play in terms of promoting compliance with the entire labour law framework. Working conditions and labour dispute procedures are two important examples where improving compliance would be particularly beneficial. This would help to promote decent working conditions while providing employers with a more predictable operating environment.

6. Implementation of social security scheme

With its new Social Security Law, Myanmar has made an important step towards improving the social protection of its population. Now it is imperative to promote its universal implementation to increase the number of beneficiaries as much as possible and to create a level playing field for enterprises where no competitive advantage will result from the non-payment of social security contributions. This report has shown that while a large share of companies have registered with the SSB, coverage of workers can still be expanded. Moreover, there is a certain dissatisfaction with the scope, quality and accessibility of the SSB's service offerings which need to be improved. In a next step, the SSB should also consider broadening its service portfolio, most notably through the establishment of an unemployment benefit scheme for which, as the survey has shown, there is acceptance among enterprises. A fully functional social security system can contribute to increasing workers' purchasing power by reducing out-of-pocket health expenditures, thereby helping to improve their well-being. It also benefits enterprises by helping ensure workers are healthy.

7. Promote return migration of (semi-)skilled labourers of Myanmar working abroad

Skilled labour is scarce in Myanmar and at the same time, there is a huge diaspora of people working abroad. Some of them have developed skills as a result of their work experience in foreign countries that are not available but needed in the Myanmar labour market. This is particularly true of technical and managerial skills as well as language and communication skills for international transactions. In view of this, the Government could consider launching a programme to attract return migrants and to instigate a process of 'brain re-gain'. This could involve matching potential job seekers with companies trying to fill positions and helping return migrants to resettle in Myanmar. The Government has, in fact, merged the previously separate ministries for labour and migration to form the Ministry of Labour, Immigration and Population (MOLIP) which should have the capacity to combine these two portfolios.

8. Branding of "Made in Myanmar"

On a broader level, the Government of Myanmar could embark on an international publicity campaign to associate "Made in Myanmar" products with decent work. For this, obviously, it first must ensure the truth of such a claim by promoting safe and decent working conditions in the country's factories.

This should also help to diversify markets for Myanmar's exports, which currently are dominated by Asian trade partners, since compliance with labour standards is an important prerequisite for penetrating Western markets in Europe and the United States. Myanmar is in a privileged position because, as a new entrant to the market, its reputation has not yet been damaged by incidents of serious labour rights violations or worker safety hazards like the Rana Plaza collapse in Bangladesh. Such an international branding campaign could be led by MOLIP but should be carried out in cooperation with enterprises and also the Ministry of Commerce.

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Appendix: Survey design and implementation

A.1. Questionnaire and survey sampling

The questionnaire used in this survey was developed jointly by CESD and IDRC. As mentioned above, it consisted of different types of questions, including dichotomous, multiple-choice, constant sum, rank order scaling, demographic and closed-ended questions.

The survey sample was determined through convenience sampling, selecting companies from two sets of enterprise lists: first, lists provided by different Industrial Zone Management Committees; and second, a list of apparel producers provided by MGMA. Survey participants were then selected randomly from these two enterprise lists. A key reason for choosing convenience sampling was that there is currently no registry of all enterprises operating in Myanmar. Part of the convenience sampling was to restrict survey locations to Yangon Region and Mon State, and to focus on certain industries, primarily the manufacturing of food products and apparel, while also surveying a few enterprises from the wood products, paper and other manufacturing sectors. In total, 205 companies were contacted and asked to participate in the survey. Seven of them declined to do so, leaving a sample size of 198 enterprises.

This sample is not representative of all Myanmar companies for the following reasons:

- The sampling frame was incomplete due to, first, the absence of a complete registry of businesses in Myanmar and, second, the choice of enterprise lists from Industrial Zone Management Committees and MGMA as representation of the full enterprise population;
- The survey had a deliberate focus on the manufacturing sector and excluded enterprises operating in the agriculture or services sectors;
- Within manufacturing, the survey focused on two of the key industries in Myanmar, namely food processing and apparel manufacturing;
- The survey had a regional focus on Yangon Region and Mon State while excluding other regions and states in Myanmar.

