



Raising the Bottom

A Report on the Garment Industry in Myanmar

INTRODUCTION

The garment industry in Myanmar, while still small compared to major producers such as China and Bangladesh, is growing exponentially, as more and more buyers source from the over 350 factories in its industrial zones. Yet despite an increase in jobs, labor standards remain low. This report, 'Raising the Bottom,' finds that Myanmar has a long way to go for this industry to be sustainable as factory workers, the majority of whom are women, bear the brunt of an extremely competitive global market in which labor standards remain below internationally recognized human rights and labor standards.

Based on 199 interviews with garment factory workers, 87% of whom were women, as well as key stakeholders in the industry, from the private sector to trade unions, the research presented in 'Raising the Bottom' finds that labor rights in Myanmar are not adequately protected through national legislation. Furthermore, structural pressures as a result of Myanmar's integration into global markets will create negative impacts. This necessitates an evaluation of how Myanmar's broader economic development will benefit those without adequate protection.

The main research findings of this report relate to four different aspects of life for workers in the garment industry – working hours, working conditions, the impact of the minimum wage, and trade unions and labor dispute settlements.

Summary of the Research Findings

Working Hours

- 95% of workers interviewed regularly work 6 days per week.
- 88% of workers interviewed regularly work 10 or more hours per day.
- Workers rarely refuse to work overtime. This is for various reasons including not knowing whether or not they can say no, the need for any extra overtime pay to supplement a salary that fails to meet rising living costs, or sometimes as a result of coercion or intimidation.
- Management and owners actively discourage workers from taking time off work. Most face disproportionate wage deductions for taking days off. 61% of workers interviewed stated that the fine was 5,000MMK per day or over, while 36% said it was 10,000MMK per day or over. Given that the minimum wage is 3,600MMK per day, and that most workers struggle with this wage, this deduction is disproportionate. Some workers even stated that the deduction, used as a punishment and deterrent, was over 20,000MMK per day.
- Workers regularly stated that permission to take a day off is regularly denied, if they were to take more than three days off without permission they would be fired.

“The employer has money, the government has authority, and we have our mouths. Therefore, we need to collect our mouths together and work together as much as we can to speak out and demand what we want for the workers.”

***Labor Rights Activist
Yangon, Myanmar***

Background Photo: A demonstrator protests the government’s proposed minimum wage during a march through Hlaingtharyar industrial zone

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Working Conditions

- 54% of workers interviewed reported problems with their managers and supervisors, ranging from applying undue verbal pressure, to arbitrary lay-offs. Other workers talked of the threat or the actualization of physical assault, but the most common complaint is that of pressure to fulfil orders, including being forced to work overtime, reduced break times, threat of dismissal and continual verbal pressure.
- 40% of workers complained of toilets being inadequate, whether through lack of water, not enough toilets related to the size of the workforce, restrictions on how many times and for how long to use the facilities, or a lack of cleanliness.
- 70% of the factory workers interviewed reported the existence of a healthcare clinic (as stipulated by law) although over a quarter of these (27%) reported problems that the medication was inadequate, or that staff were not skilled enough to address health problems.
- Key stakeholders interviewed for this research reported that the social security system, which covers healthcare and maternity leave, is vulnerable to corruption. Instances were reported in which the relevant authorities and the factory owners would collude to distort the number of workers paying into the social security fund for their own gain.
- 27% of workers interviewed believed that maternity leave was not available and 15% were not sure, despite this being a legal requirement. One of the methods that some factory owners used to avoid paying maternity leave is encouraging pregnant women to voluntarily leave the factory without paid leave, and restart work after childbirth on the starting wage.
- Language barriers with foreign factory owners resulted in problems over wage slips and resolution of disputes.
- Most of the workers interviewed, of which 87% were women, felt safe in their workplaces as regards sexual harassment or gender-based mistreatment by their male colleagues and supervisors although a small number of workers did report that this occurred. This is partly because many of the supervisors and most of the staff themselves are female. However, 32% said that they did not feel safe when walking home after work. This is exacerbated when they need to work overtime and are thus walking home in the dark during later evening hours. Women felt that they were vulnerable to attack, often were verbally harassed, and there were reports of sexual assault or rape of women they knew or had heard of.

“After the minimum wage policy came into practice, it is true that the amount of payments has increased to some extent. But at the same time, the treatment of workers has become very abusive, harsh and inappropriate as workers are constantly being fined, laid off and so on.”

Female Garment Factory Worker, North Okkalapa, Myanmar

Impact of the Minimum Wage

- 99% of workers interviewed reported that their employer *is* following the minimum wage policy since it was introduced on 1 September, 2015.
- 61% of workers interviewed reported negative impacts of the minimum wage policy.
- According to over two thirds of those who noted a negative impact since the minimum wage introduction, working conditions have become harsher both in terms of expected worker output and strict regulations.
- Over half of those workers interviewed who expressed negative effects of the minimum wage policy highlighted the loss of bonuses and benefits as a negative impact.
- For many workers, the introduction of the minimum wage, and the rise in the average monthly wage for a worker in the garment industry and the manufacturing industry as a whole, is still not commensurate with a living wage. Workers struggle to make ends meet just as they did in the years before the minimum wage was implemented due to the rises in inflation and commodity prices.
- The research findings indicated several instances of a leveling out of pay-scales as regards skill levels. Thus some skilled or long-term workers actually had their basic pay reduced after the introduction of the minimum wage.

