

## Employment and wages in Myanmar's nascent garment sector

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The garment, textile and footwear (GTF) industry has been pivotal in driving growth and creating jobs in developing Asia.<sup>1</sup> The sector employs more than 40 million workers and contributes US\$601 billion in exports across the region.<sup>2</sup> GTF production has provided an integral entry point for industrial development and channel to shift informal agricultural workers into formal manufacturing jobs with regular wages.

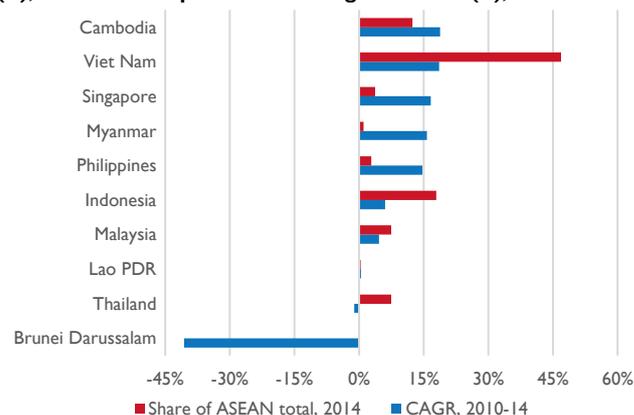
Given recent political reforms, global clothing retailers are reportedly viewing Myanmar as the next potential production base in the low-end GTF supply chain in developing Asia. This note presents estimates of employment, wages and working time in the GTF sector in Myanmar, based on data from the official labour force survey conducted in 2015.<sup>3</sup> The findings provide a robust, empirical basis for assessing current industry dynamics in the country relative to other regional competitors.

### Export and employment dynamics

During the 2014–15 fiscal year, garment exports from Myanmar exceeded \$1 billion and reached \$683 million in the first 11 months of the 2015–16 fiscal year.<sup>4</sup> In comparison to its Association of Southeast Asian Nations (ASEAN) neighbours, Myanmar as a centre for garment and footwear exports is on the rise (figure 1). In 2014, Myanmar accounted for only 1.1 per cent of the ASEAN total, lagging notably behind Viet Nam (46.9 per cent), Indonesia (17.9 per cent) and Cambodia (12.4 per cent). Nevertheless, during 2010–14, export growth in Myanmar was robust, averaging 15.7 per cent annually compared to the ASEAN regional estimate of 12.3 per cent. Altogether, around three-fourths of garment and

footwear exports from Myanmar were sent to just two key markets: the European Union (47.6 per cent) and Japan (28.3 per cent).<sup>5</sup>

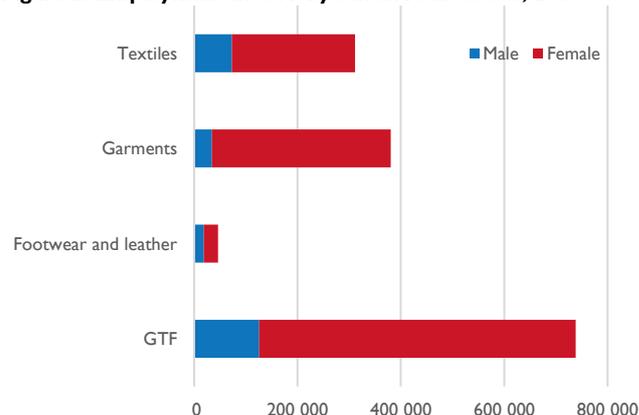
**Figure 1: Garment and footwear exports: Share of ASEAN total (%), 2014 and compounded annual growth rate (%), 2010-14**



Source: Estimates from UNCTAD: UNCTADstat Database.

The GTF industry in Myanmar employs 738,000 workers, of whom slightly more than half are based in garment production (annex table I). The size of this GTF workforce is roughly comparable to that in Cambodia, but is merely a fraction of that in Indonesia and Viet Nam. Geographically, three-quarters of GTF employment is heavily concentrated in just three states: Yangon (302,100), Mandalay (152,500) and Sagaing (87,100).

**Figure 2: Employment in GTF by sex and sub-sector, 2015**



Source: Same as annex table I.

<sup>1</sup> This research note benefitted from important contributions by Jared Bissinger, Matthew Cowgill, Richard Horne and Rory Mungoven.

<sup>2</sup> All regional estimates and cross-country comparisons are based on: P. Huynh: *Employment, wages and working conditions in Asia's garment sector: Finding new drivers of competitiveness*, ILO Asia-Pacific Working Paper Series (Bangkok, ILO, 2015).

<sup>3</sup> Ministry of Labour, Employment and Social Security (MOLES): Myanmar labour force, child labour and school to work transition survey (2015).