Furthermore, convenience sampling introduces the risk of selection bias. For example, selecting companies that operate in industrial zones and/or are members in a business association means excluding informal businesses, which make up a large share of companies in Myanmar. Moreover, it can be expected that the profiles of garment producers that are not members of MGMA (and that, thus, were not part of the sampling frame) differ from member enterprises. In particular, their export propensity is likely to be lower, which might also have implications on their labour practices. Indeed, analysing a sample of Myanmar manufacturing enterprises, Tanaka (2016) finds that exporting has positive impacts on working conditions. Myint et al. (2015) have similar findings. MGMA membership, and probably also operating in industrial zones, is not random so there is a predisposition for the survey to include/exclude certain types of enterprises. In sum, the survey was not carried out on a random sample of Myanmar companies which possibly introduces a certain sample bias into the responses collected.

A.2. Pre-testing and survey implementation

Before its actual implementation, a pre-testing of the survey was undertaken in June 2015. Ten garment enterprises operating in Yangon Region were randomly selected and visited by the CESD research team leader, a research associate and a research assistant who conducted face-to-face interviews using a final draft version of the questionnaire. This pre-testing revealed that, on average, it took about two hours to complete the survey and that many respondents were not able to provide answers to questions that required numeric information such as asset values, sales values, export ratios, production costs, number of employees and their wages. In view of this, it was decided to divide the questionnaire into two parts in order to elicit and collect as much information as possible from survey enterprises. This meant that the first part

of the questionnaire was to be covered by face-to-face interviews during enterprise visits while the second part was to be left with respondents for a week to give them time to refer to their accounting records, contact different departments, or contact the owner (in cases where lower-level ranks served as respondents) in order to gather the information needed to answer the survey questions.

The actual survey was then carried out from July to November 2015 among a sample of enterprises operating in different industrial zones in Yangon Region and Mon State. Participating enterprises were randomly selected from the lists received from the Industrial Zone Management Committees and MGMA. Implementation support was provided by the different Industrial Zone Management Committees who helped the survey team to contact enterprises and to arrange survey appointments and questionnaire collection times. Furthermore the Ministry of Labour, Employment and Social Security (MOLES)¹ provided support through issuing request letters to enterprises, arranging survey appointments and sending officers from labour departments to serve as enumerators for data collection. In general, the survey team who visited enterprises to conduct face-to-face interviews consisted of the research team leader, research associates, research assistants and enumerators from MOLES.

Company owners and high-level management staff were targeted as respondents. In practice, however, sometimes mid-level administration officers were delegated to respond to the survey team's questions during factory visits. In various cases, this proved to be an issue as the overall knowledge about the enterprise and the ability to respond to certain questions often vary according to the positional rank of the respondent. Overall, respondents included business owners, directors, managing directors, factory heads, human resources managers, general managers, administrative officers, and accounting officers. Since responses come from enterprises and their management, the possibility of self-interest in replies cannot be entirely dismissed, thus there is a certain risk that some responses may be biased. The source of bias could be that enterprises see the survey as a chance to communicate something important, or it could be that they want to communicate socially desirable responses, in particular when it comes to sensitive issues such as labour disputes, wage demands or labour turnover, for example.

As mentioned, Part I of the questionnaire was covered through on-the-ground interviews which typically took about an hour but sometimes longer if extensive explanations of survey questions were necessary. Part II of the questionnaire was left at the companies with the request to return it within a week; if that did not happen, the survey team followed up about once a week. A total of 198 enterprises responded to Part I of the questionnaire. However, by the end of November 2015, only 108 enterprises returned (at least partially) completed Part II questionnaires.

A.3. Difficulties

The survey team faced certain difficulties. It often proved hard to make an appointment with enterprise owners or higher-level management such as directors, managing directors, general managers, especially for large and medium-sized enterprises. In some cases, the interest from respondents and their willingness to give more than 30 minutes of their time were limited, resulting in a low degree of reflection about survey questions.

