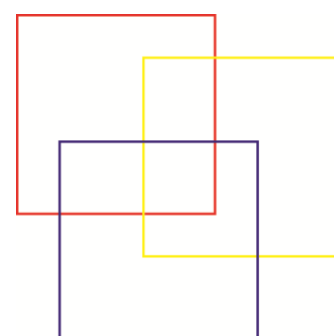




International  
Labour  
Organization

# Local Development Assessment in Dagon Seikkan Township, Myanmar





# **Local Development Assessment in Dagon Seikkan Township, Myanmar**

**International Labour Organization**

**Fundamentals Principles and Rights at Work (FUNDAMENTALS)**

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## Executive Summary

Poverty and economic constraints of vulnerable households are the main reason why child labour occurs. To strengthen the economic base of vulnerable household and generate a livelihood for families in order to avoid child labour, are regarded as one of the most sustainable and constructive measures to combat child labour. In line with the My-PEC strategy to eliminate child labour in Myanmar in general and specific rural and urban communities in particular, My-PEC is already intervening in different areas on the macro and micro level such as improving and strengthening of legislation and capacities of key stakeholders to tackle child labour.

In order to understand the economic situation of vulnerable households in selected wards of Dagon (Myothit) Seikkan Township in Myanmar and to analyse economic sectors which provides income and employment opportunities, ILO's My-PEC has assigned Florian Tiedtke as an international consultant and Win Win Kyi as the national counterpart to conduct an assessment and provide pragmatic recommendations that will help designing and implementing the project's direct livelihood interventions.

The consultants undertook in-depth interviews with marginalised households, enterprises of different sizes, child labourers and stakeholders like representatives of the government and of the nearby Industrial Zone. Important data has been also collected through focus group discussion with the local ward administrations, women which are working home-based and with child labourers.

This report outlines the findings of field visits conducted in September 2016 in ward 87 and 93 of the respective area. It shows and explains the economic situation of marginalised households, in which business segment family members and children are working and under which circumstances. In this report, the income situation is analysed first followed by detailed analysis of different economic sectors. It highlights the strengths and weaknesses of these sectors to provide employment and income opportunities before making recommendations for direct interventions which could benefit marginalised low-income households.

The income situation of marginalised households is precarious. The available money of interviewed families with child labour issue is often not enough to pay the daily expenses like food and housing. Even with children and young adults working full-time, in sometimes hazardous workplaces, the income is not sufficient to bear the costs for living. It became obvious that the income of working children is an essential part of the household income. In some interviewed households, children or young workers are the only income earners. A stable income is the exception, many parents and also children are working casually and depend insofar on the availability of work. This insecure and not manageable situation is pushing many families in a credit trap situation in which they have to borrow money from local money lenders with tremendous interest rates of 20% to 30% per month. Many households have been identified being over-indebted. They do not have a chance of paying back the credit amount since a high share of their income is already spend on the interest rates.

The debt burden is regarded as a major constraint in the economic situation and development of these households. Interventions could be focussed on providing micro credits for reasonable interest rates. Through this, households would have more income available to bear the daily costs. However, focussing only on this possible intervention would not change the situation which pushed households

in the credit trap. Therefore, skill development measures such as trainings should be considered as well.

The majority of adults and children of marginalised households in the two wards are unskilled workers with limited or no formal education. Many children start working after they finished primary school or even before. Because the first priority is to earn money, the development of skills is secondary. Furthermore the availability of such trainings is limited. Some children receive trainings in factories or in micro enterprises but the number is limited, especially regarding the workplaces of boys and young men. This results in a situation which can be regarded as a “vicious circle” and effects are far-reaching. The access to specific economic activities and workplaces is limited for workers without specific skills. They have to do physically hard work and often work on hazardous workplaces such as working on construction sites. Additionally, these workers earn less than skilled workers and therefore have to work longer hours to reach a similar income level and thus have limited resources (time) to develop skills.

To break this circle it is recommended to consider future interventions in the provision of trainings or vocational trainings, which are designed to meet the market demand while considering the demands of workers from low-income households. Private organisations or governmental institutions are normally not providing such tailored trainings. Often specific requirements like formal education or unpayable training fees are hindering the relevant persons to participate. The provision of a compensation for their income losses is essential for their participation. Without support, especially monetary support, they are forced to continue their usual work.

