

From Boycott to Boom? A Socio-Environmental Map of Myanmar's Garment Industry in 2016

C&A Foundation

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ACRONYMS

ALR	Action Labour Rights
AFFM-IUF	Agriculture and Farmer Federation Myanmar
ALD	Association of Labour Defenders
BSR	Business for Social Responsibility
BIF	Business Innovation Fund
CBI	Centre for Promotion of Imports from Development Countries
CESD	Centre for Economic and Social Development
CSO	Civil Society Organisation
CTUM	Confederation of Trade Unions Myanmar (Confederate Union)
CCTU	Cooperative Committee of Trade Unions
CMP	Cut Make Pack
DFID	Department for International Development
FO	Foreign Owned (Enterprise)
FOB	Free on Board
FES*	Friedrich Ebert Stiftung
GIZ*	Gesellschaft für Internationale Zusammenarbeit
ILO	International Labour Organisation
INGO	International Non-Governmental Organisation
JV	Joint Venture (Enterprise)
LRDP	Labour Rights Defenders and Promoters
LHEO	Let's Help Each Other
LO	Locally Owned (Enterprise)
M&S	Marks and Spencer
MSG	Multi Stakeholder Group
MERN	Myanmar Environmental Resources Network
MICS	Myanmar Industrial Crafts and Services (Confederate Union)
MGMA	Myanmar Manufacturer's Association
NGO	Non-Governmental Organisation
STUM	Solidarity of Trade Unions Myanmar
WWF	World Wide Fund for Nature

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EXECUTIVE SUMMARY

Since 2011, Myanmar has been undergoing significant political and economic reform. The consequent lifting of EU and US sanctions has supported the dramatic growth of the export garment industry. From 2011 to 2015, export value rose from 583 million USD to 1,460 million USD, while the number of jobs and factories more than doubled.¹ By 2020, the industry is predicted to have reached an export value of 8 – 10 billion USD, and support 1,500,000 jobs.²

Despite this positive growth trajectory and optimistic projections, many stakeholders cautioned against unbridled enthusiasm for the sector's development. While some Western brands have indeed started to source from Myanmar, they are still small in number. Deterrents include low quality, a lack of skilled labour, compliance concerns and an absence of backward linkages. As outlined in section six, many of the brands' key concerns – including lack of skilled labour, compliance and poor linkages – are shared by workers and enterprise owners.

While the growth of the garment sector, and the growth in the quantity of jobs in the garment sector in particular, is widely regarded as a positive development, the quality of these jobs has repeatedly come under question. Issues of particular concern include low wages, extreme working hours, and child labour. Concerns have also been growing as to the environmental impacts of unchecked growth in the sector.

To help fulfil its objective of supporting a thriving garment sector, C&A Foundation commissioned Impactt to conduct a study into the socio-environmental landscape of the industry in Myanmar. The objectives of this research were two-fold: firstly, to understand which issues were most severely affecting workers; secondly, to understand which programmes are currently in place to encourage better quality jobs and reduce the environmental impact of the garment sector, so as to advise on where support from private, corporate and public donors could make the most catalytic impact, without duplicating or undermining current activities.

Impactt conducted the majority of our research in country with the cooperation of workers, unions, enterprise owners, government funders and international and non-governmental organisations. To explore concerns around job quality, we analysed the findings of our research against the rights based framework of the United Nations. Through this lens, we rated the following issues as 'red':

- **The right to free and secure employment**, particularly with regards to the content and implementation of contracts and child labour
- **Reasonable remuneration**, particularly with regards to adjustments made to account for the transition to minimum wage, as well as rising commodity prices.
- **Forming and joining trade unions**, particularly with regards to lack of unity and awareness, discrimination, bribery and corruption.

Rest and leisure, safe working conditions and **working free from discrimination** were rated as amber issues. This indicates that there is still significant room for improvement in all these areas.

As the Myanmar garment sector has not yet transitioned to FOB manufacturing, the full force of the potential environmental impacts of the industry have yet to be felt. Desk research and conversations with stakeholders indicated that **water / waste water** classified as a red issue, whereas **solid waste** and **energy** are rated as orange.

Taking rights issues and environment together, Impactt examined the programmes and projects currently taking place. We found that the greatest focus of activity is in:

- **Productivity, HR and factory improvements**
- **Labour unions and CSOs**
- **The environment**

A medium amount of activity is occurring in the areas of:

- **Forced labour, particularly child labour**

- **Worker skill development and skill recognition**

There is a low level or absence of activity in:

- **Transparency**
- **Female empowerment**
- **Discrimination and abuse**
- **Purchasing practices**

In accordance with these findings, Impactt has a series of recommendations for private, corporate and public donors:

- **Supporting the development of the MGMA's factory database to improve transparency and competitiveness of the industry**
- **Bringing the topic of gender, harassment and empowerment onto the agenda through applied research**
- **Carrying out research to 'lift the lid' on child labour and sponsor small scale remediation to show what works**
- **Stimulating the development of a skills recognition programme to support worker empowerment, transparency and freedom**
- **Supporting environmental working groups to strengthen and sustain engagement and activities**
- **Supporting labour CSOs to improve coordination and identify and develop their strengths**

SECTION ONE: INTRODUCTION

1.1. OBJECTIVES

C&A Foundation commissioned Impactt to conduct a scoping study on social and environmental programmes in the garment sector. The purpose of this research is to two-fold.

First, to set out:

- A profile of the apparel industry.
- Workers' perspective on industry challenges and needs.
- Labour and environmental law and relevant government policies.
- Existing projects touching the garment sector and funder landscaping.

Second, to make informed recommendations as to where involvement from private, corporate and public funders will have the most catalytic impact.

1.2. METHODOLOGY

Impactt used a mixed methodology of desk research, remote and in-country interviews, worker surveys and interviews. We also drew on the extensive knowledge and expertise of Impactt's UK and Myanmar teams, who have been working in the country since 2014.

Desk research

Desk research was limited to the small number of research reports available on the Myanmar garment sector, detailed in the bibliography. The first of these reports was the 2012-2013 Modern Slavery³ report. More recent reports - Under Pressure⁴ and Made in Myanmar⁵ - were the most frequently cited by interviewees and had clearly made the strongest impression on the sector. The MGMA's 10 year strategy, compiled with support from Pyoe Pin and released in August 2015, was also referenced frequently by interviewees. Impactt was also fortunate to gain access to a draft of CESD's upcoming report on the labour market on Myanmar⁶, as well as a draft version of the ILO's labour law document⁷. See Appendix Two: Bibliography.

Worker voice

We surveyed 60 workers. To avoid factory bias, we recruited workers through the community and trade unions, with support from Action Labour Rights, the Confederation of Trade Unions Myanmar and the Cooperative Committee of Trade Unions. All worker surveys and interviews were conducted in local language. For further details about the sample, see Section Three: Workers' Perspectives.

Factory perspectives

We interviewed representatives from seven factories (owners and managers: see Appendix Two. We topped this up with our team's insights from working closely with factories on the ground over the last 3 years).

Stakeholder interviews

We conducted 40 interviews with a range of multilaterals, government bodies, brands, enterprise owners, INGOs / NGOs, local CSOs and unions. Interviews were conducted in July and August 2016. (See Appendix Three). They were conducted by Dionne Harrison and Olivia Windham Stewart, from Impactt UK, and Aye Thet Oo and Lian Za Vung, from Impactt, Myanmar. Interviews with local CSOs and labour rights activists were conducted in English, with Burmese translation provided by Aye Thet Oo. In all cases, interviewees were cooperative and forthcoming with qualitative information. In some cases, interviewees either did not have relevant quantitative information - e.g. budgets, beneficiary numbers, trainings etc. - or were not willing or permitted to share it.

1.3. BACKGROUND

Myanmar's recent history was referred to explicitly by all consultees. Understanding how this has shaped the views and alignments of stakeholders as well as the practical experience of all actors is vital in planning any programming in Myanmar. This section provides a brief background.

Myanmar is the largest country in mainland Southeast Asia, with a population of 54 million⁸. The country gained its independence from Britain in 1948 and was initially governed democratically. The 1962 military coup subjected the country to military rule for almost half a century, during which time it became one of the world's poorest countries⁹. In 1988, years of discontent at one-party rule, economic mismanagement and political oppression led to widespread pro-democracy demonstrations, culminating in the famous 88 Uprisings of August and the shooting of thousands of protesters by the military just a month later¹⁰. Despite allowing free elections in 1990¹¹, the military junta refused to cede power to Aung San Suu Kyi's National League for Democracy (NLD), which won an overwhelming majority with 80% of seats. This, and subsequent repression, triggered a regime of arms and economic sanctions imposed by the US, EU, Canada and to a lesser extent Australia, making Myanmar effectively a pariah state in the West's eyes. However, ASEAN countries did not impose sanctions and continued to trade.

In 2008 the ruling military junta announced a new constitution as part of a roadmap to democracy. Elections held in November 2010 – though widely seen as falling significantly short of international standards – started a remarkable process of change in the country. In March 2011, the State Peace and Development Council formally transferred power to a new Union Government and a series of political, economic and administrative reforms began. These reforms included the release of over two hundred political prisoners – Aung San Suu Kyi among them – relaxation of the press and the introduction of new labour laws. Finally, following the 2015 elections, the National League for Democracy's (NLD) landslide victory was honoured and Aung San Suu Kyi's democratic movement prevailed to signal the end of the military regime. On March 30, 2016, Htin Kyaw, a close ally of Aung San Suu Kyi, was sworn in as Myanmar's first democratically elected president in the modern era, and the first NLD leader of the country.

Throughout the post-Independence period, there has been internal conflict in the country, described as one of the world's "longest running civil wars", fought on ideological, religious and ethnic grounds. The government is making progress in reducing the conflict, and a ceasefire agreement was signed in October 2015¹², witnessed by international observers. However, only 8 out of the 15 original parties to the agreement finally signed it. The insurgency and the religious and ethnic divides which drive it remain a significant factor, both in many workers' hometowns and as a background risks for trade.

Despite ongoing issues, Myanmar's shift towards democracy has resulted in the EU, USA, Australia and Canada lifting the vast majority of sanctions, imposed as a result of human rights abuses during the military domination. Indeed, after decades of isolation from the West and Australia, the Myanmar Directorate of Investment is now inviting responsible investors to pursue business opportunities that help grow and shape a 'New Myanmar'. The government has lowered export taxes, eased restrictions on the financial sector, implemented currency reform, revised the Foreign Investment Law and established three coastal Special Economic Zones with particular investment incentives, simplified processes for investors and industrial facilities operating at international standards that will become "growth engines" of the New Myanmar.¹³

The new approach to investment has stimulated Myanmar's economy, which has continuously grown at an annual rate of approximately 8% since 2012. Over the financial year 2014-15, a GDP increase of 8.7% has been mainly driven by developments and investments in the telecommunication sector (up by 57.5%), extractive industries (up by 50.5%)¹⁴, oil and gas (up by 36.1%), construction (up by 15.9%), manufacturing (up by 9.7%) as well as growth in key service industries (e.g. tourism). The Government of Myanmar has stated its commitment to encouraging investments which have a positive impact on society and the environment. A National Comprehensive Development Plan (NCDP) has been formulated to identify policy directions for countrywide sustainable economic development based on international best practice. A sector-specific National Export Strategy (NES) is under implementation to strengthen trade and investment in high-potential industries with strong global demand (e.g. rice, textiles and garments, tourism). Investment activities in certain sectors are prohibited, restricted or may require specific approvals, processes, joint venturing or Environmental and Social Impact Assessments (EIA/SIA) 'to avoid adverse impacts on communities and their livelihoods, the environment as well as the progress in peace and national reconciliation.'¹⁵

Despite its economic potential, Myanmar is still considered one of the hardest places to do business in the world, ranking 177 of 189 countries in the 2015 World Bank Doing Business Survey¹⁶. A quarter of the population do not have enough money to meet their basic food and living needs and the country is off track to achieve many of the Millennium Development Goals. Its health record is one of the worst in Asia, and the country suffers some of the highest rates of malaria, malnutrition (especially amongst children) and tuberculosis in the world¹⁷. Its Human Development Index rank of 149/186 is the lowest in the region.¹⁸

1.4. A NOTE ON MYANMAR LABOUR LAW

International Law

International Labour Law is governed by the International Labour Organisation, of which Myanmar is a member. All ILO member states pledge to respect and promote the eight ILO Conventions covered by the Declaration on Fundamental Principles and Rights at Work, even if they have not ratified them. Of these eight core Conventions, Myanmar has ratified only three (see Figure One below). This is below the average number of core Conventions ratified by countries in other ASEAN region (5.4), with eight of ten ASEAN Member States having ratified a majority of the core Conventions, and three countries (Cambodia, Indonesia and the Philippines) having ratified all eight.

ILO Fundamental Convention	Ratified?	Date
Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)	Yes	04 Mar 1955
Right to Organise and Collective Bargaining Convention, 1949 (No. 98)	No	
Forced Labour Convention, 1930 (No. 29)	Yes	04 Mar 1955
Abolition of Forced Labour Convention, 1957 (No. 105)	No	
Minimum Age Convention, 1973 (No. 138)	No	
Worst Forms of Child Labour Convention, 1999 (No. 182)	Yes	18 Dec 2013
Equal Remuneration Convention, 1951 (No. 100)	No	
Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	No	

Figure One: Myanmar Ratifications of ILO Core Conventions

There are around 180 other ILO conventions that when ratified by a country, become legally binding. Ratified conventions must be incorporated into domestic law and countries must allow a supervisory body from the ILO to make sure the conventions are being implemented.

National law

With the exception of labour rights activists, many of whom received training from the ILO, most stakeholders interviewed referred to national, rather than international law, particularly:

- Factory Act (1951, amended 2016)
- Labor Organization Law (2011)
- Settlement of Labor Disputes Law (2012)
- Minimum Wage Law (2013, final notification 2015)

A notable exception to this was child labour, for which Myanmar has received significant, critical international attention. Stakeholders from the ILO, international aid organisations and brands, all recognised the significant stride that had been made by aligning Myanmar's minimum working age with international standards, even if the potential positive impacts of this have not yet been fully realised.

With regards to national law, the legal frameworks regulating employment, conservation and the environment are either vastly complicated and / or currently undergoing significant reform. Labour legislation is found in a variety of different and sometimes contradictory Laws and Rules enacted over the last century, many dating from the British colonial era. To address the ambiguity and potential confusion, the ILO has revised and consolidated Myanmar's labour law into a 72 page guide. Impactt was fortunate to have access to a draft version of the ILO's guide to labour law, which has been used as the basis for all labour law guidelines provided in this report. Information provided is indicative rather than exhaustive detail.¹⁹

SECTION TWO: APPAREL INDUSTRY PROFILE

The garment industry is by no means new to Myanmar. Throughout the 1990s, Myanmar's garment sector prospered, reaching a peak in 2001 with circa US\$800 million in garment exports²⁰. However the imposition of US and EU sanctions in 2003²¹, following years of worsening trade relations, severely limited Myanmar's once flourishing garment exports²². In an effort to survive, exporters turned to customers in Asia, with Japanese and South Korean exports rising rapidly as a result.²³

In 2011, significant shifts in Myanmar's political landscape led to the reconsideration of trade relations with the West. In that same year, the US began to remove sanctions. The EU followed suit the following year with a removal of all non-military sanctions.²⁴ International and national onlookers became optimistic about the resurgence of Myanmar's garment industry in Western markets.

The figures show that these optimistic projections were well founded (see Figure 2 below, which also demonstrates the lack of availability of consistent data on exports, the number of factories or the number of jobs). In 2013 clothing exports from Myanmar shot up by 26.5% and by a further 27.4% in 2014, by which time they comprised 14% of total exports;²⁵ at a value of US\$912 million²⁶. Data on the number of factories and the number of jobs is patchy; see the table below for estimates. However, it is clear that growth is strong. The number of factories grew from just 24 in 1994 to an estimated 416 today²⁷, which together support a workforce of over 260,000²⁸. By 2020, the industry is predicted to have an export value of US\$8 - 10 billion and to provide jobs for up to 1.5 million workers.²⁹

Year	Export value (USD)	# factories	# jobs
2011	583 million ³⁰	N/A	N/A
2012	912 million ³¹	181 ³²	110,953 ³³
2013	1132 million ³⁴	N/A	N/A
2014	986 million ³⁵	300 ³⁶	200,000 ³⁷
2015	1,460 million ³⁸	N/A	N/A
2016	N/A	416	260,000
2020 (projection)	8-10 billion ³⁹	N/A	1,500,000 ⁴⁰

Figure Two: Garment Sector Exports, Factories and Jobs

One stakeholder was convinced that growth projections are vastly overstated and cited a number of obstacles including severe non compliances, most notably child labour, that were deterring brands from entering the country. This is corroborated by earlier value chain analysis from CBI (2013), which stated that attracting foreign buyers to Myanmar depends not only on traditional sources of competitiveness, such as wage levels and logistics but also on compliance with buyer's requirements, prominent among which are CSR issues.⁴¹ Political unrest and uncertainty is cited as another key deterrent.