Trade Unions and Labor Dispute Settlements

- Only 33% of workers interviewed stated that a trade union existed in their factory and secondly, for those who do know of the existence of a union, many are not members. A total of 8% of the workers interviewed stated that they are a member of a trade union.
- There is a low awareness of trade unions. A third of the respondents (35%) were not even aware of whether a union existed or not.
- Of interviewees who were aware of unions, 22% felt it was unsafe to become a member. The fear of being laid off and being threatened with dismissal from factory owners due to trade union membership was the most oft-cited reason for deeming membership unsafe.
- 13% of workers who stated that there was a union reported that the union was in fact employer-controlled or had been established by the employer.

“In cases when there are too many bulk orders, workers are harshly pressured, forced and shouted at to work hard and in a rush. Workers end up being very exhausted, overwhelmed and stressed as a result.”

*Male Garment Factory Worker
South Dagon, Myanmar*

The report also finds that domestic legislation is not adequate enough to protect workers' rights, including the right to organize, while the new labor laws are not in line with International Labour Organization (ILO)'s labor standards. In particular, the lack of mechanisms and legal provisions that ensure good faith bargaining do not bind factory owners to follow the decisions of the arbitration bodies and the Arbitration Council during disputes. While some factories follow the Myanmar Garment Manufacturers Association (MGMA)'s Code of Conduct or other brands' codes of conduct, such policies and standards, unilaterally implemented by private sector enterprises, are voluntary. While there are some buyers in Myanmar that are part of global framework agreements (GFAs), which are negotiated between multinational enterprises and trade unions and provide grievance mechanisms for labor rights abuses, there will always be unethical factories and unethical buyers, keen to exploit a legal framework that is not strong and comprehensive enough to protect workers.

The pressures of the global market are such that Myanmar risks joining a 'race to the bottom.' For factory owners, the pressure to exist and make a profit mean that they need to extract as much labor from their workers as possible. There is a pressing need to produce as cheaply and as quickly as possible. The widespread and prevalent world of 'fast fashion' gives global consumers the choice of purchasing 'fashionable' apparel at a low cost through quick and inexpensive production processes, with buyers putting pressure on garment factories. These pressures are then projected by factory owners and management onto their workers, as this report evidences. If this means forcing workers to do overtime, or threatening them with dismissal if they take a day off, then this is something many factory owners and managers will do. In order to make a profit, factories may save money by not equipping the clinic with proper

resources, or by not updating or cleaning toilet facilities for workers. Furthermore, as the movement of capital becomes easier through trade liberalization, it is easier for investors to move operations to where labor is cheaper or less organized while buyers can shift where they source from. It is on this point where opportunities should be pursued for transnational connections between labor groups and trade unions in the Asia region, working together for their mutual benefit. By resisting this capital flight together they can collectively raise the bottom of labor standards, regionally and globally.

"I can be threatened and deterred by my factory if I happen to join it [the union]. I know what my rights are."

***Female Garment Factory Worker
Mingladon, Myanmar***

Workers, given the rising rates of inflation and resulting increase in living costs, cannot afford the wage deductions for taking a day off or as a result of refusing overtime. This is exacerbated by a large pool of labor migrating to Yangon, meaning that it is easy to replace a worker deemed not productive enough or one that is engaged in trade union activities. Further, migrant workers from rural areas cannot survive in the city without a consistent form of income, as they do not have the benefit of social and family support. For these workers, returning to the countryside is not an option as there are very little job opportunities and in most cases their family solely depends on them for their livelihood.

Myanmar's push towards the privatization of communal land, the endemic of land confiscation in rural areas for natural resources extraction, infrastructure construction and the development of monocrop plantations and agribusiness has left many without land, bolstering the population of the rural poor. This creates a situation in which small-scale labor-intensive farming is replaced by large-scale capital-intensive farming techniques, creating a large pool of unskilled labor.¹ While many of these people work on farmland as day-laborers as opposed to owning land, many also migrate to industrial urban areas for jobs, creating an abundance of labor supply. Devastating effects of natural disasters also contribute to this increasing number as rural livelihoods are wiped out. Thus, the issue of advancing labor rights finds its place in the broader concept of Myanmar's economic development and finds itself inextricably linked with disenfranchised rural poor. Strengthening land tenure and pursuing sustainable development policies in rural areas is therefore part of the bigger picture of structural pressures that affect labor rights in Yangon's industrial zones.