To influence directly large economic sectors like the export oriented garment industry with big factories with thousands of workers or the construction industry, which is a growing industry segment in the emerging economy of Myanmar, is difficult. Due to an increased demand for skilled labour, a win-win situation could be generated if workers from marginalised household would develop necessary skills. Cooperation with the factories or with the government should be evaluated.

Another important key group are young mothers and older women. They often cannot work full-time in factories or in MEs inside the wards or in SMEs outside the wards. Some have to take care of their children and have to do households chores. In addition they are mainly unskilled. By ignoring their economic potential or by not developing it, households loose additional important income sources. Vocational trainings could be tailored also on their needs. Many women have been identified working as home based sewers in the ward or are eager to learn to sew. The analyses showed that there is currently no indication of organisation and only limited cooperation between sewers. The home based sewers and their business depend at least to some extend on agents for getting orders from the wholesale markets in Yangon. The low production capacity of home based sewers can be seen as a barrier to establish direct business relations to the wholesale markets. By increasing the organisational level, e.g. by forming sewing groups, the women could get direct access to the markets and could generate more income for their households and for their children.

Support could be given in setting these sewing groups as well as in the provision of trainings to generate the necessary knowledge to establish a successful business. Because various sewers could benefit from these own businesses, it could be a role-model for others business segments as well. Many businesses have been identified providing services/products on a subcontracting basis for shops and enterprises outside the wards.

## Acknowledgements

The team is grateful for the openness and for the provided information from households, child workers, microenterprises and SME in the selected wards as well as from other stakeholders and conversational partners. Their great support made the data collection and the assessment possible.

Special thanks are extended also to the involved ward administration staff (ward 87 and 93) and volunteers from the local communities, who generously gave their time and shared insights to support the team to collect field data.

Final thanks go to the MY-PEC team of ILO liaison office Myanmar and especially to Selim Benaissa, Jodelen Mitra, Daw Hnin Wuit Yee and Khin Ei Mon for providing information, support and guidance to ensure that the assessment could take place in a focused manner.



## List of Acronyms and Abbreviations

<b>Acronym/ Abbreviation</b>	<b>Meaning</b>
CBO	Community Based Organization
FGD	Focus Group Discussion
ILO	International Labour Organisation
LED	Local Economic Development
ME	Micro Enterprises
MFI	Micro-finance Institute
MMK	Myanmar Kyat
My-PEC	Myanmar Programme on the Elimination of Child Labour
NFE	Non-Formal Education
NGO	Non-Governmental Organisation
SME	Small and Medium sized Enterprise
ToR	Terms of reference
USD	United States Dollar
VC	Value Chain
VCA	Value Chain Assessment
WV	World Vision

## Assessment Description and Integration into My-PEC strategies

The conducted assessment of economic sectors and activities in ward 87 and ward 93 of Dagon (Myothit) Seikkan Township in Yangon Myanmar is imbedded in the overall strategy of ILO's Myanmar Programme on the Elimination of Child Labour (My-PEC). The programme is following a multi-stakeholders approach and is working in different key areas to combat child labour, such as the reduction of child labour in specific communities through direct interventions<sup>1</sup>.

The direct interventions are being implemented in selected communities/villages in rural areas (Labutta Township in Ayeyarwady Region and Ye Township in Mon state) and in communities/wards in urban areas of Yangon Dagon (Myothit) Seikkan Township, in which the two wards are located. The intended interventions in rural and urban areas are connected to specific target indicators in the respective communities<sup>2</sup>. The time frame for interventions is defined from mid-2016 until end of 2017.

The direct services for the selected communities seek to increase the participation in education for existing and potential child labourers and to increase the access to safe work for children above the minimum age. Another key element of the direct services is the reduction of vulnerability of households to child labour. My-PEC aims at tailoring and providing suitable education and livelihood services, which meet the specific situation and needs of children and their households. In line with these intentions, replicable models of interventions could be developed, implemented and documented, which can be transferred also to other villages and wards.

In order to fully understand the economic situation of marginalised (low-income) households in the two wards as well as to identify, select and assess economic sectors or value chains which offer employment and/or income opportunities for these households, ILO contracted Florian Tiedtke as an external consultant to conduct a value chain assessment in these areas and to provide recommendations for future interventions.