2.1. FACTORY TYPOLOGY

Lack of data hampers a precise mapping of the sector. According to factory information from MGMA, the majority of factories are based around Yangon, with small numbers in Bago, Patheingyi, Mandalay and Kayah state. On the question of ownership for example, and interviewee figures diverged somewhat, however it appears that 90 - 95% of these factories are foreign-owned or joint venture (i.e. part Myanmar owned, part foreign owned). It is reported that a significant number of locally owned factories have had to shut down operations in the wake of recent minimum wage legalisation and that there may be as few as 20 solely locally-owned operations remaining nationwide. Other stakeholders, however, suggested that there may still be 40 or 50 locally owned garment factories operating around the Yangon area.

All locally owned factories operate on a cut-make-pack basis (CMP), a form of production where the overseas buyer provides all raw materials for the factory to assemble. CMP production has lower barriers to entry, requiring only a small upfront investment to cover machinery rather than capital to buy and hold raw materials. However profit margins are limited. Locally-owned factories do not receive orders directly from Western brands. Impactt's observations in factories over the past 4 years show that local factories act as sub-contractors to agents or joint-venture or foreign owned factories to produce orders from Western brands, usually without the brands' knowledge. Locally-owned factories also produce some orders for the domestic market.

Some foreign or joint venture factories manufacture on an FOB (free on board) basis. FOB factories arrange all raw materials, fabrics and accessories independently of the buyer⁴² and then cut, make and trim to produce the final garment. FOB profit margins can be six-fold those derived from CMP. The higher profit margins are matched by higher capital requirements and associated risks, particularly linked with quality of inputs or being left holding expensive and unusable stocks of raw materials.

The table sets out a typology of factories:

Categorisation of Three Common Types of Factories		
Leaders	Hopefuls	Locally Owned
<ul style="list-style-type: none"> • FDIs – 100% foreign owned or Joint Venture • Large size –more than 1000 workers • Have the capacity to operate FOB either in Myanmar or through offshore • Modern engineering skills and high tech machinery • Senior and middle management are expatriates • High standards: Labour and Quality • More productive and efficient • Small number of these factories – biggest growth opportunity in short term • Currently working directly with international brands 	<ul style="list-style-type: none"> • Domestic or joint venture ownership • Medium size – 500-1000 workers • Operate CMP and limited FOB (some from offshore offices) • Limited knowledge of modern techniques and adequate machines • Senior management foreign or local with few middle managers (local) • High quality products and strong garment making skills but often achieved through heavy inspection from foreign inspectors • Labour standards are low, but can be improved with little investment • Opportunity to increase productivity and efficiency • Realistic aspiration to serve international brands 	<ul style="list-style-type: none"> • Domestic ownership • Small size – less than 500 workers • CMP production only • Little direct exposure to Western Brands/orders • Often act as sub-sub-contractor further reducing margin • Inadequate machinery and no modern engineering techniques • Senior managers local, no middle managers • Producing basic products yet good quality • Very low labour standards – have breaches of national labour law and international Codes of Conduct • Vast opportunity for improvement, but will need investment and time • Not well placed to serve international Western markets

Impactt's research with factory owners indicates that local and foreign owners have different views about the relative importance of the obstacles they face (see Figures four and five below). The challenges are ranked based on the percentage of factory owners who rated each aspect as a key issue.

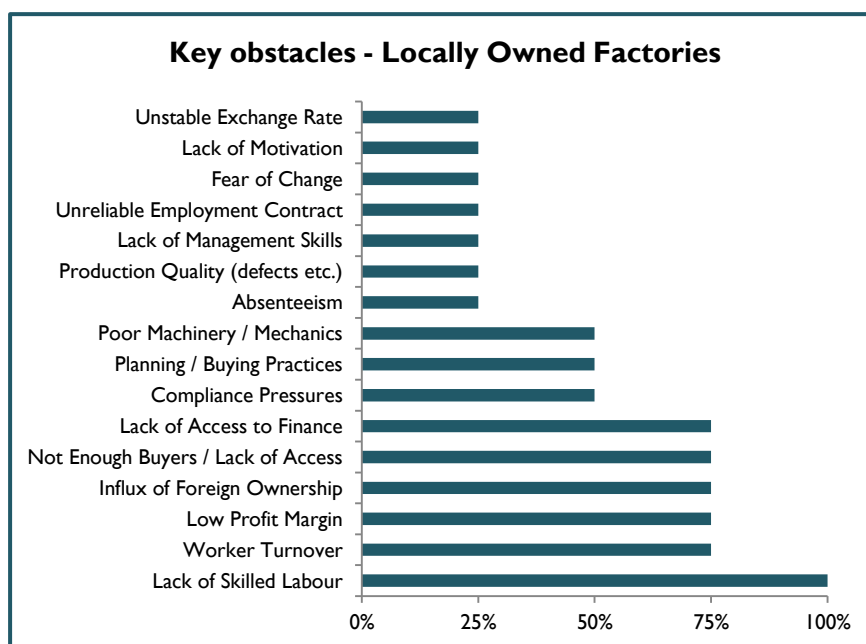


Figure Four: Obstacles Cited by Local Garment Factory Owners

Impactt met with four local enterprises. Of those, 100% cited lack of skilled labour as a key obstacle, followed by labour turnover, low profit margin, not enough buyers and lack of access to finance as the most important obstacles. Impactt's field experience in Myanmar would suggest that skill levels are lower than in other ASEAN

countries and it takes longer for workers to improve their performance as training support is low. Impactt's factory experience indicates that the locally owned factories in Myanmar had an average monthly labour turnover of 9% before the minimum wage increase, reducing to 6.5% after the increase. Foreign or joint venture factories saw a similar trend, with turnover reducing from 12% to 8.5%. We saw similar changes in Bangladesh after the increase in minimum wage where turnover rates fell from 8% to 5%.

Low profit margins are a concern for owners of local enterprises, who report that while they are able to supply Asian customers directly, they have to act as subcontractors for factories supplying to EU and US brands due to their inability to meet the rigorous compliance standards of Western markets. In a context where credit facilities for Myanmar nationals are extremely poor, and margins thin, many local owners are not able to invest the money required to meet standards and are rapidly going out of business⁴³. It is therefore perhaps not surprising that international excitement over Myanmar's potential in the global garment industry is not shared by local factory owners, who feel few of the positive benefits derived from increased foreign investment in Myanmar.

Impactt's observations from working closely with factories indicate that the older, smaller local factories have to focus on trying to make ends meet. They work hand to mouth, filling up production space at short notice with export and domestic production. Some have had some foreign investment from ASEAN partners in the past, and were set up to service ASEAN customers, which demand very high levels of quality (especially the Japanese), but do not focus on social compliance. These factories however have not been able to internalise higher quality skills, since quality inspections are typically carried out by expatriates. They may also be located in unsuitable buildings making even the basics of health and safety unachievable without further investment. Therefore it is hard for them to progress and prosper. Newer local factories which have some of the basics in place either work through an agent which is able to offer FOB facilities, or are actively seeking foreign investment.

Foreign investors, usually manufacturers from elsewhere in Asia, are looking to invest in Myanmar and take advantage of the GSP status for EU and US exports and lower wages. The sector is therefore increasingly dominated by foreign invested factories, which have a different perspective (see figure 5 below)

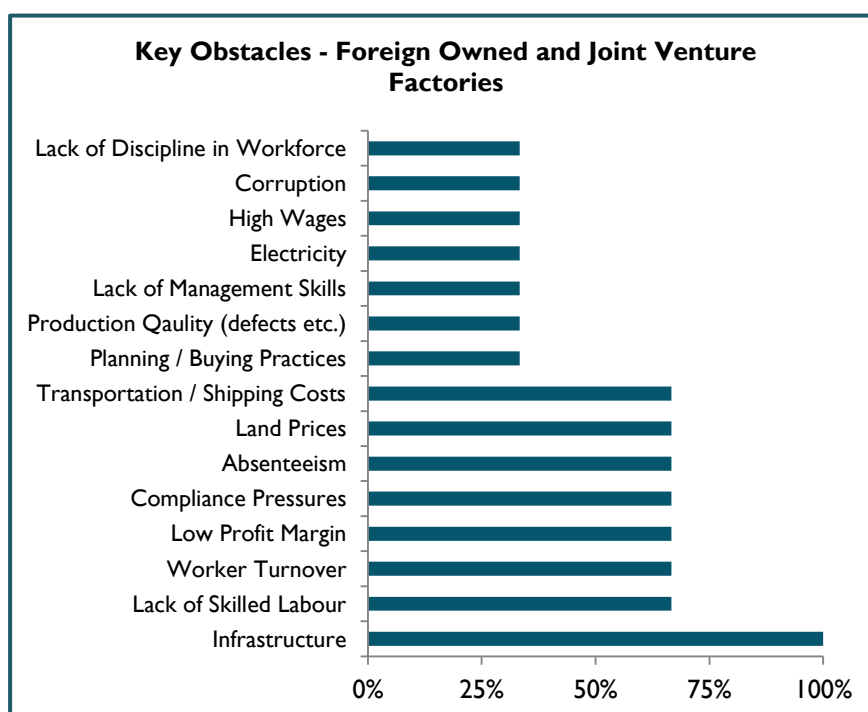


Figure Five: Obstacles Cited by Foreign / Joint Venture Garment Factory Owners

Impactt met with three foreign owned or joint venture enterprises. Owners or representatives from these factories, the chief beneficiaries of the increase in volumes, cite poor infrastructure as their top concern (not mentioned at all by local owners). In comparison with other countries in the region, infrastructure in Myanmar

is very underdeveloped. Backward linkages such as fabric and accessories production are almost non-existent. In the meantime, all manufacturing relies on the import of materials, but Customs regulations and operations are severely hampered by complexity and corruption adding time and cost to production. Foreign investors share local owners' concerns about worker skill, turnover and poor profit margin, but also cite compliance pressures, poor machinery, land prices and shipping costs as important constraints. This highlights the difficulties of setting up business in Myanmar. Land in and around Yangon is increasingly scarce and years of military rule and seizure of land has left resulted in considerable confusion concerning ownership. Once established, factories need to import virtually all the machinery and skilled technical staff as these are not available locally.

2.2. CUSTOMER PROFILE

A small number of Western brands are known to be sourcing from Myanmar. Drivers for buying from Myanmar cited by customers include the need to diversify the sourcing base to reduce reliance on any one country and to diversify risk, the relatively lower labour costs and the ability to leverage the financial advantages of GSP-equivalent status. This has become increasingly important as markets such as Bangladesh have been exposed for poor safety standards and lost their GSP status.

Conversations with brands indicate that they source exclusively through foreign-owned or joint venture factories offering FOB services. Many of these enterprises have existing relationships with these brands in other countries and have received advanced forecasting of orders/capacity needs from Buyers to encourage them to transition to Myanmar. The new factories are purpose built and therefore 'fit for purpose', building in the lessons learned from other countries. In some cases, brands have worked closely with suppliers from planning through to building and operation to ensure compliance and international standards considered at each stage. These factories are 'right first time' in terms of building and fire safety with room to 'grow into'. However, on many occasions over the last four years, Impactt team members have identified production for leading brands which has been sub-contracted into local factories where standards are much lower.

One brand reported that another driver for entry was the history of production for ASEAN brands, which means factories are able produce quite sophisticated, complex pieces including woven dresses and lingerie. It was further remarked that this sets Myanmar aside from countries such as Bangladesh or Cambodia where things are still 'quite low level'.

Another brand reported that severe lack of skills in the industry was the primary factor deterrent to increased sourcing. They reported that one of their Chinese suppliers had opened two factories in Myanmar and found that it took 18 months to train his workers fully on automated knitting. This was significantly longer than his parallel experience in Bangladesh and Cambodia, where there are a wealth of skilled workers. He further noted that the mechanics and technicians needed to service machines were simply not available.

Many reported that even if skilled workers were available, it is 'the supply of everything else' – packaging, hangers, raw materials - that would be a problem. In comparison to Bangladesh, Cambodia or Vietnam, brands have found that the cost and the level of support needed in the absence of these backward linkages are just too great to encourage increased sourcing.

As a result of the 'uphill battle', some brands source from only a handful of factories and have elected to produce only simple garments such as t shirts.

2.3. LOOKING AHEAD

It is generally accepted that in order to compete with players on the international stage, Myanmar will have to make a significant shift towards FOB manufacturing, and - ultimately - to Own Design Manufacturing (ODM)⁴⁴. Despite a huge amount of enthusiasm surrounding the potential of Myanmar in this area, the move from CMP towards FOB has been slower than expected. It is important to recognise that there are many barriers to making the transition. Even if factories could quickly develop the skills required to move towards FOB manufacturing, they would be severely hampered by the lack of backward linkages such as fabric making and dying facilities as well as good quality accessories and lack of capital. For many factories, FOB is out of reach, but there is the potential for them to about move up the supply chain from a subcontractor to first tier position even if this means working through an agent (to provide FOB services to customer).

Many of the local CSOs and labour groups felt positively about the potential impact of the new government on the sector, believing that it will usher in an era with less corruption and a more level playing field. The influx of US and EU brands - even if not directly touching local industry - also brings the hope that the garment industry will soon provide more jobs of a higher quality. It was largely felt that workers and management are becoming increasingly aware of social compliance. Local CSOs and labour rights activists aware of programmes such as SMART and BIF shared the view that they were making a positive impact on the sector. There is also widespread optimism about Myanmar's potential to 'leapfrog' the more negative developmental problems experienced in countries such as Bangladesh and head straight towards 'good growth'

The garment sector has the potential to be one of the most important drivers for employment and economic growth. However, it remains to be seen whether, from the risk perspective, the industry can reduce risks so as to attract more trade and investment. From the social and economic development perspective, the key question is whether increased trade will result in more investment in people and the country or whether the industry will follow an extractive model which fails to support human and economic development.

SECTION THREE: WORKERS' PERSPECTIVES

Whilst Myanmar's garment industry provides jobs for over 260,000 workers, over 90% of whom are female, the extent to which the increase in garment sector activity in Myanmar is benefitting workers is questionable. Research carried out by Oxfam and others demonstrates that the quality of jobs in the garment sector in Myanmar falls far short of international standards and the emerging labour law, leaving many workers unhappy, unhealthy and trapped in poverty⁴⁵.

Impactt carried out quantitative interviews with 60 workers from a selection of foreign-owned, joint venture and locally-owned factories. The purpose of the survey was to understand:

- What life is really like for workers
- Workers' hopes, dreams, aspirations and difficulties
- How their current situation enables or prevents them from achieving these dreams
- The degree to which they feel they have a voice and are able to engage and achieve positive change.

Workers were recruited and interviewed in the community, reducing the likelihood of respondents feeling pressure from their employer to provide the 'right' answers.

Impactt also carried out qualitative interviews with 10 workers.

Data Limitations:

- Impactt identified workers for interview through community outreach, with the support of the Committee of Cooperative Trade Unions (CCTU) and Action Labour Rights (ALR). Therefore unionised workers are over-represented in the sample.
- The vast majority of workers interviewed were women to represent the make-up of the industry. Where Impactt compares data between men and women we make it clear that the sample size of men is quite small and therefore results are indicative only.