<sup>4</sup> CSO: *Selected monthly economic indicators* (Mar. 2016), p. 28.

<sup>5</sup> Destination estimates from UNCTAD: UNCTADstat Database.

As in much of developing Asia, the industry in Myanmar is comprised of mostly women who account for around four in five of the GTF workforce (figure 2). Workers in GTF are primarily young with limited educational credentials. The median age of workers is just 27 years, although men (33 years) tend to be much older than women (26 years). Notably, four in five have less than a primary education or at most a primary degree.

The GTF sector is critical for creating jobs in Myanmar's nascent manufacturing base, especially for women. Overall, it contributes 31.2 per cent of all manufacturing jobs, and employs more than half of all women working in manufacturing. It is also a critical source for wages: 55.9 per cent of all GTF workers are wage employees, compared to the national estimate of only 38.5 per cent. Nonetheless, employment in GTF remains mostly in the informal sector (69.5 per cent), with three in five GTF workers based in small firms that employ less than ten women or men.

### Low wages particularly for women

Reflecting the low-value nature of GTF production in Myanmar, average wages of the sector's 412,800 employees are meagre. For employees paid on a monthly basis, average monthly wages are merely 114,600 kyats (\$99).<sup>6</sup> In comparison, daily wage earners receive around 3,500 kyats (\$3) per day. This places Myanmar towards the very bottom of the wage ladder vis-à-vis other GTF producers in the region.

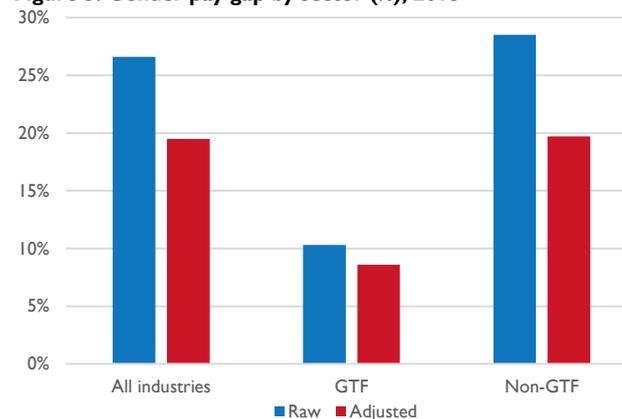
It is important to note, however, that these wage estimates are based on the labour force survey which was conducted in March 2015 before the implementation of the new minimum wage on 1 September 2015. The new minimum wage stipulates 3,600 kyats for an eight-hour work day and has likely helped to boost pay for workers in the GTF industry. For example, a rapid survey conducted by the Korean Garment Manufacturers Association (KOGAM) and the Myanmar Garment Manufacturers Association (MGMA) revealed an increase of 30 per cent in monthly take home pay in KOGAM factories from August 2015 to March 2016.<sup>7</sup>

<sup>6</sup> Based on an exchange rate of 1,162.62 kyat per \$ in 2015. See: World Bank: World Development Indicators (2016), <http://data.worldbank.org/> [accessed 3 Oct. 2016].

<sup>7</sup> Korea Garment Association in Myanmar and Myanmar Garment Manufacturers Association: *Weighing the pressure: New insights on labour conditions in Korean factories in Myanmar* (2016),

Although women primarily drive GTF production in Myanmar, they face some disadvantages in terms of pay (figure 3). Based on an estimated daily wage for all employees, men tend to earn around 10 per cent more than women. When controlling for other factors such as age, marital status, education, experience, geographic location, sub-sector, occupation and firm dynamics, women still face a wage gap of nearly 9 per cent. In comparison, however, the gender pay disparity is significantly higher in other industries aside from GTF, where the adjusted earnings of men are around 20 per cent more than for women. Moreover, the male-female earnings gap in Myanmar's GTF sector is comparable to that in Cambodia, Philippines and Viet Nam, and considerably lower than in India and Pakistan.<sup>8</sup>

Figure 3: Gender pay gap by sector (%), 2015



Note: Raw gap indicates the difference in estimated natural log of daily earnings of employees aged 15 and above, while controlling for only sex, and adjusted gap controls for all independent variables including sex, age, marital status, education, experience, state, urban-rural, sub-sector, occupation, firm size, firm ownership and formal sector status. A positive gap value indicates higher earnings for men relative to women. Source: Same as annex table 1.

Figure 4 shows the wage premiums received by GTF workers in Myanmar for experience, education, firm size and formal sector status, while adjusting for demographic, educational, geographical, and job-specific variances.<sup>9</sup> The analysis shows that an employee with one to five years of experience with the employer can expect around 16 per cent higher pay than a newer employee with less than one year of experience. However, the earnings premium stagnates for those with five to ten years of tenure, before increasing to 29 per cent for those with ten or more years.