According to the ToR, the specific objectives of the consultancy were:

- Access the economic potentials and critical livelihood bottlenecks in the selected wards in Dagon (Myothit) Seikkan Township
- Identify sectors/sub-sectors/value chains that offer economic potentials and income generating opportunities for household beneficiaries in the targeted areas
- Provide recommendations on appropriate LED projects, their modalities and approaches for implementation and key aspects to ensure that it generates the necessary livelihoods and incomes to improve the ability of households to provide for their basic needs, including education of children.

## Assessment Methodology

In line with the requirements of My-PEC and the Terms of Reference (ToR) for the assessment, the assessment strives to provide My-PEC with a thorough understanding of the economic activities and

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<sup>1</sup> Other areas: Expansion of the knowledge base on child labour and the improvement and increasing of awareness and knowledge about child labour issue. Strategy aims also on improving the legislation and strengthening the capacity to address child labour in line with international standards and at improving the capacity of stakeholders to address the issue.

<sup>2</sup> These indicators aim to remove a total number of 1,440 child labourers from the worst forms of child labour and to prevent 2,160 children of becoming child labourer

of the economic situations of low income households in the selected wards. The assessment aims also to provide an understanding of selected economic sectors, in what extent they provide employment and income opportunities and how low-income households and children are connected to these sectors. An understanding of the activities of meso- and macro partners and how they could contribute to the objectives of My-PEC shall be generated. Recommendations for interventions are to be made according to the findings of the assessment.

As outlined in the inception report for the assessment and as discussed with the My-PEC team at the (inception report) debriefing on 5<sup>th</sup> of September, the assessment shall follow a feasible approach with pragmatic and realistic recommendations for future interventions which consider the available time frame of 1,5 years (until end of 2017). By focussing on marginalised households and by integrating various economic sectors in the assessment, for which identifying and assessing the different levels is time consuming and might not lead to the anticipated findings, the participants agreed that a “classical” value chain assessment is not the first choice in this context.

The initial point of the research and the focus point for further analyses are the low-income households with existing and potential child labour issues. These households, their socio-economic situation and potential opportunities are put in the centre of the research. This focus is also based on the fact that the interventions such as e.g. value chain development or upgrading strategies are intended to benefit these households. From this starting point, further areas such as specific value chains or value chain levels, chain actors and stakeholders have been identified and analysed.

The primary source of data was collected through a series of field visits in the selected wards and discussions with relevant public and private stakeholders and non-governmental organisations (NGOs) outside of the selected wards. The tools used in the assessment included in-depth interviews and focus group discussions. The agenda for field visits is included in the annex.

The following are the key steps of the assessment:

1. A thorough review of literature and secondary data about the general status of poverty in Myanmar and of surveys handling the issue of child labour in other parts, villages and wards of Myanmar have been conducted to identify ways to focus the research and to make the process of data collection more efficient.

The available literature and data concerning the specific situation in the wards is limited. The preliminary findings of MyPEC baseline survey on child labour in the selected wards were available prior to the field visits. These findings were used to focus the process of data collection through a pre-selection of relevant economic sectors. The availability of the full survey after the field visits helped to cross-check collected data and findings and to get access to aggregated data. The field visits, however, were focussed on the collection of qualitative data.

The baseline survey is focussed on relevant households. Data about economic sectors, which are relevant for the households and which show potential for development were not available and had to be collected during field visits.

2. In-depth interviews with marginalised households took place in both wards to assess and collect data about the social-economic situation of the households, such as income sources and economic

activities, data about household members and child labourers, indebtedness and living costs and expected income which is necessary to avoid child labour. The guiding questions for interviews with households are included in the annex. The assessment aimed to provide comparable numbers of interviews in the two selected wards. Synergies have been identified and used to focus the process of data collection.

Often the interviewed households had difficulties in giving reliable and clear information about their economic situation. They had also difficulties in providing aggregated (e.g. monthly income and costs) due to the fact that many households do not have a steadily income and they just do not calculate their income and costs.

Since child labourers and young workers were working and not available during interviews with households, because they have to work during day time, two focus group discussions with child labourers and young workers have been conducted (one in each ward (87 and 93)) to get information about their work and their needs and how they are connected to specific economic sectors.