3.1. DEMOGRAPHICS OF SAMPLE

The graphs below highlight key demographic information about our sample:

	Total	Women	Men
Total number of workers	60	47	13
14-17	3	3	0
18-25	29	21	8
26-30	12	10	2
31-35	13	10	3
36+	3	3	0

Figure Six: Age and Sex of Workers Interview

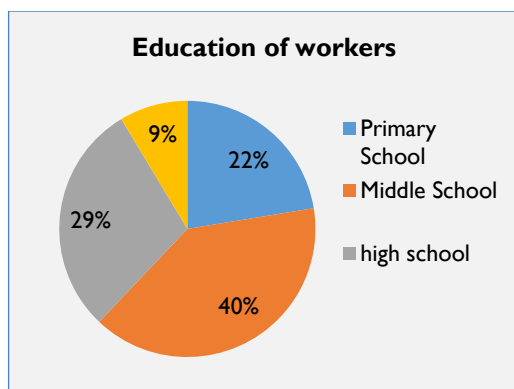


Figure Seven: Workers' Education Level

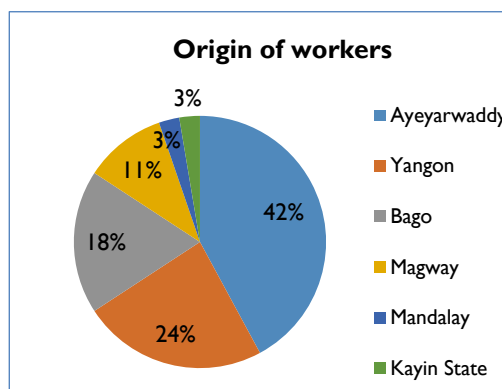


Figure Eight: Workers' Home Province

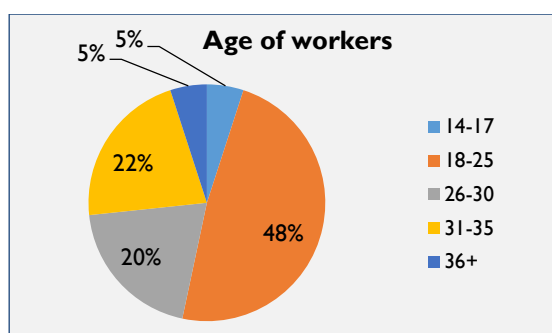


Figure Nine: Age of Workers

- 22% of workers had only completed primary school (leaving age 10-11, 40% finished their education at middle school (leaving age 13-14)
- 24% of workers were local and 76% were migrants. The single largest origin of workers in the research was Ayeyarwaddy, an agricultural region in the delta of the Ayeyarwaddy river in the West of the country. Migrants are driven by economic reasons due to lack of industry in the Delta – poor agricultural policies and natural disasters have hit the region hard. The majority of workers surveyed (62%) were single, 35% were married and the remainder were divorced or widowed.
- The vast majority of workers (82%) had no children, 13% had one child and 5% had two children. Some workers reported using their salary to buy oral contraceptive pills.
- Despite the low number of children, the majority of workers (76%) reported that their households contained four or more people as they lived with other relatives.
- Workers were primarily Buddhist.

The 60 workers interviewed came from 18 different factories, comprising a mixture of foreign owned, joint owned and Myanmar owned.

Factory type	Foreign owned				Joint venture	Myanmar owned
Nationality of Ownership	China	Korea	Japan	Taiwan	Myanmar and China	Myanmar
Percentage of Factories	38.9%	33.3%	5.6%	5.6%	5.6%	11.1%
Percentage of Workers	30%	38.3%	10%	10%	3.3%	8.3%
Average length of service (years)	3.3				4.5	5.3

Figure Ten: Profile of Factories Employing Workers in the Sample

3.2. WORKER NEEDS

We asked workers to talk about how satisfying their jobs currently are, using a Likert scale survey addressing 37 key issues believed to impact on garment sector workers. We deepened our understanding through in-depth interviews with individual workers to understand the context. See figure 11 on the following page for scoring for all 37 issues. It is interesting to note that workers were not very satisfied or very dissatisfied with any aspect.

Figure 11 shows workers were only satisfied with 2 out of the 37 factors, the provision of drinking water on site and the sense of belonging that they feel in the workplace.

Looking at the two areas which workers rated positively:

1. **Sense of belonging:** the most highly rated area was a feeling of being united with friends and colleagues at work. This was rated as 3.98 out of 5— equivalent to 'satisfied' (1 indicating strong dissatisfaction and 5 indicating strong satisfaction.). This chimes with much work by social psychologists which demonstrate that a sense of belonging is critical to wellbeing. This positive impact on worker's mental health may however discourage them from moving to other factories where conditions are better or rights more respected.
2. **Access to clean water:** workers rated this with a score of 3.62 and felt satisfied that some of the very basic needs were being met.

Looking at the 5 factors with which they were most dissatisfied, four of these are directly related to pay: fair pay, ability to earn more through skills, bonuses and incentives and the production targets which they are set. Workers are also most dissatisfied with their opportunities for progression. See page 14.



Figure Eleven: Worker Satisfaction with Key Aspects at Work

- 1. Fair pay:** almost all workers we spoke to (98%) reported that they received the minimum wage. However, they were dissatisfied with their pay levels, giving an average score of 2.05 out of 5 (1 indicating strong dissatisfaction and 5 indicating strong satisfaction.) Male workers were particularly dissatisfied with current pay levels. Surveyed workers report that they want to earn 257,586 kyat per month (\$212). The current take-home pay of 182,782 kyat (\$150) is 29% lower. This degree of disparity between actual and desired earnings may also be exacerbated by the sense of disappointment in actual take-home pay after the increase in minimum wage.

The vast majority of workers (80%) reported that they did not think their pay was fair. The main reason given was that it did not meet their basic needs. Based on our data, 32% of workers consistently struggle each month to meet basic expenses. Nevertheless, some workers report being able to save, in total 58% of our sample was able to save an average of 41,923 Kyat (\$34.50), which is 23% of their take-home pay. Workers reported they wanted to save towards small businesses and to be able to manage future financial shocks. The ability of workers to save, despite not being able to meet their basic needs, is a phenomenon which we have found in many low wage countries. It indicates that workers are willing to sacrifice some very basic requirements now, to generate savings which provide some sort of insurance against an uncertain future.

Workers report that they stay in their jobs because they see it is the best option to get a steady income. This is particularly the case for rural workers whose other options include agricultural work (which is highly seasonal) and work in food and drink stands where the money is poor.

- 2. Opportunity to progress:** workers were also dissatisfied with their opportunities to progress with an average score of 2.07 out of 5. Female workers are more dissatisfied with their opportunities to progress than with pay. Workers felt that management was not capable enough to deliver training to help them develop new skills. They also felt management did not care about training. Note, stakeholders report that management does not invest in training because worker turnover is high. However, as this is a key area of satisfaction for workers, it may be a key driver of worker turnover.
- 3. Recognition of skills:** workers linked their inability to earn more with the lack of recognition of their skills, expressing dissatisfaction with a score of 2.14 out of 5. This key frustration for workers was exacerbated by the implementation of the new minimum wage, which was widely reported to have resulted in reduced pay differentials according to skill level. In other cases workers reported that if they moved to a new factory they would be paid at a trainee rate (legally allowed), despite having experience.

3.3. AWARENESS OF RIGHTS AND CONFIDENCE IN ACCESSING THEM

There was a wide range in the degree of rights-awareness amongst workers, however the majority (64%) reported that they understood their rights. The presence of a union made it more likely that workers showed an understanding. Of those that reported they understood their rights, 78% had a union at their factory. Of those workers who reported that they did not understand their rights, 55% had a union. Note, the sample may be biased towards more aware workers since we were supported by trade unions in recruitment of respondents. However, of the 36% who had low awareness, some reported that they did not want to know about their rights:

"I don't know anything about rights and labour exploitation. I just focus on work."

In the research, many workers reported that they felt listened to (45% agreed or strongly agreed) and a lower proportion of workers (34%) agreed or strongly agreed that they could get problems solved. However during qualitative interviews workers expressed more frustration with getting problems solved:

"I can talk to the supervisor but this doesn't solve the problems, it just ends in an argument, and the supervisor thinks that I am just making excuses so as to avoid working."

Whereas others expressed a fear in raising anything at all:

“Mostly I am obedient to the supervisor and I feel very embarrassed when I get shouted at and people look at me.”

As the sample of unionised workers is high the data may overplay the confidence of workers in raising issues and getting them resolved. Based on Impactt experience, workers don't often speak out against workplace concerns and management worker communication is focussed on supporting non-workplace challenges. The data may actually reflect the lack of awareness of workers about what good dialogue is. From school, students are encouraged to be compliant, learn by rote and not ask questions. This is further exacerbated by years of military rule where questioning authority was met with severe consequences. This fear of speaking out is not unique to factories and should be seen in the wider context.

To summarise, the overarching picture here is of workers who are not highly engaged by their work – no element makes them feel very satisfied or very unsatisfied. Garment sector jobs appear to them to be the best bet available, to enable them to get by and to allow some to make provision for the future. The jobs also give some sense of belonging and a regular income, both of which psychologically beneficially in a very uncertain world. However they suffer financial hardship, do not feel able to progress and many also feel disrespected. They get by, but not much more. The pen portraits below illustrate this.

3.4. WORKER PEN PORTRAITS

In this section we have included pen portraits of 4 workers with contrasting experiences, personal circumstances, hopes and dreams.

NNA is a 33 years old single lady from Sidoktaya and started working in Yangon Garment factory at age of 23 years old. She didn't pass 10th grade. She prefers working in factory, which has a regular income, to working at plantation site in her village.

She used to move around many different factories *“I always look for a suitable and high paid factory where I get paid fairly for the work I do”*. She needs money to support her parents in village.

In her current job she feels they are recognising her skills *–“I get 3750 kyats per day since the beginning because I am skilful and they like my experience.”* However she does find the factory rules hard, *“If we are absent or take leave, we lose attendance bonus, daily wages and also overtime pay”*.

NNA sees herself as a diligent quiet worker *“mostly I am obedient to the supervisor and I feel very embarrassed when I get shouted at and people look at me.”* However, she reflects that she does not stand up for herself *“No matter what the mistake is or who made the mistake, I just compromise myself and apologise”*.

NNA dreams of further study so she can improve herself but finds working in a garment factory takes all of her time. Instead she says *“I will just work whilst I am fit so that I can save money and make my dream come true which is to own a small business in my own village”*.

20 years old AKW is a single man who started working as an ironing worker in a garment factory a year ago. He earns more than at his previous job, working in a shop making spring roll wrappers. He quit his education at middle school level at age of 14 and started working.

He was trained to be an ironer, but has not learned any new skills since which he finds frustrating –

“I want more training and learn about anything related to work so that I can be more efficient and earn more.”

He reports that the production pressure can be hard *“sometimes the supervisor comes and makes us sign a warning for taking too much time going to toilet”* and working hours are long in the high season. When AKW feels stressed he talks to his close friend. He says he can talk to the supervisor but this doesn't solve the problems, it just ends in an argument, and the supervisor thinks that he is just making excuses so as to avoid working. *“I don't know anything about rights and labour exploitation. I just focus on work”*.

41 years old KMO is a single lady who has worked in the local garment factory for 16 years and now she works as a button attaching machine operator.

KMO earns 130,000 kyats per month and feels lucky because she does not have family to support on her wage – she can focus on her needs and is able to meet them. Two months ago she earned less than the minimum wage but did not raise it with the factory *“I think they [management] didn't want to pay me as I am getting old. I just accept what they pay me.”*

KMO reports that her supervisor is caring and nice but she feels alone in the workplace – *“I don't dare to talk anyone else [about my problems]. Sometimes I feel lonely and feel small at work, but I talk with my neighbours at the dormitory.”*

She does not believe that things are getting better for workers and also does not believe the government labour inspection visits are helping – *“I don't think they [Government Labour department] can change anything and ensure things happen as they recommend, it is just as usual.”* KMO is resigned that workers' only choice if they are unhappy is to move. When asked about management dialogue she responds:

“To me, I just keep silent; I don't like to confront with the management and feel annoyed to me. I am so tired, all I want is a peaceful and content life.”

32 years old TTA has worked as a sewing operator for three years in local managed, foreign owned factory.

She is frustrated by the way that the management treat workers: *“there are lots of unfair thing happen in this factory, during high season, they call excessive overtime without any ferry arrangement, so girls who stay far gets trouble going back to their home late at night. There are also unfair rules and deductions”.*

She shared how her factory does not want to pay the minimum wage *“they find a worker violation on unnecessary rules so that they can make workers quit and again start at sub minimum wage.”* She also reported that they pay less than marked the payslips which has caused workers to move: *“the cleaner quit job and now we don't have enough cleaner and factory is in mess!”*

TTA feels particularly frustrated by the cleanliness on the factory floor which she perceives shows lack of respect from management towards workers: *“[for lunch] we just sit on ground covering with paper and have lunch, Dogs are everywhere and they always come close to us while we are having lunch and it is so annoying, the place is all mess and sometimes we found dog poo near us and we lost our appetite and can't eat anymore. Even a beggar life is more decent than us.”* She also reports favouritism on the factory floor: *“they favour some workers if they get along.”*

Despite this, the job is important to her and she really hopes things can change for the better: *“I stay in this factory with my beloved friends, my house close to this one, and most importantly I do not want to leave this factory as the management wanted.”* She dreams that she can lead change in her factory.

SECTION FOUR: THEMATIC FINDINGS

In this section, we set out the legal context, worker, industry and stakeholder perspectives for each of the key areas of the UN Declaration of Human Rights so as to identify hotspots for action. The table below summarises our findings. We have graded issues as red for high risk/high importance to participants and amber for medium risk/importance to stakeholders.

Issue	Rating	Comments
4.1.1 The Right to Free and Secure Employment		Impactt's research revealed labour contracts are not fully implemented and/or sketchy in content and workers are not aware of the detail of their contracts of employment. Some factories also use 'daily paid' workers as part of a casual workforce not protected by contract. Child labour is a significant concern for workers and for customers. Most of the work done is at policy level. However, child labour is still commonplace and considered 'better for the child' by many factory owners and as such acceptable in the local context.
4.2 Reasonable Remuneration		All but one of the workers interviewed received the minimum wage, however wages fall far short of workers' needs. Wages and related issues account for 4 out of the 5 top areas of dissatisfaction for workers.
4.3 Rest and Leisure		Working hours legislation is widely flouted with regular excessive hours commonplace. However workers do not cite working hours as a key concern since they regard excessive hours as a necessary evil if they are to maximise their incomes. Since the introduction of the minimum wage and associated law on overtime premiums, employers are trying to reduce rest day work and overtime to reduce cost. We would therefore rate pay as the more salient issue.
4.4 Safe working conditions		The management of health and safety and perception of risk is below par, resulting in accidents and injuries. However, the industry in general in Myanmar is not subject to the same catastrophic risks as neighbouring Bangladesh. The exception to this statement would be fire safety in a small number of older locally-owned factories which may not have installed the essentials of fire safety.
4.5 Forming and joining trade unions		Whilst the barriers to forming and joining trade unions have been lowered, there is still much to be done before unions can operate effectively with mature systems which protect all workers.
4.6 Working free from discrimination		Whilst discrimination is clearly an issue in the garment sector in Myanmar, it is not reported as a leading issue by any stakeholder. From a gender angle, the prevalence of female supervisors puts Myanmar ahead of many other Asian countries.

4.1. THE RIGHT TO FREE AND SECURE EMPLOYMENT

Issue	Rating	Comments
The Right to Free and Secure Employment		Impactt's research revealed labour contracts are not fully implemented and/or sketchy in content. Workers are not aware of the detail of their contracts of employment. Some factories also use 'daily paid' workers as part of a casual workforce not protected by contract. Child labour is also a significant concern for workers and for customers. Most of the work done is at policy level. However, child labour is still commonplace and considered 'better for the child' by many factory owners and as such acceptable in the local context.

Legal Context

Myanmar ratified the Core convention: Forced Labour Convention, 1930 (No. 29) in 1955 but has not ratified the Core convention: Abolition of Forced Labour Convention, 1957 (No. 105). The 2008 Constitution prohibits forced labour except hard labour used as a punishment for persons convicted of crimes or labour required in state of emergency with duties assigned by the Union in accord with the law (Article 359). The ILO has been working closely with the government since 2002 on the abolition of state-sponsored forced labour and on redress for victims, as a key element of the rehabilitation of Myanmar in the international community.

At a national level, the right to free and secure labour is secured through employment contracts (Employment and Skills Development Law (2013) with Rules issued in 2015). Standard contracts are mandated by the Ministry of Labour. By law, these contracts must be issued to employees within 30 days of the commencement of work, with the exception of workers on training or probation and must include:

- Type of employment;
- Wages/salary, including information for piece rate and temporary work;
- Location and contact information for employment location;
- Working hours and overtime hours;
- Days off, holidays, and leave;
- Medical treatment;
- Internal regulations to be followed by the employees;
- Terms for resignation or termination of service;
- Responsibilities of employer;
- Responsibilities of employee;
- Length of contract for employment.

The law further states that any contractual provisions less favourable to the worker than provisions in the relevant law (or collective bargaining agreement) will be considered null and void.

The Rules issued in 2015, stipulate grounds for rightful termination/dismissal and protect workers' right to strike, be part of unions and right to appeal.

The Government has provided a contract template to help guide Employers but the reality is that many have taken to using this without checking that the terms reflect their actual practice.