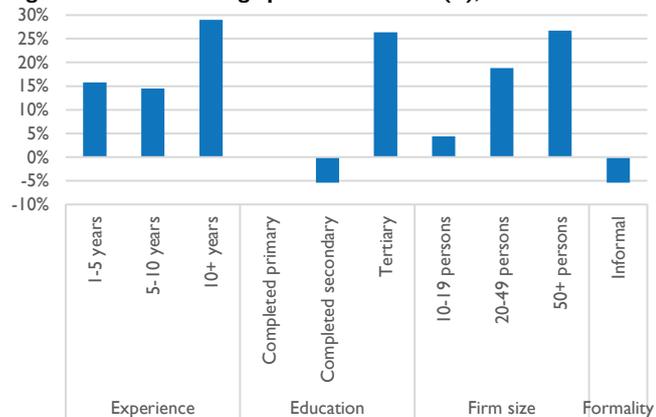
<http://www.myanmargarments.org/wp-content/uploads/2016/08/MGMA-Weighing-the-Pressure.pdf> [accessed 3 Oct. 2016].

<sup>8</sup> For further discussion, see: P. Huynh: *Gender pay gaps persist in Asia's garment and footwear sector*, Asia-Pacific Garment and Footwear Sector Research Note Issue 4 (Bangkok, ILO, 2016).

<sup>9</sup> The wage premiums were estimated using standard Mincerian wage regressions.

The education-based wage premium partially reflects the low-value nature of GTF production in Myanmar. Those with a completed primary degree are paid the same as an employee with an incomplete primary education. Surprisingly, those with a completed secondary diploma could expect a wage penalty of around 5 per cent. By contrast, employees with some or completed tertiary studies enjoy a sizeable wage premium of 26 per cent compared to an employee with incomplete primary education.

**Figure 4: Estimated wage premium in GTF (%), 2015**



Note: Indicates the daily wage premium (or penalty) for employees aged 15 and above relative to the base scenarios of (a) having less than one year of job experience, (b) having no education or less than a primary degree, (c) working in a firm with less than 10 persons and (d) being employed in the formal sector, while controlling for differences in sex, age, marital status, education, experience, state, urban-rural, sub-sector, occupation, firm size, firm ownership and formal sector status. Job experience captures the years of experience the employee has worked for that employer.

Source: Same as annex table 1.

In Myanmar, larger GTF firms tend to pay higher wages. An employee working in a firm with 10-19 persons earns only around 4 per cent more than her counterpart in a smaller firm with less than 10 workers. This wage premium jumps considerably to 19 per cent and 27 per cent in firms with 20-49 workers and 50 or more workers, respectively. Employment in a formal sector firm also tends to pay better, although the wage penalty for working in the informal sector is only about 5 per cent.

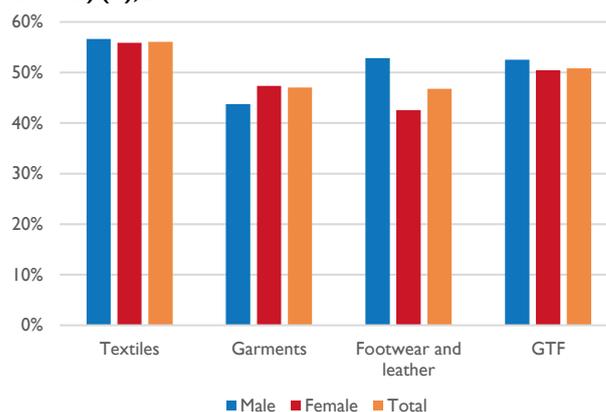
### Long, and often excessive, working hours

Throughout developing Asia, GTF production is characterized by high volume and long working hours. Estimates of working time in Myanmar indicate a similar context. Workers usually work an average of 51.6 hours per week, roughly the same as in Cambodia, Lao People’s Democratic Republic, Pakistan and Viet Nam. Men tend to work slightly longer hours than women, especially in garment manufacturing. Conversely,

working hours for women outpace that of men in footwear and leather production.

Based on the international excessive hours criterion of 48 hours per week, around half of those employed in the GTF industry in Myanmar work excessive hours (figure 4). By sub-sector, textile production tends to have the highest rates of excessive working time. Moreover, of the 38,900 young workers (ages 15-17) in the sector, 43.8 per cent usually work more than 48 hours each week. These trends are concerning given that long hours and excessive overtime can significantly jeopardize workplace safety and health.