3. In-depth interviews with micro-enterprises (ME) and small and medium enterprises (SME) in the wards or in the direct neighbourhood of the wards are used to gain a better understanding about the economic activities and to assess the economic sectors which have been identified being relevant for the households. Data about e.g. the workforce, remuneration of workers, working requirements, suppliers and costs of supplied goods, profit and margin and business opportunities and constraints etc. have been collected. The guiding questions for interviews with companies are included in the annex.

Since access to the Dagon (Myothit) Seikkan Industrial Zone is difficult and the assessment of the construction work sector is complex and time consuming, the assessment focussed on specific topics such as a meeting with the Industrial Zone management to discuss vocational training and possibilities to cooperate. The talks with supervisors of construction sites also focussed on required working skills, how new workers are employed and the occupational health and safety situation at construction sites.

To gain more detailed information about home based sewing activities, two focus group discussions have been conducted. The discussions aimed to collect detailed information about this economic activity and to screen opportunities of further interventions such as group building measures.

4. Analysis of findings to identify gaps and to identify clear and pragmatic recommendations for further interventions or direct services by ILO and My-PEC.
5. The final stage of the assessment is the validation of the draft final report by My-PEC.

## Assessment Findings

### Economic Activities in the selected wards

Ward 93 and ward 87 are located next to each other. There are more migrant workers/families from other regions of Myanmar living in ward 93. Concrete numbers are not available, but an indication of this is found in proportion of rented houses vs owned houses (approx. 30% in ward 87 and 65% in ward 97). According to the findings of the field visits, ward 93 has a higher number of vulnerable low-income households than ward 87, which seems to be connected to the share of migrant families living inside the ward.<sup>3</sup>

The economic activities are comparable in the two wards. Inside the wards, there is only a limited number of SMEs (as defined per number of staff between 10 and 250) located. One reason is that the available space inside the wards is limited and mainly used for housing. SMEs are located mainly outside the wards. One example for a small enterprise operating inside ward 93 is a company which is producing and selling construction material (bricks, sand and stones) as well as unloading ships on the riverside. Many, especially migrant families, have placed their bamboo houses nearby this area, because the unloading of ships was done manually and provided job opportunities. The owner of the company recently invested in machines like excavators or truck cranes which limited further the need of human resources. Consequently, families had to find other opportunities to earn money.

Micro-enterprises (as defined per number of staff - less than 10 employees) with mainly home based activities or small shops operating inside the wards can be found in a higher number than SMEs. These MEs doing business in similar economic sectors in both wards such as tea shops, grocery stores, furniture manufacturing, pillow manufacturing, and bicycle repair shops or production of sandals. MEs for garment manufacturing with up to 4 external workers have been also identified in a higher number. Reliable data about the number of micro enterprises are missing. Interview participants from the ward administration or the MEs also could not provide reliable data about the market and/or the competitors. These micro enterprises are working mainly on subcontracting base and are insofar regarded as operational services in the value chain terminology.

The two wards have limited connections to the Dagon Myothit (Seikkan) Industrial Zone. In this Industrial Zone mainly large and some medium sized enterprises/factories are located. They are mainly active in business areas such as food and beverage production or production of construction material for the export and the domestic market. 13 Large companies working in the labour intense area of garment production are operating also in the Industrial Zone. According to the management of the Industrial Zone, these garment producing companies are mainly export oriented.<sup>4</sup> Direct exchange of goods between inhabitants, MEs and SMEs in the ward and these factories is limited. The main contact points for the people from both wards are the working opportunities in these factories.

More direct connections can be found in the interactions with wholesale markets in and around Yangon. Goods like food are sourced from these wholesale markets and are sold in local shops or on the streets. Direct business relations between MEs and companies from the wholesale markets or to

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<sup>3</sup> A link between migrant families and child labour has been stated in: ILO-IPEC: Myanmar: Child labour knowledge, attitudes and practices (KAP) study in Yangon, Ayeyarwady Region and Mon State (2015), page 17.

<sup>4</sup> An overview of the business segments and the size of the companies operating in the Industrial Zone is included in the annex.

agents working for these companies have been identified in a high number. This is the major connection point to upstream and downstream value chain levels.

Construction sites in the direct neighbourhood as well as in other districts provide work for many workers and have indirect impact on the ward economy, such as increased demand of food and housing for workers from other districts or regions. However, only two constructions sites have been identified, which are located inside a ward (ward 93).