Child Labour

Myanmar ratified the Worst Forms of Child Labour Core Convention, 1999 (No. 182) in 2013 but has yet to ratify the Minimum Age Core Convention, 1973 (No. 138).

Myanmar's Child Law states that children have the right to engage voluntarily in work permitted by the law, as well as the rights permitted to hours of employment, rest, and leisure. In national law, under the Factories Act, the minimum working age has recently been increased to 14, bringing it into line with international standards. Those between the age of 14 and 16 are defined as 'child workers' and are prevented from carrying out any hazardous work or working in hazardous conditions.

They must receive certificate of fitness from a certifying surgeon in order to work legally. A child worker may work only 4 hours per day, and may not work between 6:00PM and 6:00AM. A child worker may not work in another factory after having completed work in one factory on the same day.

Workers between 16 and 18 years old are defined as “adolescent workers” and must be qualified as fit to work by a certifying surgeon. All workers under 18 must carry an ID card or notice of their certificate of fitness while working. No one under 18 may engage in work that is deemed hazardous under the governing laws.

Employers must keep a register of all child workers in their enterprise, which must include:

- The name of the worker and the names of parents;
- The type of work;
- Working hours;
- Proof of certificate of fitness.

However, there are a number of other laws and Standards that **may** conflict with the above provisions. The Child law states that anyone under the age of 16 is classified as a child. The Education Act 2014, also requires communities to ensure children have completed 12 years of education after kindergarten. In Myanmar this would mean graduation at 15.

Worker Perspectives

No worker interviewed reported any instance of forced or bonded adult labour at his or her factory. Workers further reported that they had **not been recruited through agents or intermediaries**, but had **approached factories directly**, or used friends’ networks. No worker reported that the factory kept their identity papers (the reality is that provision of ID cards is sporadic amongst workers especially those from rural areas).

Some workers report that they have been able to **move freely** from one factory to another to find better work.

“I feel guilty when I move to another factory, but I just can’t stand feeling desperate day to day with hardship and yelling. The good thing in this factory, is that there is not much shouting, there are regular hours and the styles are not difficult.” Female factory worker, 23

Other workers report being **reluctant to move** from one factory to another, particularly when their accommodation is linked to the factory; even more so when this is provided free of charge. This is especially important to new workers arriving in the city.

“We are not happy working in this factory but we do not have courage to move since there is a place to live free of charge and ferry [travell/bus provision] arrangements. We are not sure if we could get another job in a short time and we do not have money to compensate while we look for other work.” Group of factory workers, four female and one male

In these cases, workers will report staying in factories with less than ideal conditions and “enduring... as long as we can”, but there is **no suggestion of forced or bonded adult labour**.

However, we have heard report of **forced overtime working**. This is fuelled by the fact that this is often the only means for workers to boost their earning potential and/or if workers live on/near site. In Impactt’s other factory-based work in Myanmar, workers reporting being forced by management to sign a ‘voluntary overtime notice’ in order to meet the labour office standards.

Contracts

100% workers surveyed felt it was **important to sign a contract** before beginning employment. This indicates that workers have a **high awareness** about the existence and importance of contracts. 88% of those surveyed reported that they had signed contracts, most prior to joining the factory (55%) and a third after the passing of the minimum wage law. This suggests that factories are **starting to professionalise** and implement the new contract law. However, 12% of workers did not have contracts. Despite high awareness of the importance of contracts, **only 15% were aware of what contracts should cover by law**.

It is also important to note that many factories use **day labour**, in addition to workers under contract. These workers have **no security of employment** and are **not protected by a contract**.

There is a danger that workers will feel they **have to stay** in a particular factory because if they move, they risk being put on a **probation or trainee wage** (allowed under contract law). It is too early to tell if and how this will manifest and degree to which it will influence workers' sense of choice in their employment options.

Child Labour

Most of those surveyed reported starting work at the age of 18, however a quarter of workers reported they started as young workers in a variety of sectors between the ages of **14-18 years old**. Only one worker reported beginning work in the garment sector at 13.

Workers reported that **children are often obliged to take work** as their families find it difficult to survive financially. 28% of those surveyed reported people under the age of 18 working in garment factory, predominantly in cutting and trimming. 12% said they **suspect the presence of children** in their factory and 20% reported being **told to hide children during factory inspections**. One worker reported that they know of one underage worker under the age of 14 in their factory. Workers also reported the possibility of children using **fake identification documents** to get jobs at factories.

Enterprise Perspectives

Forced and Bonded Labour

100% of enterprises reported having **employment contracts in place**. Only two said that they gave workers their own copies of their contract, indicating that **complete compliance with law is not yet in place**. In one instance, the factory said they shared the contract with workers after their HR department and their workers received training from the Factory Labour Inspection Department, indicating face-to face **awareness raising initiatives are making an impact**. Another employer said that, although they did not currently share contracts with workers, they were planning to do so by the end of 2016. In the instances where workers had not been issued with their contracts, and there were no plans to do so, enterprise owners reported a very **low level of awareness or interest about conditions amongst workers themselves**. This suggests that worker awareness training on contractual rights could put pressure on enterprises to comply with the law by issuing contracts.

In Impactt's experience, locally owned and some joint-venture factories use **daily workers** in addition to contracted workers. This is often to cover peaks in production or to 'trial' workers in the 30 days before they have to issue contracts. These workers are **not covered by contracts**.

Child Labour

All factory owners reported being aware of child labour laws. No owner declared that they had young people working at their factory. One factory owner said it was sometimes difficult to say no hiring underage workers. She further explained that in many poor families it is **necessary and even beneficial** for children of 13 or 14 to be working to help the family meet basic daily needs. As the garment sector has low barriers to entry, the local factory owner said it was a good industry for children. In another instance, a local owner reported that it was difficult to understand whether to follow international buyer codes – which can prohibit workers under the age of 18 – or Myanmar law, which allows limited work for those between the ages of 14 or 18.

These sentiments reflect the **perceived dilemma** employers can sometimes face and often express – do I hire a child and give them an income or do I say no where they might fall into a more dangerous situation? We also have to recognise that culturally, child labour is widely acceptable and not a problem exclusive the garment industry. The reality is that few factory owners/managers see this as a problem except for the reactions from international brands if it was found in their factory.

In Impactt's in-factory experience, some owners are beginning to question this thinking. As wages rise, employers are beginning to demand higher productivity and value from their workforce as such hiring underage workers, often with less skill, is now **becoming less attractive**. Owners now see the opportunity to access Western markets and are becoming more aware of the reputational risk brands fear especially in

Myanmar. However, indications are that **many would prefer to hide the problem** rather than deal with it head on. BIF (through Impactt's BBV programme) has shown that with the right training and support it is **possible to shift these 'norms'** that child labour is acceptable and to support enterprises to build proper age verification systems to stop the hire of new child labour.

Other Stakeholder Perspectives

Stakeholders reported that **forced or bonded adult labour was not present** in the garment sector and not a key concern for them. In fact, working in the garment sector may provide opportunity to earn an income so they/their families are **less likely to fall into indebted situations** which can lead to trafficking and bonded labour. They report that risks to workers during the recruitment process are lower as workers tend to get jobs through the labour office or directly with factories (many through word of mouth/friend referral) and the **use of a labour agent is rare**. However, locally owned factories may use supervisors to find workers from their local village. This practice may highlight **risks in the recruitment process** that could lead to instances of bonded labour, but we have found no evidence or reports of this.

Some stakeholders reported that labour may not be bonded per se, but workers have little freedom because they are **very loyal and willing to endure hardship**. New clauses in the minimum wage law (see Section 4.2), moreover, mean there is a **high financial risk** to workers leaving one factory to 'start again' in another. This, along with family poverty and debt, may **prevent workers from leaving** unfavourable employment; 'better the devil you know'.

Stakeholders from research / policy organisations to labour rights organisations believed that the compulsory **standard contracts** mandated by government in 2015 were **not suitable** for the garment industry and advocated sector-specific contracts.

"The one contract fits all approach in fact fits nobody"
Stakeholder

Of particular concern is a clause which states: 'Termination can occur without cause' meaning that employers can terminate contracts for a range of reasons including repeated defects or union engagement.

Stakeholders felt that training programmes like SMART and BIF are **strengthening HR practices and awareness** at participating factories on the importance and benefits (for businesses and workers) of contracts which is making a difference. However, there are **challenges in developing fair contracts**. Firstly stakeholders cited reports of factories issuing two versions of contracts – one for the labour inspectorate, one for workers. Secondly, worker rights organisations reported that some workers find the idea of signing a contract frightening, particularly if they do not understand it. Workers can feel that the one month notice period seems to be tying them to the workplace in a context of high labour turnover.

Child Labour

Despite ratifying the worst forms of child labour convention in 2013, and strengthening their national child labour law, Myanmar has **one of the highest child labour rates in the world**,⁴⁶ with recent research revealing over 1 million children working across the agricultural, manufacturing and services sectors. Although BSR's garment sector focused research found little direct evidence of child labour in the industry, and reported that workers under the age of 14 are rare, Impactt's own experience in Myanmar factories **challenges this finding**.

Indeed, interviews with stakeholders reveal there are conflicting views amongst brands and factories on:

- the definition of child labour
- scale of the problem
- what constitutes good remediation
- what work is allowed for young people
- control mechanisms required to comply with legal requirements

Additional challenges include difficulty:

- verifying age

- changing the prevailing norm that employing child labour is a good thing to do and in the best interests of the child
- finding good educational options for child workers to be remediated into
- Identifying good service providers to manage/facilitate the remediation process

Confusion around definition is partly as a result of the discrepancies between international law (outlined above), the MGMA code, which stipulates that the minimum age of work in the export garment industry as 15, and brand requirements, which set a variety of minimum ages ranging from 14 – 18. This adds to the **huge range in understanding as to the scale and risk of child labour in the garment industry**. Although one stakeholder suggested that the presence of child labour is one of the key reasons brands are not willing to source from Myanmar, brands we spoke with (who were already sourcing from Myanmar) did not view child labour as a significant worry or obstacle.⁴⁷

Indeed, despite some reports suggesting factories are not aware of required standards, brands reported feeling **confident in the processes and procedures** in place at their (internationally owned) suppliers. However, there is a fundamental challenge facing factory managers trying to verify ages in a robust manner. The main form of reliable ID is the NRC – **National Registration Card**. Many workers (especially from rural villages) come to Yangon to work without their NRC card; either as it is lost, forgotten or they have not applied for one. The only way to get a NRC is to apply back in their home village and application can take 2-4 months to receive. Carrying out this application process is **not a viable option** for many who have travelled to the city to find work so register with factories with more lenient recruitment practices or apply with other forms of ID such as school certificates etc. Many factories will accept workers either without checking or with less reliable forms of ID, making age verification more difficult. This means factories are vulnerable to taking on underage workers even if they work with brands which help them implement age verification processes.

The **perceived norm that child labour is acceptable and makes a positive contribution** to society, almost as a form of social welfare is one of the biggest challenges. Without a change in mind set it is very difficult to persuade owners/managers to change this behaviour. This is a higher risk with factories with less international/Western exposure.

As the industry comes to term with this problem, **there will be a need to remediate these children**. To our knowledge, there are also programmes focusing exclusively on prevention and remediation of child labour in the garment sector. The ILO has set up a **technical working group** to look at this issue but their first focus is on the extractives sector (where conditions are much hazardous and prevalence of bonded labour higher) rather than garments. There are a few NGOs that provide mobile education for workers but this focuses on the tea-shop/hospitality sector. All child labour remediation programmes rely on getting former child workers back into some form of education. However, this is very hard in Myanmar as **the concept of remediation is not yet understood (or defined) and there are not many education establishment options**. The MGMA code refers to the need to remediate children found working but does not provide any explanation as to what constitutes good remediation. Therefore, the only option is for children to go back into the traditional school system, where – more frequently than not – they cannot catch up, so lose confidence and quit. Paying for remediation and stipend expenses is a foreign concept and is met with much **resistance** from the factories as well as families. There is a **significant lack** of organisations with the abilities or resources to remediate in this way.

Organisations active in “Free and Secure Employment”

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin SMART ILO IndustriAL	M&S FES Solidarity Centre MGMA	CTUM ALD ALR CCTU	LHEO LRDP STUM H&M
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4.2. REASONABLE REMUNERATION

Issue	Rating	Comments
Reasonable Remuneration		All but one of the workers interviewed received the minimum wage, however wages fall far short of workers' needs. Wages and related issues account for 4 out of the 5 top areas of dissatisfaction for workers.

Legal Context

The Government has not ratified the ILO Equal Remuneration Convention, 1951 (No. 100) which is a Core Convention, it has ratified Minimum Wage-Fixing Machinery Convention, 1928 (No. 26) but has ratified neither Protection of Wages Convention, 1949 (No. 95) nor Minimum Wage Fixing Convention, 1970 (No. 131).

Legal provisions for reasonable remuneration were implemented via the National Minimum Wages law and Minimum Wages rule of 2013, with the intention of fulfilling 'the basic needs of the workers and their families who are working in commercial establishments, production and servicing establishments, agriculture and livestock. And, to develop the work performance and competitiveness of workers.' The minimum wage rate was negotiated by a tripartite committee comprising government representatives, employer association representatives and trade union representatives and came into effect on 1st September 2015.

Today, the minimum wage law states that the following duties of the employer:

- 3,600 kyats (3 USD) per 8-hour working day (450 kyat/hour) shall be the minimum wage paid to skilled employees of companies with more than 15 employees in all industries, throughout all of Myanmar.
- 50% of the minimum – 1,800 kyats (1.5 USD) per 8-hour working day (225 kyats/hour) – may be paid to completely unskilled newly hired workers engaged in a training/induction program up to a maximum of 3 months.
- 75% of the minimum – 2,700 kyats (2.25 USD) per 8-hour working day (338 kyats/hour) – may be paid to newly hired employees during their 2nd 3 months of employment, regarded as a 'probationary period'
- Overtime worked on a normal working day (after 8 hours per day and 44 hours a week) is paid at 200% of the basic wage. Overtime worked on a holiday and/or rest day is paid at 300% of basic wage

The law stipulates the minimum wage rate should be reviewed by a Wage Committee every 2 years and provides some detail of how this should be achieved. They must consider these factors when proposing a minimum wage:

- Needs of workers and their families;
- Existing wages/salaries;
- Social security benefits;
- Living costs and changes in living costs;
- Standards of living;
- Job creation and development needs;
- Size of the national economy and income per person;
- Nature of the work and risks for workers.

If utilised, this could provide opportunity to set wages closer to living wage. However, the first issue of minimum wage seems to have fallen short in providing workers with enough to support their families.

Comparison of the minimum wage rates in Myanmar and other neighbouring countries is set out in the table below from lowest to highest minimum wage:

Country	Daily minimum wage rate US\$	Overtime premium weekday %	Overtime premium weekend %	Overtime premium public holiday %
Bangladesh	\$ 2.60 per day	200%	200%	200%
Myanmar	3600 Kyat \$2.95 per day	200%	200%	300%
South India	\$4.63 per day	200%	200%	200%
North India	\$5.30 per day	200%	200%	200%
Cambodia	\$5.38 per day	150%	200%	200%
Vietnam	Region 1 and 2 – \$5.77 per day Region 3 and 4 – \$4.46 per day	150%	200%	200%

Country	Daily minimum wage rate US\$	Overtime premium weekday %	Overtime premium weekend %	Overtime premium public holiday %
China South (average)	\$11.92 per day	150%	200%	300%
China North (average)	\$12.94 per day	150%	200%	300%

Figure Twelve: Comparison of Minimum Wage Rates in Asian Garment Producing Countries

Worker Perspectives

Workers earn minimum wage but it isn't enough

Increasing take-home pay is workers' **top priority**. 98% of workers interviewed reported that they receive legal minimum wages but 80% felt this was an **unfair wage**. Workers reported that:

- The wage was not enough to live on and did not enable them to meet their basic needs
- They did not believe it was fair compensation for the demands of the job
- It does not reflect their skills

The **minimum wage increased the average daily rate** of surveyed workers from 1,479 to 3,600 kyats per day (an increase of 143%). However, this has **not resulted in uplift in take-home pay of this magnitude**. Less than half our sample reported that they still receive bonuses after the minimum wage increase (47%). Some workers reported that since the introduction of the minimum wage, their factory had used measures to **reduce their wages** such as using trainee rates for extended periods or **firing and re-hiring**:

"They don't want to pay 3,600 daily rate to workers - especially helpers - so they look for excuse to make workers to quit and again start as a new position and then pay sub minimum wage."