Leaving Part II of the questionnaire with the enterprise proved to create problems of its own as respondents who were not the owner, director, managing director or general manager often did not fully understand some of the questions and had to ask higher-level management to respond, but the latter then often did not take the time, not least due to a lack of knowledge about the survey context. In some cases, lower-ranking respondents also had to ask permission from upper management to provide certain types of information in response to survey questions, but permission was not always granted.

¹ In the meantime, as part of the Government's efforts to shrink and streamline the country's public administration, MOLES merged with the Ministry of Immigration and Population to form MOLIP.

As such, questionnaires returned by companies were often incomplete. This can largely be explained as a certain survey fatigue among companies (who have been surveyed a lot in recent years by both local and international institutions). It may also reflect the specific historical context in which the survey was carried out where many enterprises were concerned and felt uncertain because of ongoing negotiations on a new minimum wage on the one hand and the upcoming national elections on the other hand.

A.4. Usage of complementary sources of information

To deal with the issue of incomplete questionnaires, the data collected through the survey, especially the data on garment factories, was complemented with some additional data from the following sources:

- 1) Balance sheets submitted to the survey team by participating enterprises;
- 2) The MGMA company directory, primarily to get information on apparel enterprises' numbers of full-time employees, on whether or not they are exporting, on whether or not they had foreign ownership, and on whether they had a website;
- 3) Company websites, where applicable;
- 4) Social security cards and registration numbers, to calculate employee numbers.
- 5) Qualitative interviews by CESD researchers at the margins of factory visits;
- 6) Notes from enumerators; some enterprises, while not responding to the questions in the questionnaire, provided narrative answers (e.g. on total number of workers) which enumerators could write down on separate sheets of paper.

A.5. Data caveats

Survey data collected on the value of fixed assets such as land and building have to be interpreted with caution. These should be taken as approximate values since most enterprises provided the expected value based on market prices – but land and building prices are currently inflated in Myanmar (and especially in Yangon) due to a real estate bubble. Similarly, it cannot be guaranteed that respondents provided accurate figures on sales values and production cost as they do not want to admit making profits, not even in a survey. Several respondents even openly told the survey team that they do not want to provide true values in order to not disclose their avoidance of profit taxes. Moreover, as mentioned above, some of the answers may suffer from a certain bias towards what is socially desirable or in the self-interest of the respondent. Finally, again, the sampling frame and the non-random sampling approach likely introduced a selection bias which implies that some of the results might not be representative.

Despite the shortcomings with respect to sampling, response rates and data caveats described above, the data collected through the survey complements the existing stock of enterprise-level data for Myanmar and allows for some useful and interesting analyses. Above all, the survey had a specific focus on companies' human resource management practices, industrial relations and labour market needs. Comparable information is not available from existing datasets.

Myanmar labour issues from the perspective of enterprises: Findings from a survey of food processing and garment manufacturing enterprises

Along with Myanmar's political and economic systems, the country's labour market is undergoing a profound transformation. At the same time, systematic information on the labour market is scarce. Addressing this gap, this study presents data collected through a survey among enterprises operating in the food processing and garment sectors. Looking at labour issues in Myanmar from the perspective of employers leads to various findings. Labour turnover rates are high and often worker-driven. Lack of skilled labour is viewed as a major obstacle by many enterprises but only few of them invest in human capital development. Industrial relations systems are in their infancy with workers associations present only in a minority of firms. Social dialogue is underdeveloped and industrial relations are not always peaceful. Almost a fifth of the surveyed enterprises reported that their workers went on at least one strike during the last three years, and a quarter of them had at least one demand for wage increases during the same period. Key documents such as employment contracts and payslips are used widely but not universally. Wages are low compared to other Asian countries but so are labour productivity levels. Still, there were indications that many enterprises would struggle to comply with the new minimum wage. In most enterprises, workers come in six days a week and, on average, work 10.4 hours of overtime per week. Finally, almost all enterprises are registered with the Social Security Board (SSB) but raised concerns about the quality and availability of SSB services to their employees. The study concludes with some suggestions for future policy directions.



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