The field visits took place during the rainy season in Yangon (normally May until October), which limits the economic activities in almost all economic sectors and segments, because it affects the number of orders, the availability of workers and the operating activities such as the work on construction sites.

### Economic situation of selected households

Interviews with households with potential or existing child labour issues have been conducted in both wards. The social-economic situation of vulnerable households in these two wards is comparable. Out of this reason the findings will be presented in an aggregated way, only where differences regarding the two wards have been identified, they will be pointed out accordingly.

The provision of manpower is the main income source for people living in both wards and in particular for low-income households without any assets and limited possibilities for investments of any kind.

### Business sectors / economic sectors

MyPEC baseline study shows that the main occupation of the surveyed households are casual labour (61%), factory work (14%) shop trading (13%) and construction work (6%). Differences have been observed in the surveyed households with child labour issues in which the main occupation is casual work (74%). Factory work and construction work is not a main occupation in these cases (ILO MyPEC Draft Baseline Survey (2016): 9). These findings correspond in general with the findings of the assessment.

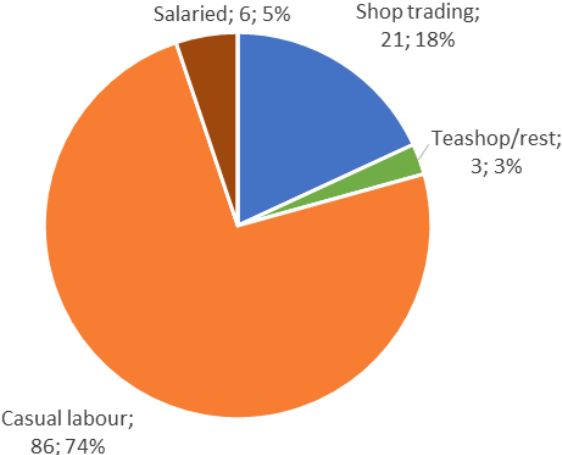


Figure 1: Child labour (households) by income sources in baseline study (Micro-Credit Rating International Limited (2016): 11)

To summarize different economic segments under the term of casual work (if the work is not done regularly) might reduce the informative value of the collected data. It is important to distinguish in which areas (steadily or occasionally) income is generated. The share of construction work for example could be and seem to be much higher, because many casual workers are mainly working on construction sites. On this aggregated level, construction work, factory work, shop trading as well as work in informal segments (trishaw or bus assistance) and, in limited number, work in ME have been identified as the main areas of occupation for marginalised households. Due to the fact that a limited number of households have been interviewed, concrete aggregated figures could not be generated.

According to the assessment findings, there is a fundamental difference in what kind of work is done by women and by men. Even if both, males and females are working, the economic activities are divided by gender. Women are working e.g. as sewers (needlewomen) in ME or home based, in selling goods on the local market or in garment factories, whereas male workers are working on construction sites, in timber factories, as assistants for bus drivers or as e.g. trishaw drivers . This division of work by gender can be found in almost all economic sectors in which people of the wards are working.

**Situation of Child labourers**

Children are working in almost all economic sectors of the wards. The division of work by gender affects also the area of child labour and of young workers. In the FGDs it became obvious that girls are mainly working in garment factories and boys are working on construction sites (as the main economic sectors). Only in some MEs the same work is done by girls and by boys (e.g. working with sequins or paintings with powder and tiny stones which are bonded to pictures by glue). The collection of garbage is also done by boys and by girls.

According to the baseline survey the majority of children is doing factory work (35%), casual labour (23%) or construction work (15%) (Micro-Credit Rating International Limited (2016): 12). This corresponds with the assessment findings and can be complemented by the gender perspective which is similar to the workplaces of the adults.

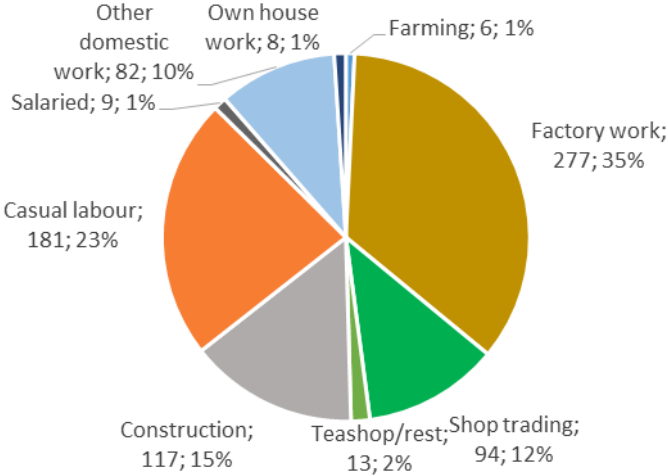


Figure 2: Working children by economic activities in baseline study (Micro-Credit Rating International Limited (2016): 12)