"No new workers are getting minimum wage whether they are skilful or not"

In addition wages are further reduced by the widespread use of **deductions**. Most workers (68%) reported that **fines** for arriving late or leaving early were common, 28% reported fines for breaking rules and 23% reported fines for defects. This indicates management is using **penalty approach rather than positive incentives** to 'motivate' workers.

Workers also report that they are **under more pressure to be productive**, with increased production targets and no new training to meet them.

"Everyday pressure is to increase productivity with no defects. "Be fast! No repair!" supervisor and leader shout. They are not behaving well. All the management team are suppressing the workers and workers says they have no right to complain, but must just work faster." Worker from Japanese owned factory.

Workers surveyed earn 29% less than their aspirational wage.

Many workers contributing to this study reported that the minimum wage had increased their income but due to **increasing commodity prices** this did not amount to an increase in their purchasing power.

"Though the minimum wage [our income] gets higher but also the living cost and commodity cost gets higher. Sometimes if we get ill, we definitely fall into debt. This reflects the typical life of garment workers."
Garment worker

Workers reported they want to earn more in order to afford **better food, accommodation** and increase their savings to provide a **financial cushion** and **prepare for the future**. Workers currently sacrifice

nutritional good quality food for cheaper alternatives that are **unhealthy**. Workers also reported that they live in **cheaper hostels** and that they worry about their **personal security**.

24% of workers who gave expenditure data reported that their **expense were higher than their income**. Workers reported that they resorted to **borrowing** from a family member or taking out loans with local shops. They **did not have access to banks**.

We asked workers what they would define as a **fair wage**, one that would be able to **meet their own expenses and support their family**. The table below sets out the **shortfall** between actual earnings and this wage.

	Minimum wage (monthly)	Average monthly take home-wage ⁴⁸	Average monthly fair wage	Difference (minimum wage and fair wage) Kyat	Difference (take-home wage and fair wage) Kyat	Wage Shortfall (minimum wage and fair wage) %	Wage Shortfall (take-home wage and fair wage) %
Overall	93600	182,782	257,586	163,986	74,804	64%	29%
Female	93600	184,956	264,211	170,611	79,255	65%	30%
Male	93600	173,000	245,000	151,400	72,000	62%	29%

Figure Thirteen: Shortfall between Minimum Wage, Average Take-Home Wage and Self-Defined Fair Wage

The table above shows that:

- Workers take home almost twice as much as the minimum wage
- Workers' aspirational wage is 64% higher than the minimum wage, 29% higher than their take-home wage.
- Women earn more than men in our sample. This may not be reflective of wider pay practices in the industry as stakeholders report that men earn slightly more because they do jobs like loading that women are not entitled to. In our sample, men are more prominent in ironing, mechanics and cutting whereas women are mainly operators.
- The wage gap is consistent across men and women so people's aspirational wages are based on their take-home wages. It is therefore more likely that workers based their aspirational wages on what they think is possible rather than what they need to meet all basic needs and save.

Comparison of take-home wages in other sourcing countries

Impactt has carried out living wage research across Asia⁴⁹. The table below compares, in US dollars, the take-home wage per month and Asia Floor Wage per month of key sourcing countries. Note, **no-one has carried out field research on living wages in Myanmar and published the results**. Therefore, the Myanmar figure uses the workers' 'fair wage' figure. The take-home wage is in light blue and the Asia Floor Wage is in dark blue. The wage shortfall (percentage difference between living wage and take-home wages) is in red.

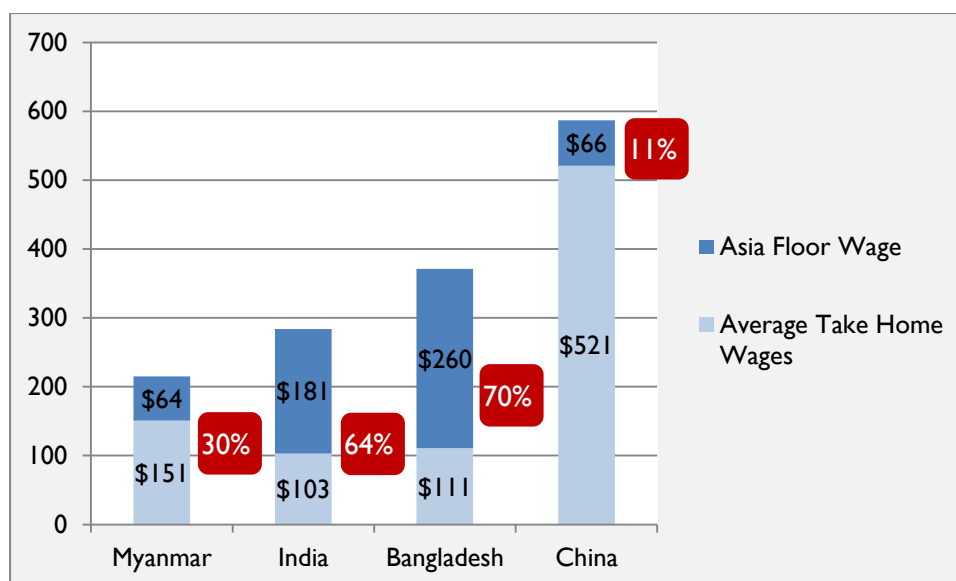


Figure Fourteen: Shortfall between Average Take-Home Wage and Self-Defined Fair Wage Amongst Garment Sector Workers in a Range of Garment Sourcing Countries

The graph shows that:

- **The fair wage reported by workers in Myanmar** is the **lowest in the region**. However, in Impactt's experience the Asia Floor Wage is often higher than unions and workers demand as they may be restricted by what wage they think they can get. Therefore it may not be comparable with other countries.
- **The shortfall** between workers' fair wage and their take-home pay is much **lower in Myanmar** than Bangladesh and India.
- **The highest shortfall is in Bangladesh** where the difference between Asia Floor Wage and take-home wages is 70%, followed closely by India where the shortfall is 64%.
- **Take-home wage in China** are **significantly** higher at \$521 and the shortfall is also significantly lower at 11%.

Enterprise Perspectives

All enterprises interviewed were **aware of minimum wage legislation** and most accepted that they needed to pay the minimum. Most enterprises reported that they had **struggled to manage the transition** to minimum wage as they **did not have sufficient profit margins** to manage additional costs and stay in business. Paying overtime premiums was an even bigger **burden**.

In order to sustain operations, enterprises reported that they had put in place a number of measures to adjust to minimum wage payments. These included:

- **Cutting bonuses:** some enterprises reported that they stopped bonuses such as attendance and productivity to compensate for the increased base rate. In many cases, this meant that the workers' take home pay was not significantly affected. Two enterprises reported the removal of bonuses made it very hard to incentivise the workforce, which led to a reduction in efficiency.
- **Fire Rehire:** as the law states factories can pay lower rates to workers over the first 3 to 6 months of their salary, one enterprise reported firing long serving workers so they could be rehired at the lower rate.
- **Maintaining Training Salary:** another enterprise owner confessed to keeping workers on a 'training salary' beyond the 6 month legal limit and said it would be impossible to keep the factory going otherwise.

*"We're locked in the cellar and the water is rising."
Myanmar factory owner on the challenges of meeting higher wages*

Enterprises reported that they would be **happy for worker wages to increase**, provided that the factory could maintain a **sufficient income** and **cover its outgoings**. In a context where 100% of enterprises interviewed reported an **annual loss** or a **loss in a significant portion of the year**, the prospect of increasing wages – and thus overall outgoings – any further, was deemed **impossible**.

Indeed, as our earlier analysis of factory challenges in Section Two showed:

- One of the key challenges for enterprises was **low profit margin**. This was a slightly higher priority for locally owned enterprises.
- Foreign-owned enterprises cited **infrastructure challenges** as a key concern – this indicates that the cost of doing business is high due to underdeveloped infrastructure and resources.
- Locally-owned factories cited **lack of access to finance**. Factories reported this meant they were unable to make investments required by potential clients to meet international compliance standards and therefore could not increase their orders.

Locally-owned companies reported the **influx of foreign enterprises** as an additional challenge. Being several layers down the supply chain put further pressure on profit margins and reduced their power to bargain/negotiate on price.

Factories felt that **support to increase profitability** and thus **wages needs to come externally**. Many challenges cited were perceived as external pressures (such as high worker turnover or lack of skilled labour).

Other Stakeholder Perspectives

All stakeholders agreed that the **current wage levels in the country are too low**. However, there were **differing opinions** on the impact of the minimum wage. Some brands reported that the introduction of the minimum wage was **good for the country** and that they specifically asked the government to introduce it.

Stakeholders from civil society were more **reticent**. They reported that the minimum wage has not had the positive impact that was desired. Reasons cited included:

- **Take home wage is unchanged** owing to employer manipulation of the contract and the use of loopholes (training contracts and removal of bonuses). This was reported by NGOs and CSOs.
- **The wage is far from a living wage**, particularly in a context of rising commodity prices⁵⁰⁵¹. This matches Impactt research which states that the shortfall between the minimum wage and workers' 'fair wage' is 29%.
- **The wage is not related to skill**, meaning reduced motivation and productivity. This was also cited by workers and factory management.
- To make up for the increased cost, **management were pressuring workers to be more productive** as they wanted to reduce overtime hours. However, they do not give workers the training to improve their performance, and have removed financial incentives/bonuses and/or skill based rewards. This puts more pressure on workers without the rewards.

CTUM reported that there are still **some factories not paying minimum wage**. In addition, a number of stakeholders reported that some factories have **removed bonuses** to enable them to pay minimum wage, and those that do can struggle to pay legal overtime premiums. CTUM also reported instances in which the **presence of a strong union**, has resulted in factories removing the 3-6 month training rate. This indicates positive dialogue in a sensitive situation and also **challenges the suggestion** that factories cannot pay minimum wage from the outset.

Stakeholders had **differing views** on how best to close the wage gap. Labour rights organisations believe that the government should **remove loopholes** and **strengthen legislation** and stipulate a **skills-based paygrade** system. CTUM advocated a system of **skills certification** or a 'skill recognition card' to ensure workers transferring from one factory to another do not return to 'trainee' status.⁵² They also advocated giving workers **more knowledge of their rights** so they could bargain for more money. However, many stakeholders felt that negotiation did not work well due to the **capacity limitations** on all sides (see section 4.5).

Other stakeholders, MCRB and international NGOs, recognised the **complexity of paying high wages** within an **underdeveloped industry** and felt without productivity improvements factories will not be able to compete. CESD advocates the government takes a more **holistic approach** in addressing this problem and

report there is a strong need to address **high transaction costs** and **production costs** in order to reduce wastage and increase value in the supply chain⁵³. There is also opportunity to **upskill workers** and management to **improve productivity** and **quality** so enterprises can better compete in market and afford (and be willing) to pay more.

Organisations active in “Reasonable Remuneration”

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin BIF SMART ILO IndustriALL	H&M M&S FES Solidarity Centre	CTUM ALD ALR CCTU	LRDP STUM LHEO MGMA
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4.3. REST AND LEISURE

Issue	Rating	Comments
Rest and Leisure		Working hours legislation is widely flouted with regular excessive hours commonplace. However workers do not cite working hours as a key concern since they regard excessive hours as a necessary evil if they are to maximise their incomes. Since the introduction of the minimum wage and associated law on overtime premiums, employers are trying to reduce rest day work and overtime to reduce cost. We would therefore rate pay as the more salient issue.

Legal Context

While working hours do not feature in the ILO's fundamental principles, article 24 of the United Nations Convention of Human Rights states 'everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay'. Myanmar has ratified Hours of Work (Industry) Convention, 1919 (No. 1) and Holidays with Pay Convention, 1936 (No. 52)

Myanmar national law stipulates:

- Adult workers shall not be required to work more than 8 hours per day or 44 hours a week
- Periods of work within a work day must be established and arranged so that workers do not work longer than a five hour stretch without a rest of at least 30 minutes
- The total work day, including periods of work and periods of rest, may not exceed a total of 10 hours.
- Adult male workers engaged in factory work that for technical reasons, must be continuous through the day, may be required to work 48 hours in a week.
- There must be one day holiday each week (Sunday). If Sunday service is required, there must be a substitution of another day.
- No one may work more than 10 consecutive days without a rest day.

Overtime:

- Shall not exceed more than 16 hours per week or, for continuous work, 12 hours per week
- The overtime wage shall be calculated as double the basic wage
- Permission of Factories and the General Labour Law Inspection Department must be obtained for an approval of a constant overtime policy.

If working on days-off:

- Comply in accordance with the overtime and general working hour provisions
- There must be substituted an alternative day-off.

Typical standard working weeks in Asia are 48 hours with 12 hours of overtime per week allowance (with the exception of China which has a 40 hours standard working week) compared with Myanmar's 44 hours standard working week and 16 hours per week maximum overtime (see figure 15 on the following page).

Country	Standard working week	Maximum permitted overtime	
		per day	per week/month/year
Myanmar	44 hours	2 hours per day	16 hours a week
North India	48 hours	2 hours per day	12 hours per week
South India	48 hours	-	12 hours per week
Bangladesh	40 hours	-	36 hours per month
China North (average)	48 hours	2 hours per day	12 per week
China South (average)	48 hours	4 hours per day	32 hours/month, 300 hours/year
Cambodia	44 hours	2 hours per day	16 hours a week
Vietnam	48 hours	2 hours per day	12 hours per week

Figure Fifteen: Comparison of Legal Working Hours in Garment Producing Countries in Asia

Worker Perspectives

Impactt's survey revealed that **50% of workers worked on average more than 60 hours per week**. The highest hours in the sample were 71-79 during a week reported by 5% of workers.

Weekly hours	% workers
<=60	50%
61-65	42%
66-70	3%
71-79	5%

Figure Sixteen: Weekly Working Hours Reported by Workers

Rest days per month	% workers
4 or more	98%
Less than 4	2%

Figure Seventeen: Number of Rest-Days Reported by Workers

Figure seventeen shows that **rest days are generally respected** by factories, with only 2% of the sample reporting fewer than 4 days off per month. As the table below shows, workers tend to work more hours and at locally-owned factories.

	Myanmar-owned	Joint-venture	Foreign-owned
Average hours	71	58	60
Highest hours	79	58	64

Figure Eighteen: Average Working Hours Reported by Workers in Factories by Ownership Structure

Despite the fact that long working hours affected over 50% of workers interviewed, the issue of tiredness from late hours scored 2.67 out of 5 in Impactt's satisfaction survey, indicating that – on average - workers are neither satisfied nor dissatisfied with working hours. The range of scores, however, varied widely, with over 40% of those who rated the question, ranking **tiredness from late or long working hours as a 4 or a 5**. This suggests overtime pressures in some factories are higher than others and that experiences around **working hours are not consistent** across the industry.

Qualitative interviews revealed that workers feel they have to work overtime to get enough money to live, which leaves workers **ambivalent about long working hours**. Interviews revealed workers do not like working long hours, but will tolerate doing so in order to survive.

In Impactt's other work in factories in Myanmar, workers have complained in particular about:

- Not being informed about overtime hours in advance
- Not being provided with transport home after late working and feeling unsafe
- Workers reporting being forced by management to sign a 'voluntary overtime notice' in order to meet the labour office standards.

For workers, the issue of overtime is therefore intrinsically linked to other areas including pay, feeling safe (providing transport home when it is late) and feeling forced to work.

Enterprise Perspectives

All enterprises interviewed felt that working **long hours** was necessary in order to meet **customer demands**. Just less than half of our sample (3 out of 7) reflected that buying practices were one of their key concerns. This view was more prevalent amongst locally-owned factories which are primarily used as sub-

contractors to meet needs at short notice, putting greater pressure on them to produce the order in a very short time.

One enterprise reported that production pressures means that workers often **did not have a choice** is doing overtime and workers could work up to **13 or 14 days in a row without a rest day**. Enterprises also reported that **irregular orders** made it hard to manage working hours particularly in peak season.

Enterprises showed a general **lack of awareness about the root causes** of long working hours. The challenges discussed more generally by enterprises may give us more insight into the drivers of long working hours, including:

- **Lack of skilled labour**
 - Cited by both foreign owned and locally owned factories as one of their top challenges
 - Significantly impacts efficiency
 - Seen as an external challenge by management who feel they need external support to train workers. Management do not recognise their own role in boosting skills:

"I am not a training school. The good ones are few and far between and if they come, I train them, they will leave. However, the majority are very slow to learn...they come from the field and cannot adjust to factory demands/needs. They do not listen well and no matter how much you tell them, they do not improve." Factory owner

"Workers are uneducated and do not know how to learn..."
Factory owner

Factories are more likely to lay the blame for low productivity on workers rather than identify weaknesses in their own/their team's management capability and technical skill.