**Figure 5: Excessive hours of work in GTF (more than 48 hours per week) (%), 2015**



Source: Same as annex table 1.

### Conclusion

In its nascent stage, the GTF industry in Myanmar faces a number of challenges as highlighted in this brief. Production is generally concentrated in the low-value end, driven by a workforce with limited educational qualifications. Wages on average are relatively low in comparison with other regional competitors, and working hours are long and typically excessive.

Nevertheless, the sector is on the rise, with increased foreign direct investment and interest from global clothing buyers. The industry employs approximately 738,000 workers, a majority of whom are young women. It also provides an important conduit to regular wages which is critical for boosting living standards. Sustaining these prospects and enhancing competitiveness will necessitate better working conditions, a more skilled workforce and improved compensation systems. Critical to this end is promoting freedom of association and strengthening social dialogue across the industry.

**Annex table I. Selected indicators of employment, wages and working time in GTF in Myanmar, 2015**

	Male	Female	Total		Male	Female	Total
Total employment (000)	125.9	612.1	738.0	Share of manufacturing employment (%)	10.6	51.8	31.2
Textiles	72.7	238.7	311.4	Textiles	6.1	20.2	13.1
Garments	34.2	346.4	380.6	Garments	2.9	29.3	16.1
Footwear and leather	19.0	27.0	46.0	Footwear and leather	1.6	2.3	1.9
<i>By state (% distribution)</i>				<i>Median age (years)</i>			
Sagaing	10.0	12.2	11.8	Textiles	33	26	27
Mandalay	34.0	17.9	20.7	Garments	31	28	29
Yangon	33.7	42.4	40.9	Footwear and leather	33	25	26
Other	22.2	27.5	26.6	Footwear and leather	35	23	29
<i>By education (% distribution)</i>				<i>Average usual working time (weekly hours)</i>			
Less than primary	19.7	12.4	13.6	Textiles	51.9	51.5	51.6
Completed primary	61.5	69.1	67.8	Garments	52.4	52.0	52.1
Completed secondary	12.3	10.0	10.4	Footwear and leather	53.6	51.2	51.4
Tertiary (first stage or completed)	5.7	5.7	5.7	Footwear and leather	47.2	51.9	50.0
Other (unclassified)	0.9	2.8	2.5	<i>Excessive hours (% of all GTF workers)</i>			
<i>By experience (% distribution)</i>				Textiles	52.6	50.4	50.8
Less than 1 year	2.9	14.2	12.2	Garments	56.6	55.9	56.1
1-5 years	42.6	44.1	43.9	Footwear and leather	43.7	47.3	47.0
5-10 years	20.2	18.9	19.1	Footwear and leather	52.9	42.5	46.8
10+ years	33.8	22.8	24.7	<i>Average daily earnings (000 kyat)</i>			
Other (unclassified)	0.5	0.1	0.1	Textiles	3.9	3.4	3.5
<i>By firm size (% distribution)</i>				Garments	3.6	3.0	3.2
Less than 10 workers	64.4	59.6	60.4	Footwear and leather	4.6	4.2	4.2
10-19 workers	6.6	3.5	4.0	Footwear and leather	4.4	4.1	4.3
20-49 workers	7.8	3.9	4.6	<i>Average monthly earnings (000 kyat)</i>			
50-99 workers	1.8	2.8	2.6	Textiles	142.6	110.8	114.6
100+ workers	19.3	30.1	28.3	Garments	150.3	99.3	108.3
Other (unclassified)	0.1	0.1	0.1	Footwear and leather	135.9	113.3	115.4
<i>By formal sector status (% distribution)</i>				Footwear and leather	154.2	105.7	118.8
Formal	30.8	30.3	30.4	<i>Average estimated daily earnings (000 kyat)</i>			
Informal	69.0	69.6	69.5	Textiles	4.5	4.1	4.1
Other (unclassified)	0.1	0.1	0.1	Garments	3.9	3.3	3.5
<i>By employment status (% distribution)</i>				Footwear and leather	5.1	4.4	4.5
Employee	57.1	55.7	55.9	Footwear and leather	5.0	4.1	4.4
Employer	4.1	0.8	1.3				
Own-account worker	28.8	32.0	31.4				
Contributing family worker	10.1	11.6	11.3				

Note: Ages 15 and above; wages and earnings cover only employees; GTF industry corresponds to International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 groups 13 (textiles), 14 (garments) and 15 (leather and footwear); excessive hours defined as more than 48 hours per week; daily earnings include only daily wage earners; monthly earnings include only monthly wage earners; and average estimated daily earnings include all employees based on a conversion of monthly wages to a daily estimate.

Source: Author's estimates based on MOLES, op. cit.

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