Labor rights are human rights; they are inseparable from each other. Internationally recognized human rights and labor standards should not be eroded in the search for profit and investment opportunities. The Myanmar Government has a responsibility to make policy and legislative changes that protect the rights of workers to form or join trade unions, to ensure good-faith bargaining in industrial disputes, to promote and entrench regulations and standards that ensure decent working conditions and the rights of workers such as maternity leave and healthcare access and to punish abusive factory owners who flout the law. Furthermore, in the

absence of such policy and legislative protections, actions by actors in the labor movement that push for victories for workers' rights should be protected and supported.

Meanwhile the private sector, in the absence of adequate national legislation, has a duty to follow international guidelines such as the UN Guiding Principles on Business and Human Rights and the Office for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNEs). Being a country that is still a relative newcomer to the global garments market, and especially given the democratic transition that is underway, Myanmar should strive to become a model for sustainable development in the garment industry, where workers' rights are protected.

61% of workers reported negative impacts of the minimum wage policy



Workers protest against the proposed 3,600MMK minimum wage in Yangon on July 12, 2015

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¹See Jenny Franco, Hannah Twomey, Khu Khu Ju, Pietje Vervest and Tom Kramer, 'The Meaning of Land in Myanmar: A Primer,' *Transnational Institute*, November 2015. Available at https://www.tni.org/files/publication-downloads/tni_primer-burma-digitaal.pdf (accessed 7 September, 2016).

Key Recommendations

To the Myanmar Government:

- Ratify remaining ILO Core Conventions, in particular, *Convention 98*;
- Ratify the ICESCR and the ICCPR;
- Submit a response to the ILO's direct request from the CEACR on *Convention 87*;
- Continuously monitor the minimum wage implementation to ensure that employers follow the law and that it is in line with 'living wage' and inflation;
- Promote and provide space and protection for independent trade unions to form, organize and operate; and
- Amend problematic sections of both the Labour Organization Law and the Settlement of Labour Dispute Law (outlined in Section Three) so they are in line with ILO Conventions and ensure good faith bargaining. In particular:
 - Amend the section of the Settlement of Labour Dispute law to include prison terms for those who do not abide by Arbitration Council decisions.

To Factory Owners:

- Abide by all national labor legislation and decisions of arbitration bodies and Arbitration Council;
- Provide written contracts, in Myanmar language, that clearly explain the terms and conditions of work, including the benefits that workers are eligible for, whether by law or by factory policy as well as leave requirements;
- Ensure that payslips are in Myanmar language and provide a clear breakdown between their basic pay, overtime pay, and any benefits or bonus pay;
- Provide safe transportation for workers if they work overtime;
- Give workers the choice regarding working overtime;
- Recognize the legitimacy of trade unions, federations and labor rights organizations; and
- Refrain from interfering with the functioning of these organizations and end all persecution, intimidation and threats to trade union members and leaders.

To International Buyers and Investors:

- Ensure all business operations within Myanmar comply with relevant international human rights and labor standards, including ILO Conventions, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines on MNEs;
- Engage in due diligence before, during and after sourcing from factories in Myanmar;
- Make publicly available the names, addresses, contact information, and ownership details of all factories that products are sourced from; and
- Consult with all stakeholders from the labor sector, including trade unions and labor rights organizations, on a regular basis.

To the Arbitration Council:

- Establish clear, transparent and inclusive procedures for elections of workers' representatives to arbitration bodies and the Arbitration Council; and
- Publically announce all decisions of arbitration bodies and the Arbitration Council to ensure transparency and accountability.

To Trade Unions and Labor Rights Organizations:

- Continue to engage in industrial relations based on the values of good-faith bargaining;
- Cooperate with other unions and federations for a stronger, more united labor movement;
- Build linkages, solidarities and networks based on common objectives with farmers groups and environmental and land rights activists;
- Build linkages, solidarities and networks with other labor movements, trade unions and organizations in the Asia region in order to collectively 'raise the bottom';
- Continue to raise awareness on labor rights among workers in factories; and
- Actively promote women leadership of trade unions, federations, and labor rights organizations, especially as the garment industry workforce is over 90% female.

To National Civil Society Organizations and Networks:

- Engage and work with independent trade unions and labor rights activists through national advocacy networks and initiatives; and
- In coordination with trade unions, incorporate labor issues into thematic work and advocacy, showing solidarity with the labor movement.

To the International Labour Organization:

- Open a country office under the regional office in Bangkok to assist putting legislation and practices in line with ILO Conventions, upgrading from the current liaison office;
- Engage and cooperate with independent, grassroots labor rights organizations and trade unions, including trade unions that operate at factory level; and
- Call on the Government to:
 - Sign remaining ILO Core Conventions, in particular *Convention 98*;
 - Bring its labor laws in compliance with Convention 87 and the principles of collective bargaining;
 - Ratify the ICESCR and ICCPR.

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Progressive Voice is a participatory, rights-based policy research and advocacy organization that was born out of Burma Partnership. Burma Partnership officially ended its work on October 10, 2016, transitioning to Progressive Voice.

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