An entry point for children to start working is the end of primary schools. However, it was observed that a lot of children start working before primary school ends. In the FGD with child labourers in both wards, some children in the age range of 13 to 14 have been identified already working. This finding corresponds with other surveys.<sup>5</sup>

In some cases the children receive trainings on-the-job in specific MEs such as in MEs for paintings. During this period which can last a couple of months they receive a low payment of sometimes only 10,000 to 20,000 MMK per month for a full time job. Often, children working in MEs just get two days off in a month. In contrary to the form of employment of adults, more children have been stated that they are employed on a monthly base with monthly paid salaries. The payment in MEs is in general a bit lower than in factories. While factory works start with a monthly salary of approx. 60,000MMK, work in MEs starts with a monthly salary of 40,000 to 45,000 MMK.

### **Income situation**

For almost all interviewed households, a stable income is only partially available due to the fact that some household members, mainly fathers and/or their sons are working on a casual (daily) base (e.g. working on construction sites) or having a job without stable income (e.g. shop selling or trishaw drivers). Income stability depends also on seasonal circumstances such as rainy season with low economic activities in the wards. This is one of the reasons why valid aggregated data about the income situation of the households is only limited available.

Interviews have been also conducted with households in which the parents are not working or are absent. According to the baseline survey 9% of surveyed households are without any adult income earners or with unemployed adult income earners. Additionally, in 8% of the households either parents or guardians are sick or disabled (ILO MyPEC Draft Baseline Survey (2016): 5-6). In the cases, in which both parents are absent or unemployed, the working sons and daughters are the only source of income.

There are different reasons for parents not to work. For mothers there is often the case that they have to take care of small children and early child care services are not available. World Vision is providing early child care, but starting with a minimum age of 3 years. During this time, there are only limited opportunities for mothers to work. Either they have to find someone who takes care of the children or they have to find a workplace in which the presence of small children is allowed. Other reasons are sickness or disability of parents and/or potential alcohol or drug abuse which affect mainly male adults (concrete numbers are missing).

The analysis shows that in these cases (one or two parents are absent/unemployed) and also in the case that both parents are working, the incomes of children or young adults are partially essential for the economic survival of the households.

The income differs from the kind of work, the knowledge and skills of the workers, the payment of work (piece rate, daily based or monthly based) and also the gender. People working in factories are mainly employed full-time and are paid on a monthly basis. Piece rate payment can be found in ME

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<sup>5</sup> E.g. in: ILO-IPEC: Myanmar: Child labour knowledge, attitudes and practices (KAP) study in Yangon, Ayeyarwady Region and Mon State (2015), page 17.



and in home based activities. In SMEs all kind of payment structures have been identified. Daily payment has been identified mainly on construction sites but also in ME and SME. Also if workers are payed on a daily base or by piece rate there is no direct connection to the time frame of employment. Interviews with MEs have shown that payment is also gender related. In a home based ME for pillows and mattresses, for instance, female workers earn approx. 2500MMK per day, while male workers receive the double amount (5000MMK) for the same work.

The majority of adult income earners of marginalised households are unskilled workers. This is a major constraint in the economic and personal development of adults and affects also child workers and young workers. The basic need to start working in a young age hinders the children to gain working skills and knowledge to access certain economic sectors and to get better paid jobs. In the future the majority has no chance in developing skills due to the fact that they have to earn money and their available time and resources are limited. In factory work there are more opportunities for skill development, but for workers working on construction sites, the possibilities to gain new skills are limited and depend highly on the willingness and time of skilled workers to forward their knowledge. Formal skill development trainings or vocational trainings are difficult to enter because the workers do not meet the formal requirements (e.g. primary school or secondary school) or because the household is not in a position to relinquish on the income.