- **Worker turnover:** in Impactt's on the ground work we see average monthly labour turnover rates of 10.28%, in comparison with 7.5% in Bangladesh.
 - Seen as second biggest challenge by foreign owned and locally owned factories
 - Also impacts efficiency as factory has to spend time recruiting and on-boarding new workers.
- **Poor machinery**
 - Cited by locally owned factories as a challenge
 - Enterprises felt unable to invest in new machinery due to lack of access to credit and fear over future orders.
- **Absenteeism**
 - Seen as a key challenge for foreign owned factories
 - Impacts efficiency
 - Not seen as big of a concern for locally owned factories. It could be that workers are more loyal and/or the factory provides accommodation on/near site so harder for workers to take time off.

Stakeholder Perspectives

Research into the Myanmar garment industry has claimed **excessive working hours** as one of the most severe labour rights abuses in the sector. In Oxfam's 2015 Made in Myanmar report⁵⁴, workers identified working hours as one of the top two issues negatively impacting on their lives, with 40% claiming excessive hours had adversely affected their health. In the more recent 'Under Pressure' report, **excessive overtime** appeared to be 'the major issue of concern both from a legal compliance perspective, but also in terms of the key issue impacting on the health, wellbeing and safety of factory employees'.

In addition, some stakeholders have identified the need to identify broader impacts of overtime on workers. ActionAid reported they will soon launch a report looking at the potential impact of overtime on women's health and safety.

Some labour organisations believe that the **working hours' situation is improving** as increased international presence bringing more pressure to comply. They report that newer factories are approaching things in the right way. This reflects our findings on foreign-owned versus locally owned factories which shows that older **locally-owned factories are far more likely to have extreme hours**. This could also be driven by the increased cost of overtime after minimum wage rules were introduced. For the first time, there has been a significant **financial incentive for management to proactively reduce overtime** as a means to control costs – previously this was not required as basic wages (and hence overtime pay) was so low.

However, **not all stakeholders agree things are getting better**. On labour rights activist reported that “*growth in the industry just brings more of the same old problems*” and that **increased commodity prices** forces workers to do more overtime to make ends meet.

Stakeholders identified a number of **barriers to addressing the issue**. Particular concern was voiced over weak and corrupt government labour inspectors, who will often allow the continuation of excessive hours providing production targets are met and dissatisfaction amongst the labour force does not flare into strikes.

A key concern for stakeholders was the **lack of clarity in the law**. ILO, Oxfam and MCRB report that laws have been confusing and that misinterpretation can lead to confusion over non-compliance. It is hoped that the updated labour law guide will clarify uncertainties on this issue.

Organisations active in “Rest and Leisure”

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin BIF SMART ILO H&M	M&S FES Solidarity Centre MGMA	CTUM ALD ALR CCTU	LRDP STUM LHEO
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4.4. SAFE WORKING CONDITIONS

Issue	Rating	Comments
Safe working conditions		The management of health and safety and perception of risk is below par, resulting in accidents and injuries. However, the industry in general in Myanmar is not subject to the same catastrophic risks as neighbouring Bangladesh. The exception to this statement would be fire safety in a small number of older locally-owned factories which may not have installed the essentials of fire safety.

Legal Context

Myanmar has not ratified the main ILO instrument governing workplace health and safety is C155 - Occupational Safety and Health Convention, 1981 (No. 155). Myanmar's national law contain a comprehensive health and safety law framework that includes legislation on:

- Preventative measures
- Fire and building safety
- Work space
- Air, heat and light regulations
- Sanitation
- Eating and drinking facilities
- Machinery and dangerous substance regulation
- Infirmary and first aid
- Safeguards against dangerous operations
- Women workers' health and maternity protection
- The reporting and investigation of workplace accidents and diseases.

The Ministry of Labour is in the process of drafting a new OSH law, due to be finalised at the end of 2017. Representatives from both the ILO and worker rights organisations said that this will be a marked improvement on the previous framework. Labour rights activists also said they felt that the new law will take significant account of worker voice and were pleased with the consultative process.

Especially for H&S, the key success factor will be the implementation and enforcement resources put into ensuring these laws are upheld.

Worker Perspectives

The majority (76%) of workers reported that they feel **unsafe** at their factor. All those who reported feeling safe or secure worked in foreign-owned factories. However, 100% of workers from Myanmar-owned factories reported not being happy with safety.

A higher proportion of men (62%) report feeling unsafe compared to women (45%). This may reflect the different job roles carried out by male and female workers, as males typically work in with heavier machinery.

Workers reported that **blocked fire exists** were the primary cause for feeling unsafe; only 29% of workers report having been involved in a practice fire drill, and only 22% report receiving training in the workplace on fire safety. 77% of workers surveyed report **seeing a worker injured** on the factory floor. 50% of these injuries were caused by **faulty machinery** resulting in cut or compressed fingers or hands. Falls, broken legs, fainting and electric shocks were also reported. The **rate of accidents did not vary** significantly across different types of factories.

Variation was starker in relation to factory space and infrastructure. 31% of workers were very unsatisfied or unsatisfied with space and facilities in the canteen. The same percentage was satisfied or very satisfied.

Enterprise Perspectives

Levels of health and safety awareness and exposure to auditing vary across factories. Foreign owned enterprises report higher levels of awareness about fire safety, drinking water and toilets. Experience of **auditing varies**, with 2 factories reporting multiple third party audits every year and four factories reporting

being audited by government inspectorate only. 1 factory reported **not having been audited ever by anyone**. Factories report differing audit standards and practices and lack of standardisation of non-compliances.

Common non-compliances reported include **unclear emergency exits**, fire assembly points too close to the factory and lack of eye-wash stations. Foreign owners reported taking **rapid remedial action**, including improving water purification, implementing proper ventilation and improving temperature controls and providing better lighting.

Local owners interviewed admit their factories are often structurally weak, or do not meet international standards. While they report that they are keen to remedy this issue, they say they do not have access to sufficient **credit facilities**.

"We are trying to improve but we have to pay 13% interest on any loans. We can't do that. So how are we supposed to improve?" Local factory owner

Other Stakeholder Perspectives

Key health and safety concerns raised by stakeholders include **air and ventilation and unsafe transport**, which have also been highlighted in published reports. Stakeholders did not mention fire risk or building collapse as a key concern, unlike in neighbouring Bangladesh. This is partly because the industry has not developed large multi-story facilities.

Stakeholders reported that while health and safety is always a priority, **conditions are very different** in locally-owned and foreign-owned factories. They felt this was in part because the locally owned factories have been operating for many years, and therefore have structural and operational layouts that predated the interest in compliance from Western brands. Locally owned factories also have **lower investment** and access to finance. In response to these concerns, brands report sourcing solely from foreign owned or joint venture factories. **Perceptions of risk are also very different**. Few local owners have had exposure to international factory practice and standards. Many do not understand the fundamentals of an H&S system such as carrying out risk assessments (basic level) or essentials of fire safety.

One labour rights organisation, Let's Help Each Other, expressed particular concern over the low awareness of health and safety issues and entitlements amongst workers. They reported that workers were often seen **eating food and taking breaks close to factory waste**, which posed significant threats to worker health (see section 5) and suggested that better health and safety awareness and environmental management, from workers as well as factory management, was one of their priority areas.

In the international community, a lot of focus is also being placed on the health and safety of workers in the community. H&M, WaterAid and ActionAid are all working towards understanding and improving the situation in that area (more details Report B). ActionAid will also soon begin their Safer Cities campaign, which will address some of the concerns raised about dangerous transport conditions to and from the factory.

Organisations active in "Safe Working conditions"

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin SMART ILO IndustriALL H&M	M&S ActionAid FES Solidarity Centre WaterAid	MGMA CTUM ALD ALR	LHEO LRDP STUM CCTU
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4.5. FORMING AND JOINING TRADE UNIONS

Issue	Rating	Comments
Forming and joining trade unions		Whilst the barriers to forming and joining trade unions have been lowered, there is still much to be done before unions can operate effectively with mature systems which protect all workers.

Legal Context

Myanmar ratified the ILO Core Convention - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) in 1955 but has not ratified the Core Convention - Right to Organise and Collective Bargaining Convention, 1949 (No. 98). At a national level, Myanmar passed the Labour Organisation Law in 2011 and The Labour Disputes Act in 2012. The passing of these laws signalled a profound shift in Myanmar's industrial relations, after which a number of and imprisoned activists were released or permitted to return and the number of 'above ground' labour organisations increased rapidly.

Rules for the formation of trade unions state that:

- **Basic Labour Organizations** may be formed by a minimum of 30 workers in a workplace
- If there are fewer than 30 workers in a particular workplace, workers may form a basic labour organization together with workers from another workplace within that sector and region
- In such a case, 10% of all of the workers in workplaces seeking to form a basic labour organization together must vote in favour of the organization. Votes are collected by signature.
- **Township Labour Organizations** may be formed by at least 10% of all of the Basic Labour Organizations in the township within the same sector.
- **Regional or State Labour Organizations** may be formed by at least 10% of all of the Townships Labour Organizations in the township in the same sector.
- **Labour Federations** are formed by at least 10% of all Regional or State Labour Organizations the same sector or activity.
- Finally, **Labour Confederations** may be formed by at least 20% of all Myanmar Labour Federations.

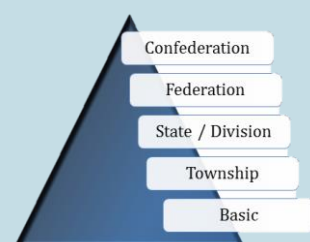


Figure Nineteen: Structure of Union Hierarchy

Workers are legally allowed to strike, providing they have the support of their majority of union members and the permission of the relevant labour federation. The union must provide information on the time, date of the strike, as well as the number of participants.

Workplace Coordination Committees

Employers with 30 or more workers must form a Workplace Coordinating Committee (WCC), which is intended to promote the good relationship between the employer and workers and/ or their labour organization, negotiation and coordination on the conditions of employment, terms and conditions and occupational safety, health, welfare and productivity. A WCC shall be formed with the view to negotiating and concluding collective agreements.

Worker Perspectives

Trade unions

The majority of workers surveyed (60%), reported they have a **basic level labour union** in their workplace. This indicated the presence of unions across 78% of factories included in the survey, all of which are foreign-owned or joint venture. In 33% of cases, workers from the same factory gave varying answers in response to questions over whether or not there was a union in their factory. This indicates that even in factories where unions are present, **not all workers are aware or engaged**.

Despite this, 76% of workers who reported unions in their workplace said that they were either a member or engaged in union activities. As Impactt accessed workers through local labour CSOs however, these figures may exaggerate the scale of worker engagement in union activity.

Of the 71% of workers who were aware of labour unions:

- 70% said the purpose of a union was to protect worker rights
- 68% said the purpose of a union was to negotiate with the employer
- 67% said the purpose of a union is to establish a collective bargaining agreement
- 0% said unions were there to strike or to act against employers

45% further reported that talking to a worker union representative is the most common course of action for workers if they are faced with a problem, the most popular channel for raising issues if they have a problem. Other channels include talking to line manager, close friend or writing to the township labour department.

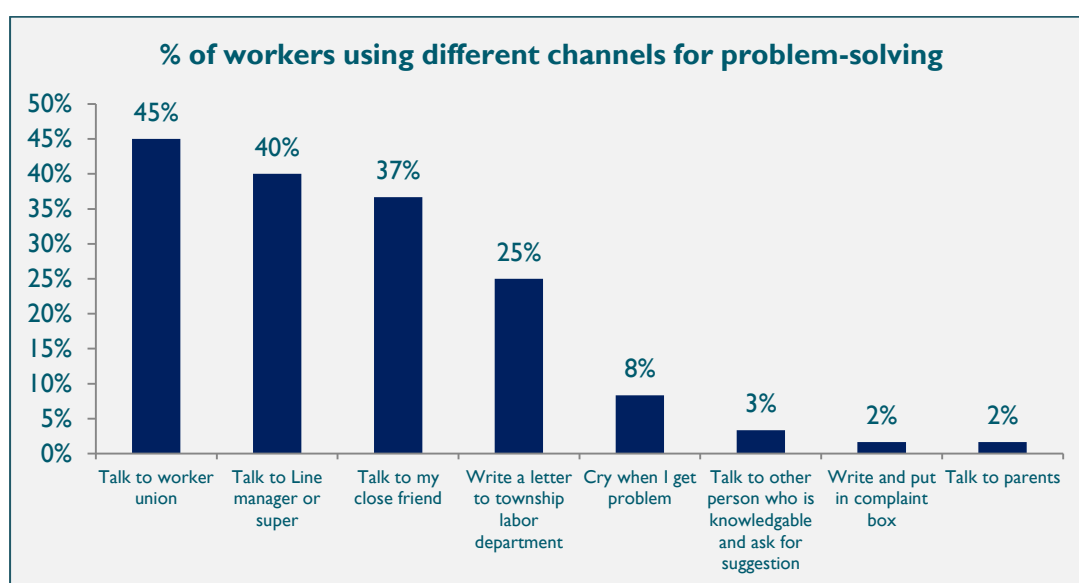


Figure Twenty: % of Workers Using Different Channels for Problem-Solving

Whilst the sample contains a high proportion of unionised workers, which may skew these findings, it is good to know that where unions are present they have been **effective at positioning the union representative** as a key point of contact. 40% percent of workers further reported that management and unions cooperated well within the factory, indicating **effective practices and process**.

However, **workers do not have uniformly positive experience** of the union in their factory; 12%, from 5 different factories, said that unions were formed by factory management and were therefore not positioned well to engage in genuine dialogue.

Dispute resolution

73% of unionised workers surveyed reported they had been involved in **strike activity** as a means of addressing a grievance. This level of strike disruption indicates a **strong sense of worker dissatisfaction** and ineffective grievance and resolution mechanisms/skills, meaning that issues are escalated to a strike very rapidly.

Responses to the survey indicate **salary-related issues** as the most prevalent cause of strike by some distance (see figure twenty-one below). This high frequency of recourse to strike action to resolve an issue may indicate that the **negotiation capability of unions and management may be limited**.

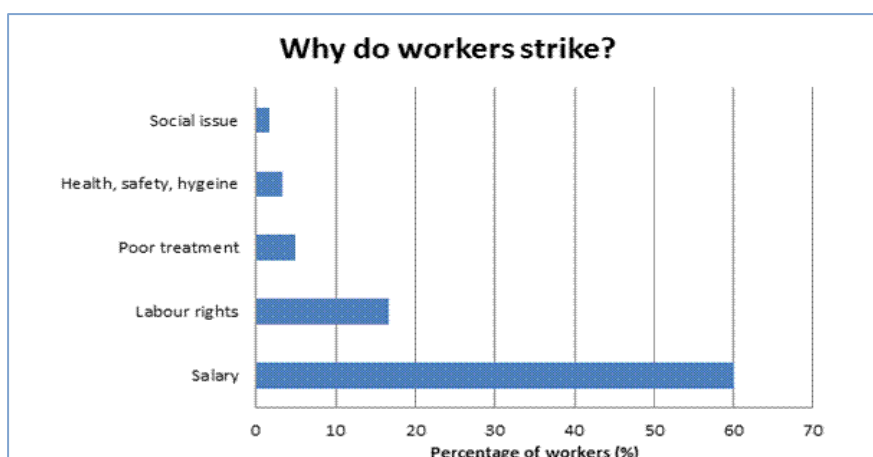


Figure Twenty One: Reasons Cited by Workers for Strike Action

The majority (77%) reported that their **strike action was successful**. This illustrates there is a clear incentive for workers to continue addressing grievances in this way. Workers less impressed by the effectiveness of other means of dispute resolution or do not have the energy to question and negotiate.

"To me, I just keep silent; I don't like to confront with the management and feel annoyed to me. I am so tired, all I want is just peaceful and content life."

Factory worker

"I can talk to the supervisor but the problems are not solved – he just argues with me and thinks I am giving excuses to avoid a job"

Factory worker

Enterprise Perspectives

Unions

Of the seven factories interviewed for this report, **only 1 (14%) reported that they had a union on site**. The factory is locally-owned and estimated that at least 500 of the 600 strong work force were engaged in union activities and had high awareness of their rights.

Reasons given for the absence of unions in factories included:

- Unions are too political, antagonistic and too far removed from workers
- Very few workers understood the processes, requirements or benefits
- Unions are not an effective means of improving management / worker engagement
- The workforce is 'like family' and therefore no need to go through unions (local factories only).

"Workers don't care about unions - it's not important to them."