Working skills have direct influence on the income of interviewed workers. Skills affect the piece rate payment immediatly. In general the productivity is increased as well as the quality of work. On construction sites for instance unskilled workers earn 4,000 to 7,000 MMK per day, skilled workers earn 8,000 to 12,000 MMK per day (an income increase of 25% to 100%). It is difficult to generalize the economic effects of skilled labour and the corresponding job opportunities. According to the findings of the assessment the effect on the household income is significant.

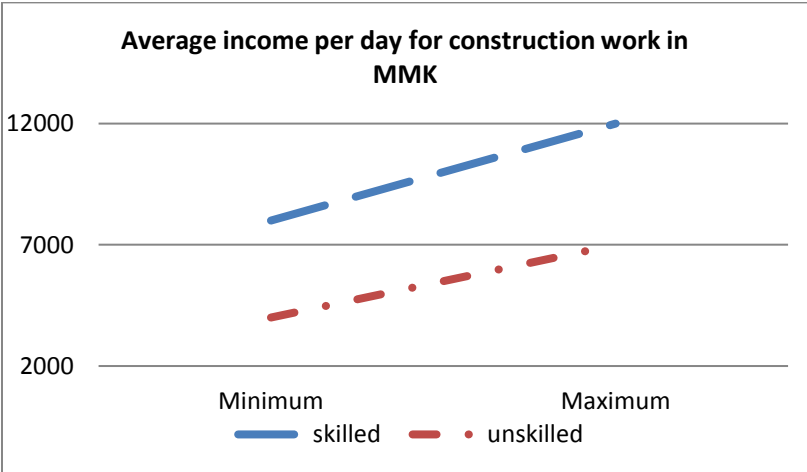


Figure 3: Average income of skilled and unskilled workers (construction work)

According to the baseline study, households with child labour have similar patterns as the overall sample with a small shift towards lower income: 17% of the surveyed households have a monthly income of below 140,000MMK. 23% of the households have a monthly income of 140,000 to 210,000MMK, while 17% earn between 210,000 and 280,000 and the majority (43%) earns above 280,000MMK. The informative value of these numbers is limited due to the fact that they are not taken

into relation with the number of household members and to expenses like daily expenses for food or monthly expenses for renting and for interest rates.

The main costs from the interviewed households are for daily expenses (mainly food) and partially for housing, if the houses are not owned by the families. Expenses for food depend on the number of household members while renting costs can be seen as fixed costs. They depend of the location and size of houses and differ mainly from 20,000 to 45,000 MMK per month.

According to the limited number of interviewed households during the field visits, the following findings do not demand to be representative and restrictions in generalizing the findings are obvious. The interviewed households are located mainly in the first two sections of the baseline study (up to 210,000MMK).

From the total household income (including the income of child workers and young workers) of the interviewed households, there is as an average of 35,000MMK per month available for each member to bear the living costs and the fixed costs. The monthly expenses are stated with an average of 37,800MMK per household member. Not included in this number are the interest rates for credits. This disproportion shows on the one hand the difficulties they have in calculating their monthly income and their monthly costs and on the other hand it shows that all available money and above are spent for living expenses. Because households have been interviewed in which children and/or young adults (below age of 18) are working, it is obvious that the interviewed households depend partially on the income of their children.

### **Expected household income to avoid child labour**

In line with the difficulties in assessing the economic situation of the selected households, similar difficulties arose in the definition of the household income for a decent life without child labour.

The interviewed households are mainly not aware what additional costs to expect in case their children attend secondary school, so the expected necessary household income is based on individual assumptions. The interviewed household stated that their income needs to be increased by 14% to 100% (average 81%) to bear additional costs. The households expect an average income of approx. 58,000MMK per household member as sufficient to have a decent live without child labour.

Even if the households would not increase their income, it has to be clarified that if the children would stop working, the income has to be generated by fewer income sources. Under a realistic point of view, future interventions could also focus- on the provision of additional employment and income increasing opportunities for youth above the minimum age. In consequence, it could be avoided that their younger brothers and sisters have to quit school at an early age. In addition, the boys and girls in the FGD with child labourers of both wards showed low interest in returning to school, because they know the economic constraints of their families.

### **Debt situation:**

Almost all interviewed households are indebted. The loans are normally not used to finance any kind of investment but to secure the payment of daily costs for e.g. food and rent in case the household

income is insufficient to cover these costs. Credits are insofar taken for specific time frames with low household incomes such as during rainy season.