Factory manager

This is also reflected culturally in Myanmar where **a quiet worker is seen as a good worker** and there is an under appreciation of dialogue on concerns. All enterprise owners reported relations with their workers were 'good', 'very good' or even 'like family'. However, some employers at least are not interested in ensuring that workers understand their rights.

"Workers don't know about their leave and I am not going to tell them"

Local factory owner

Worker Committees

Despite legal requirements, **not all enterprise owners reported having a WCC in their factory**. They moreover reported that the committees that are in place tend to focus on **welfare issues** such as requests to celebrate the water festival, or attend weddings, funerals or family events. This indicates that there is a level of respect from management towards workers and a recognition they can help. However, there is a strong **reluctance to engage in any work-related issues** and instead management takes a philanthropic approach to worker relations, sometimes stating they go 'beyond the law'. One foreign owned enterprise did report that their committee focusses on work-related issues and it also communicates these to the labour office.

Other Stakeholder Perspectives

CTUM estimate that only 8% of factories in the garment sector - and perhaps only 30 factories in Yangon - have basic level unions.

Stakeholders reported the following obstacles to joining and forming trade unions:

- **Technicalities of labour organisation law:** CTUM, STUM and LRDP reported that the technical requirements to forming both a basic level union and a confederation were prohibitive. In terms of basic level unions, it was considered unjust to demand a 30 worker minimum, regardless of the size of the factory.
- **Distance from Workers:** Labour rights advocates reported that although rights awareness amongst workers is growing, unions are often too militant and too political to engage the average 'rank and file' worker. Heavy workloads and long hours further prohibit workers from taking part in union activities.
- **Fear:** All stakeholders consulted on the issue reported that the threat of dismissal or harassment prevented workers from joining trade unions. Although the number of instances of this is reported to be reducing, it is still a problem presented to unions on a regular basis.
- **Lack of solidarity:** A number of stakeholders commented on the difficult relations between and amongst different confederate unions, as well as smaller labour rights CSOs.
- **Lack of union capacity:** Many stakeholders report that as many unions are in 'fledgling status' they often operate at a limited capacity and are sometimes ineffective in achieving their aims. All stakeholders are aware that the exception to this rule is CTUM, who have unparalleled organisational and operational capacity.
- **Corruption and dishonesty:** Accusations of bribery and corruption were levelled at organisations across the labour rights movement. Many stakeholders – and workers – also commented on the presence of yellow unions. It was further reported that corruption prevents dismissed workers from being given access to remedy.
- **Low salary and lack of incentive:** By law, workers who join unions are required to contribute 2% of their salary towards union costs. Stakeholders report that this is both contrary to international standards and a serious limitation in a context of low wages and high living costs. Labour rights organisations further report that as workers often receive no immediate tangible benefits to joining a union, there is little incentive for them to part with a percentage of their salary. It has been suggested that in order to increase interest in unionisation, membership should be tied to more visible benefits such as access to canteens or improved transport.
- **High labour turnover:** As union movements can take some time to embed, high worker turnover can reduce the likelihood of union formation.

"Because of the nature of the work... workers are not very permanent. They move from job to job. You may have a union in the factory this year, but next year, the union leaders will have moved to another factory"
CCTU

- **Lack of management cooperation:** Stakeholders reported widespread management hostility towards unions. Some factory managers were also accused of targeted discrimination and dismissal of unionised workers, and/or support for 'yellow unions'.
- **Collective Bargaining Agreements:** CTUM claimed a lot of success with CBAs, reporting that they had achieved 70 in 2015. Despite this, it was also reported that collective bargaining agreements are not up to internationally recognised standards and instead comprise just a few bullet points on a piece of paper. Jamie Davies from Solidarity Centre expressed the need for a model CBA for the industry. One

prominent brand could point to one CBA in their factories, that was developed out of a strike over wages. They reported that there is a need for such agreements to be implemented in a more systemic way and said it will require greater levels of understanding from workers.

Organisations active in “Forming and Joining Trade Unions”

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin SMART GIZ ILO Solidaridad	IndustriALL H&M M&S FES CCTU	MGMA CTUM ALD ALR	LHEO LRDP STUM Solidarity Centre
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4.6. WORKING FREE FROM DISCRIMINATION

Issue	Rating	Comments
Working free from discrimination		Whilst discrimination is clearly an issue in the garment sector in Myanmar, it is not reported as a leading issue by any stakeholder. From a gender angle, the prevalence of female supervisors puts Myanmar ahead of many other Asian countries.

Legal Context

In international law, Myanmar has ratified neither the Equal Remuneration Convention, 1951 (No. 100) nor the Discrimination (Employment and Occupation) Convention, 1958 (No. 111). The 2008 Constitution guarantees equal rights and protections for all people, regardless of race, birth, religion, official position, status, culture, sex or wealth. With the exception of laws relating to the formation and organisation of workplace committees and unions, there is no specific detailed regulation.

The UNDP reports that the position of women relative to men is **better in Myanmar** than many developing countries. Women are also reported to participate in the labour force at **close to the same rate** as men, and **girls are not withdrawn from school** at a higher rate than boys.⁵⁵ Earlier research into discrimination in the sector also indicated very **low rates of inequality** in terms of pay, condition and treatment between different ethnic groups and religions.⁵⁶

Worker Perspectives

Over 90% of workers surveyed reported that they were **not discriminated against** at work and there were no reports of gender discrimination. Of the workers who did report discrimination, 37% were male and 63% female. This indicates that, proportionate to our sample, men are experiencing higher degrees of discrimination than women.

Although workers did not report cases of discrimination based on ethnicity, interviews with workers and our own knowledge of the garment sector suggests that discrimination most commonly takes the form of **favouritism from supervisors** that results in better treatment, faster promotion and better salaries for workers from the same community or ethnic group. This is sometimes exacerbated by the fact there are no **objective criteria for performance assessment**, meaning management subjectivity is often the sole criteria for progression.

Beyond this, 10% of workers said management discriminated against unions members.

"Management don't allow labour union and they even says 'I swear you will never be a union leader... [if you do] I will dismiss you for sure.'" Worker interview

Enterprise Perspectives

Factories did not raise discrimination as a key concern. Only one enterprise owner identified it as a sensitive issue, reporting that **bias and favouritism** caused difficulties between middle management and workers. They further reported that although it is not a common issue – comprising less than 10% of complaints – the sensitive nature of it meant that it can bring serious problems.

Other Stakeholder Perspectives

Stakeholders reported that discrimination is present in the garment sector. They cited three core types of discrimination:

- Gender discrimination
- Ethnic discrimination
- Discrimination against union members

Of these, **discrimination against union members** was the most frequently cited, and was commented on by almost all stakeholders including brands, multilaterals, international NGOs and local labour organisations.

Stakeholders report dismissal, and demotion for unions members as common practice. This is **despite provisions in the law** providing protection.

A number of stakeholders reported issues in foreign-managed factories, where **cultural differences** between foreign ownership and management and workers can cause huge **tensions**. In Impactt's experience it can be very hard for local staff to access positions of responsibility in foreign-owned factories and they are likely to be on different pay even if they do the same jobs. Associated **language difficulties** can also lead to communication breakdown and/or harassment/bullying issues.

Stakeholders also reported discrimination within locally owned factories on **ethnic or religious grounds**, with high levels of **personal preferences** for certain workers based on ethnicity or religion. Muslims in Myanmar, for example, are reported to have fewer job opportunities than Buddhists and can also find it **difficult to obtain a national registration** card (NRC). As workers can be dismissed for not having an NRC card, this puts religious minorities at an acute disadvantage. In Impactt's experience, nepotism and 'having good relationships' are regularly raised – this may be religious or ethnic discrimination in disguise. Some stakeholders felt that with the **influx of foreign ownership**, and a move towards international standards, this type of **discrimination is reducing**.

Gender discrimination was raised most explicitly by ActionAid. They reported that biases in labour laws – such as the exclusion of women from certain types of work - impact negatively on women, who do not have access to higher salaried positions as a result. In Impactt's experience, gender discrimination in terms of access to senior positions is **less marked** than in neighbouring countries. In our experience, the vast majority of supervisor and management positions are held by women and this is even more the case when factory owners are female. Nevertheless, women still experience the **triple burden of care work** across society.

Organisations active in “Working Free from Discrimination”

For more information see summary in Section Six and further detail in Appendix One.

Pyoe Pin SMART ILO IndustriALL	H&M M&S FES Solidarity Centre	MGMA CTUM ALD ALR	CCTU LHEO LRDP STUM
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SECTION FIVE: THE ENVIRONMENT

Legal Context

Today, Myanmar's relevant environmental laws and policies include:

- National Environment Policy (1994)
- National Sustainable Development Strategy (2009)
- Environmental Conservation Law (2012)
- Chemical Law (2012)
- Environmental Conservation Rules (2014)
- EIA Procedures (2015)
- Environmental Quality Standards (2015)

Myanmar is also developing new policies and strategies, such as:

- National Environmental Policy, Strategy Framework and Master Plan
- National Climate Change Strategy Framework and Action Plan
- National Green Economy Policy Strategic Framework
- National Waste Management Strategic Policy Framework (including Hazardous Waste management)

INTRODUCTION

The 2008 Constitution of Myanmar states that 'the union shall protect and conserve the natural environment'. Despite this commitment - and the fact that industrial zones began to appear in Myanmar over a decade ago – **no specific environmental laws were passed until 2012**. Indeed, unlike Myanmar's long standing labour laws, many of which are mired in the history of past regimes, Myanmar's environmental laws are relatively new. The earliest – the Environmental Conservation Law - was put in place in 2012. It has since been complemented by the Chemical Law of the same year, the Environmental Conservation Rules (2014), Environmental Quality Standards (2015) and Environmental Impact Assessment Procedures (2015). As stated above, the Myanmar government is also in the process of **developing new policies and strategies** such as the National Environment Policy, Strategy Framework and Master Plan.

As shall be outlined below, stakeholders interviewed were **uniform in their opinion** that while environmental law is no doubt being strengthened - partly in line with growing international awareness and pressure - lack of budget and resource constraints **compromise the ability of the government** to ensure compliance and enforcement. The introduction of environmental impact assessments, for example, was deemed a 'complete rubber stamp exercise', particularly in a context where the majority of assessments are reportedly being done 'under the table'. Indeed, it was further reported that new wet processing facilities – which, although currently limited in number, are set to become more dominant (see section 5.2) - often seem to start production **long before their treatment plants are completed**. Although one stakeholder noted how 'strange' this seemed, he also noted that 'regulators seemed to allow it', despite regulation to the contrary. It was further reported that there is a very **clear need for sector specific assessments** and regulation, which are not currently in place.

Despite weaknesses in enforcement and resources, all stakeholders involved in environmental management of Myanmar's garment industry recognised the **unique opportunity** to capitalise on the on the nascent state of the country's environmental laws and management in order to establish a **coordinated, collaborative push towards international best practice**. Indeed, leveraging this appetite and opportunity, Pyoe Pin selected *Environmental Sustainability of the Industry* as their topic for the recent **multi-stakeholder group meeting** in Yangon in May 2016. In addition to raising awareness and moving towards a shared understanding of the issues faced, a key outcome of this meeting was an **Environmental Task Force** comprising members including the Ministry of Industry, Environmental Service Providers and advisers, development partners and funders.

The objective of the task force is to **manage current and future environmental impacts** of the garment industry through a number of **working groups** operating under the umbrella of the task force. These working groups include:

Working Group	Lead Organisation	Key Dates / Outputs
Reduction, reuse & recycling of waste and (and carbon emissions)	SMART	Details TBC
People and the environment; influencing change and impact in the industry	H&M	Details TBC
Carbon, water and chemical footprint	Eco Dev	Details TBC
Water stewardship	WWF	Details TBC
Energy efficiency and renewable energy use in garment factories	SMART	Details TBC
Sustainable wet processing and wastewater treatment	Solidaridad	Working Group Meeting 18 th November 2016

Figure Twenty Two: Pyoe Pin Environmental Task Force Working Groups

The objectives of all working groups are to **raise awareness and advocate policy change**. The lead organisation will be responsible for securing funding, managing activities and delivering change. Details of working groups are still in development. At the time of publication, only the future activities of the wet processing group had been shared (for more details, please see section 5.2 and Report B).

Unlike activities in the labour movement, it is clear that the environmental initiatives in the garment industry are **well coordinated** and **well managed**. This is largely due to Pyoe Pin's critical role as a facilitator and convenor. Impactt recommends that any support provided by private, corporate and public donors works to **strengthen and support** these coordinated initiatives (for further information, please see report B), and **avoids fragmentation or duplication**.

The section below provides further insight into stakeholder perspectives on the environmental challenges of the Myanmar garment industry.

Worker Perspectives

In factories

Workers generally had **low awareness** of environmental challenges in the garment sector. They also demonstrated low awareness of the impact of environmental concerns on human rights.

One area on which some workers were able to comment was on the **waste disposal** in factories.

- 1 worker said that waste was disposed of at the dump
- 6 workers from 3 different factories reported that waste was burned
- 28 workers, from 13 different factories said that waste from the factory was sold

The fact that waste material is being sold indicates that **unofficial recycling initiatives** are already in place. There may be potential to support and develop such initiatives, thus mitigating the potential environmental impacts of burned waste. This is an area that would warrant further exploration.

Although some workers reported **minor health problems**, it would be difficult to marry these to environmental impacts, such as pollution, without further investigation. Access to clean toilets also indicates good sanitation measures are in place.

In the community

Where environmental challenges were a greater concern to workers was in respect to their hometowns, or rural villages, where they sometimes remarked on problems caused by **increased flooding or landslides**. In some cases, it is as a result of these environmental challenges that **workers are forced to leave their homes** and seek work in Yangon or other cities. Any increase in such incidents, which is expected with the onset of climate change, could therefore lead to an **even more severe influx of workers** to industrial zones and increased difficulties with urban planning and resource management.

"I used to work every season in the plantation in my village. Then last year, there were floods and the plantation was ruined. Now there is no work in my village and the soil on my family's land is ruined so I followed my friends and came to find work in Yangon. I have been sick at times and have no time to look after my health but I am happy with the change as it is good to have regular income. I did not like so much to work seasonally."

Enterprise Perspectives

No enterprise owner directly mentioned environmental management, regulation or legislation as a key obstacle to either their own operations or the sector. Further interviews revealed that all enterprises felt it was **possible to comply** with the majority of environmental regulations.

Solid Waste

All enterprises interviewed reported that they could manage their solid waste disposal. Their strategies for doing so included:

- Selling or recycling old pieces
- Disposing in government regulated areas
- Burning

One joint venture enterprise reported that although they do not have problem meeting government regulations on waste disposal, charges for using government regulated disposal areas mean some very small industries will dump their solid waste on the side of the road.

Air Quality

One joint venture enterprise reported that factories are **obliged to report on the air quality** inside and outside the factory. He reported that it is hard to find a reasonably priced organisation within Myanmar to conduct this survey. While there are international organisations that might be able to do this, he said the price was too high and it was therefore hard to manage. As some NGOs are interested in doing air quality surveys, he said it would be a good idea to offer their services to factories, who otherwise find it difficult to comply.

Water and Sanitation

All factories reported clean drinking systems and good sanitation for workers. One factory said they had been audited on drinking water quality by the government labour office.

Washing and Printing Units

Although none of the enterprises interviewed had washing or printing units, one did volunteer that they did not have the knowledge or technology and would find this very difficult to manage,

Other Stakeholder Perspectives

Stakeholder views on environmental regulation and management were more rigorous than those of workers or enterprises. As stated above, those interviewed were uniform in their opinion that while environmental law is no doubt being strengthened, **lack of budget and resource constraints** has compromised the ability of the government to ensure enforcement. The introduction of environmental impact assessments, as an example, was deemed a 'complete rubber stamp exercise', particularly in a context where the majority of assessments are reportedly being done 'under the table'. It was further reported that there is a very clear need for **sector specific assessments and regulation**, which are not currently in place.

Interviews conducted in the sector, and recent developments in the Pyoe Pin Environmental Task Force, reveal the following areas of key concern:

5.1. SOLID WASTE

Issue	Rating	Comments
Waste / Solid Waste		Unsafe disposal of solid waste in the form of textiles and plastic, packaging and containers prevalent. Set to grow as industry develops.

The garment industry produces solid waste in the form of textiles and plastic, packaging and containers. As the industry is set to grow - and backward linkages develop - so too will solid waste. One of the smallest labour rights organisations, Let's Help Each Other (LHEO), has identified **unsafe disposal of waste as a key risk area** and is advocating for worker awareness raising, training and stewardship. As a result of their outreach, they report an increasing number of workers coming to them with information on environmental

mismanagement.



Figure Twenty Three: Workers Eating Near Waste

Amongst other stakeholders, it is broadly agreed that at a factory level, the **sale of fabric offcuts** to social enterprises should be encouraged as the primary mechanism for waste disposal, and thus a means of minimizing disposal in government regulated garbage areas or, in particular, burning or dumping.

Stakeholders consulted in a recent environmental task force further recommended that **industrial area / zone level waste management committees** should be created to manage and monitor this process. Integrating workers into that process, with the help of organisations such as Let's Help Each Other, would be an interesting and potentially powerful approach. The group also advocated further investment in **shared waste management services**.

Relevant Initiatives

LHEO: worker outreach and awareness raising on solid waste management and environmental stewardship.

SMART: SMART is leading an industry task force on solid waste management practices in the Myanmar garment industry. Public-private dialogue and consultancy actions are planned to begin in 2017.

5.2. WATER / WASTE WATER

Issue	Rating	Comments
Water / Waste Water		Currently little direct impact of water as few washing facilities. However, this is set to increase. It is therefore a key hotspot due to risk of significant environmental degradation when wet industries develop.

There are currently **very few washing facilities in Yangon**. If the Myanmar garment industry is to move towards FOB, as desired, however, domestic vertical integration is a necessity. A key element of this development would be textile processing, and wet processing in particular, i.e. washing, dyeing and finishing processes. Based on conversations with stakeholders already present in Myanmar, one stakeholder suggested that there would perhaps be three large new spinning and or woven textile factories, or vertically integrated textile / garment factories in the next 2 years but that, overall, it was **'extremely difficult to predict'** how quickly wet processing facilities would appear in Myanmar.

In other garment industries, such as Bangladesh, high levels of wet processing have been associated with **significant environmental degradation** caused by heavy groundwater extraction (and thus depleting water tables) and the discharge of large volumes of harmful chemicals, dyes and salts and a result of poorly treated, or untreated, effluent. This can impact public health, agricultural, fish and wildlife.

Stakeholders recognize the **potential negative environmental and public health impacts** of the rapid scale-up of wet processing in Myanmar. While they reported that the country is currently 'ill prepared to handle' significantly higher volumes of textiles subjected to washing and dying processes, they also recognized that **Myanmar is uniquely positioned** to put measures in place to mitigate the impact of wet processes facilities *before* they develop. To do so, however, would require impressive levels of **coordination and**

collaboration on issues as wide ranging as legislation and enforcement, awareness raising, capacity building, infrastructure development, sustainable design and procurement practices.

As outlined above, Pyoe Pin has coordinated **working groups on waste water and wet processing**. These will be led, respectively, by WWF and Solidaridad. Solidaridad will be holding their first stakeholder meeting on the issue in November 2016. Details on WWF's activities are yet to be confirmed.

Relevant Initiatives

Solidaridad: Solidaridad is leading the Sustainable Wet Processing and Wastewater Treatment working group under Pyoe Pin's MSG environmental task force.

5.3. ENERGY

Issue	Rating	Comments
Energy		Reliable electricity key need of industry. Factories not taking action on reducing energy usage and investing in new machinery and boilers.

Although access to energy and electricity was not mentioned as a key obstacle by any of the enterprises interviewed for this report, **unreliable energy sources** were mentioned as a key impediment to the development of the industry by a number of other stakeholders. Recent research conducted by CESD, moreover, found that access to electricity was the second greatest barrier to industry operations after access to skilled labour⁵⁷. Indeed, unreliable and low quality electricity was reported to both disrupt production and reduce the life span of equipment.

As interest in renewable energy increases, multilateral and government funders, brands, and international and local NGOs are also turning their attention towards **sustainable, renewable energy sources**. In 2014, The World Bank announced plans to support the development of a \$1 billion National Electrification Plan to 'expand electricity generation, transmission and distribution'. The plan was further reported to include support for private sector investments in power generation and distribution, as well as the scale up of renewable energy for rural and off-grid electrification⁵⁸. In their global move towards 'circular and renewable' H&M are planning to run their entire value chain on renewable energy and have instructed ASSIST, Asia to conduct a **landscape study** informing their activities in this area. The study will indicate what kind of practices are already in place, and make recommendations as to how H&M could move towards their global goals.

WWF said the industry should be encouraged to move towards the use of **waste water for the creation of electricity** and also advocated the development of a **business case to support renewables**. Although they also reported that GIZ and Sunlabob have conducted an analysis of solar energy in the garment sector, information on this was not shared by GIZ, who said their environmental strategy was still in progress. Also focusing on energy reduction in factories, SMART reported they are planning to relaunch the energy audit programme, first trialled in 2013, with the support of a local energy auditing firm.

At the recent MSG, convened by Pyoe Pin, stakeholders further recognised that **onset of climate change is likely to bring acute energy risks**. To manage energy supply it was recommended that factories take steps to reduce energy usage, undertake environmental auditing, be supported to invest in new machinery and boilers and be supported to invest in energy waste capture for reuse in the factory itself. At a government level, it was recommended that **incentives** were introduced to support energy efficiency and renewable energy in both solar and wind.

Relevant Initiatives

World Bank: National Electrification Plan to expand electricity generation, transmission and distribution and the scale up of renewables.

H&M: Landscaping study by ASSIST Asia to inform their move towards sustainable and renewable energy.

SMART: Energy audit and reduction programme, building on 2013 work.

WWF: WWF is leading an industry task force on water stewardship under Pyoe Pin's environmental task force.

Others

Solidaridad is looking to support a pilot scheme for the growth of **varieties of cotton**, currently found in similarly drought-prone areas of India, in Myanmar. The pilot would include support in soil health and water efficiency in order to produce organic cotton that is suitable for the export industry. Solidaridad intend to partner with a prominent cotton research institute in India to provide technical assistance.

As **land grabbing** is a particular issue in Myanmar, H&M has taken steps to complete land use surveys, a process particular to their operations in country.

SECTION SIX: OVERLAPS AND GAPS

In this section we summarise the concerns of the direct stakeholders, and map existing initiatives onto these areas to identify which are well served and where there are gaps.

Different stakeholders experience the issues in the Myanmar garment industry differently. A summary of top 5 concerns for each group of direct stakeholders is set out in the table below:

Group	1	2	3	4	5
Workers	Pay	No opportunity for progression	Can't earn more through skills	Safety fears	Working hours
Local factories	Low worker skills	Labour turnover	Low profit	Compliance barriers to foreign buyers	Access to finance
Joint venture / foreign factories	Poor infrastructure	Low worker and technical skills	Labour turnover	Land prices	Shipping links
Customers	Low quality	Lack of skills	Compliance	Backward linkages	

Figure Twenty Four: Top Concerns by Industry Stakeholder Group

This indicates that all direct stakeholders are concerned about:

- **Skills** of the workforce, and of technical and managerial staff
- **Compliance** with labour law; for workers this is about safety fears and long working hours

Factories and workers share concerns about:

- **Job quality expressed as labour turnover, and no opportunity for progression**

Each group has one concern which it doesn't share with others:

- **For workers this is low pay**
- **For factories, it is low profit**
- **For customers it is low quality**

These concerns are, however, very interrelated.

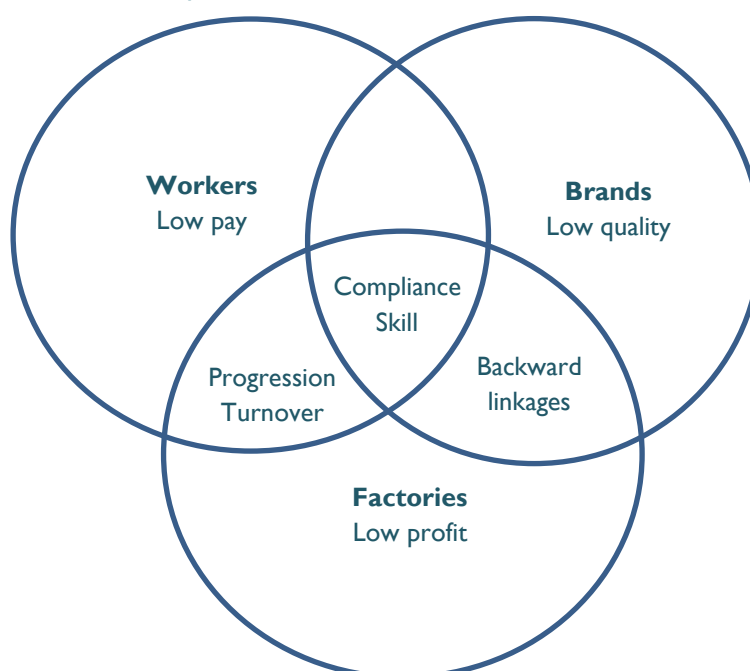


Figure Twenty Five: Overlap of Concerns by Industry Stakeholder Group

SECTION SEVEN: RECOMMENDATIONS

Based on our analysis of key issues affecting garment workers and current programmes and activities in the garment sector, Impactt has a series of recommendations. This section provides a brief summary.

Recommendation One: Transparency

Few programmes mapped by Impactt focus specifically on transparency. With support from Pyoe Pin, the MGMA has also recently launched a comprehensive factory database for the entire sector. The database provides information on factory size, location, production and ownership. There is no publication of accountability focused working conditions and wage data.

Impactt recommends private, corporate and public donors support the development of the MGMA's factory database to improve transparency and competitiveness of the industry. We further believe that recommendations made in response to other issues – particularly on the issues of child labour, sexual abuse and worker recognition - will enhance industry transparency for the benefit of both workers and the sector as a whole.

Recommendation Two: Female Empowerment and Leadership

Impactt did not map any active programmes encouraging female empowerment and / or leadership in the garment sector specifically. Despite evidence of high need, Impactt also did not map any programmes focusing on discrimination or abuse in the garment sector. As ActionAid run female-focused programmes, some of their work touches garment sector workers. CCTU had also, historically, delivered trainings to 24 female workers on gender awareness and women's leadership with the Burmese Women's Unions. These programmes are, however, no longer active.

Impactt recommends private, corporate and public donors bring the topic of gender, harassment and empowerment onto the agenda through applied research and advocacy and increased support for recourse and remediation.

Recommendation Three: Forced and Child Labour

ILO, BSR, ALR and Terres des Hommes all have programmes focusing on child labour in general in Myanmar. Only the research done by BSR focuses specifically on the garment sector. To date, BSR has produced a report but do not have a defined programme.

Impactt recommends private, corporate and public donors carry out further research to 'lift the lid' on child labour and sponsor small scale remediation to show what works.

Recommendation Four: Worker Skill Development and Recognition

Impactt's research revealed that worker recognition and progression was being systemically undermined by the lack of independently certified skills development. The system of rewarding skill is at the discretion of factory managers with no transparency or objectivity. This puts workers in a weak position. Currently, the MGMA-run Myanmar Human Resources Development Centre (MGHRDC) is the only apparel dedicated vocational training centre in Myanmar. It provides training for operators and supervisors throughout the year, but no clear strategies or standards for ongoing skills development or guidance on promotion.

Impactt recommends private, corporate and public stimulate the development of a skills recognition programme to support worker empowerment, transparency and freedom

Recommendation Five: The Environment

Impactt's research revealed nascent, but highly coordinated activities taking root to manage current and future environmental impacts of the garment sector. Under the umbrella of Pyoe Pin's Environmental Task Force, stakeholders have elected to join one of six thematic working groups, focusing on issues such as energy efficiency and renewable energy use in garment factories; sustainable wet processing and wastewater treatment; and people and the environment. Groups are managed by a lead organisation and activities are still yet to be determined.

Impactt recommends private, corporate and public donors support environmental working groups to strengthen and sustain engagement and activities.

Recommendation Six: Worker Empowerment

A very high number of stakeholders interviewed were engaged in unionisation activities. All on the ground organisations exhibit notable strengths but vary significantly in size, funding and capacity. Opinions on each of the organisations also range quite widely. With the exception of CTUM, many of these organisations are in their infancy (in size and stages of development) and need support to consolidate their abilities so they can better support workers.

Impactt recommends private, corporate and public donors support smaller labour CSOs to improve coordination amongst themselves and identify and develop their strengths.

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⁵⁰ Commodity prices rose significantly during 2015 - the central statistics organisation reported inflation at 10% in July 2015, up an average of 5.31% during the previous five years.

⁵¹ ALR, 2016; 63% of workers said their salaries were not enough to cover basic living cost. 34% said they could find a way to make it work if they cut other expenses

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APPENDIX TWO: LIST OF CONSULTEES

Name	Organisation	Type of Consultee
Laura Hawkesford	Marks and Spencer	Brand
Julia Burkutis	H&M	Brand
Ma Khaing Zar	Confederation of Trade Unions Myanmar (CTUM)	Confederate Union
Giovanni Beatrice	Independent Consultant (CBI)	Consultant
Sebastian Taylor	Solidaridad	Consultancy
Ma Khin May Sein, Production Manager;	Mega One	Enterprise (FO)
Ma Thida Aye, Head of Finance; Ma Aye Kyu Win, Merchandising Manager	Tristate	Enterprise (FO)
U Tin Mg WIn, General Manager; KO Sun Htut, HR Manager	Izali Thida	Enterprise (JV)
Ma Khin Moe, Owner	Dagon Talent	Enterprise (LO)
Daw Khin Mya Aye	Diamond Rose	Enterprise (LO)
Ma Yu Thandar Aung, General Manager	Su Yu Ei	Enterprise (LO)
Win Ei Khin	Maple Factory	Enterprise (LO)
U Aung Thant Zin	Myanmar Environmental Resources Network (MERN)	Environmental Network
Daw Khin Mar Aye	Ministry of Labour, Employment and Social Affairs (now Ministry of Labour, Immigration and Population)	Government Department
Marina Colby	USAID	Government Funder
Monika Leuke	GIZ	Government Funder
Sebastian Moineau	Business Innovation Facility (BIF)	Government Funder (DFID Facility)
Sue Tym	Pyoe Pin	Government Funder (DFID Facility)
Fiona MacCulloch and Team	DaNa Facility	Government Funder (DFID Facility)
Daw Than Than New	Myanmar National Human Rights Commission	Governmental
U Myint Soe	Myanmar Garment Manufacturers' Association (MGMA)	Industry Body
Khine Khine New	Myanmar Garment Manufacturers' Association Skills Centre	Industry Body Training Centre
Guarav Gupta	World Wildlife Fund (WWF)	INGO
Rachel Wilshaw, Daisy Gardener	Oxfam	INGO
Penny Dutton	Water Aid	INGO
Jamie Davis	Solidarity Centre	INGO
Sophanna Nun	ASSIST	INGO
Melanie Hilton	ActionAid	INGO
Saw Moonlight	FES	INGO
Helen Gunthorpe	BusinessKind	INGO
Ko Thit	Let's Help Each Other (LHEO)	Labour and Environmental CSO
Dr. Htun Hlaing and Team	Cooperative Committee of Trade Unions (CCTU)	Labour CSO
Ei Shwe Zin Nyunt	Labour Rights Defenders and Promoters (LRDP)	Labour CSO
Mar Mar Oo	Association for Labour and Developing	Labour CSO
Myo Myo Aye	Solidarity of Trade Unions Myanmar	Labour CSO
Ko Thurein Aung	Action Labour Rights	Labour CSO
Eimon Aung	Hamsa Hub	Local CSO
Annie Aviento	IndustriALL	Multilateral
Elkaye Santos and Natsu Nogami	International Labour Organisation (ILO)	Multilateral
Ko Aung Myo Myint	Centre for Economic and Social Development (CESD)	Policy and Research
Ma Hnin Wut Yee	Myanmar Centre for Responsible Business (MCRB)	Research and Consultancy

UK

33 John's Mews
Holborn
London
WC1N 2NA

Tel +44 (0) 20 7242 6777
info@impacttlimited.com

CHINA

Room 701, West Tower
Huapu Plaza
No.9 Huaming Road
Zhujiang New Town
Tianhe District
Guangzhou 510623

Tel +86 (0) 20 2831 8018
Fax +86 (0) 20 2831 8080
chinainfo@impacttlimited.com

INDIA

1064/B Qutub Green Apartments
Flat no-110
Upper Ground Floor Ward no-7
Mehrauli
New Delhi 110030

Tel +91 99 7144 8806
indiainfo@impacttlimited.com

BANGLADESH

Room #4 & #5 (10th Floor),
HM Plaza,
Plot No #34, Road #2
Sector-3, Uttara C/A,
Dhaka-1230
Bangladesh

Tel +88 (0) 1711353037
banglainfo@impacttlimited.com