All interviewed households with debts borrow the money from local money lenders who live in the same ward or in its neighbourhood. The interest rates are regarded as high and differ from 20 to 30% per month. Payment of at least interest rates is handled on a daily, weekly or monthly period.

Some of the interviewed households are also regarded as over indebted.<sup>6</sup> The relation of debt to the monthly household income differs but as an average, the interviewed households are indebted with 107% of the monthly household income. In consequence an average of 20 to 30% of the monthly income is spent for interest rates without lowering the amount of credits. This shows the significance of debts on the economic situation of selected households. The majority of the households do not have an income to pay back the full amount of the credit. In times with an increased income they pay some of their debts back but these are followed by times in which they have to take credits again.

These findings correspond with the data collected and evaluated for the baseline survey but the findings are interpreted differently. The baseline study reports a tolerable 0 to 20% of annual income (for 83% of the included households) and only 6% of the interviewed households report a substantial debt burden in an excess of over 40% of their income (ILO MyPEC Draft Baseline Survey (2016): 4). To focus only on the debt-income ratio is regarded as insufficient, interest rates should be also considered to gain a holistic view. Furthermore, shifting the interpretation to an annual base might not be suitable to judge the significance of debt situation for relevant households. The comparison should be done on a monthly base including the monthly calculated interest rates and the monthly income.

Additionally, members of the CBO (Community Based Organisation) of ward 93 see the indebtedness of households as a “major problem” in the economic development.

ACLEDA Bank, a commercial bank from Cambodia, offers micro-finance services in the two selected wards, some interviewed people are aware of these services. The bank takes interest rates of 2.5% per month. But a pre-condition to grant credits is the availability of assets such as own houses. The interviewed households do not have such assets or do not want to risk their home for better interest rates.

## **Meso- and macro partners of marginalised households**

According to the terminology of analysing value chains meso partners are defined as e.g. agencies or business organisations, which are providing support service to different or all chain actors and which are insofar acting as “chain supporters” (gtz ValueLinks Manual (2008): 60/61).

With regard to assessed economic sectors, no such meso partner or supporting services have been identified in the institutionalised frame, in which ME or SME are operating. Such chain supporters are not available at this level.

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<sup>6</sup> Over-indebtedness is used here to define a situation in which household income in spite of a reduction of the living standard, is insufficient to discharge all payment obligations over a long period of time.

By focussing at low-income households as the main subjects of the assessment, meso partners have been identified in NGOs like World Vision or the Cambodian bank ACLEDA, which provide support services to the respective households in ward 87 and ward 93.

An important partner for marginalised households is World Vision, an NGO which provides different direct services in different regions of Myanmar as well as in the two selected wards. World Vision is one of the biggest international operating NGOs in Myanmar, operating in the country since the early 1990s. As outlined in a meeting with World Vision on the 9<sup>th</sup> of September in the World Vision office in Dagon (office founded in 2007), the participants provided some detailed information about the services provided in the wards. In the scope of the assessment, the most important services are:

**Early child care** for children age 3 to 5 for approx. 150 children. For children attending the early child care centre, a fee of 5000 MMK per month is obligatory.

**Non-formal education (NFE)**, in which children and young adults (up to 18 years) have the chance to gain and increase knowledge, which is important for the everyday life. The NFE programme furthermore is preparing the participants to (re-)enter primary school or to enter middle school. Some participants are entering the vocational training provided by the NGO after they have successfully finished the NFE programme.

**Vocational training** is provided for sewing and for construction work in cooperation with the Ministry of Construction. The minimum age for participating in the trainings could not be determined during the meeting, but according to World Vision, completion of primary school is one pre-condition for participation.

- Sewing training is done in cooperation with local tailor shops in which the participants receive on-the-job trainings. The selection of suitable tailor shops and trainers are based on recommendations by the ward administration. The trainers and trainees are supervised during the vocational trainings by members of World Vision. The average duration of trainings is 6 months but depends also on the individual learning progress of participants. The participants were so far only girls, from 13 to 18 years of age.
- The vocational training for construction work takes around 1.5 months full time for the participants. The training is offered in cooperation with the Ministry of Construction, which issues also a certificate after successful participation. Due to the fact that full time training for 1.5 months is regarded as difficult for members of low-income households without receiving any kind of compensation for their missed income, World Vision and the Ministry decided to support participation of low-income participants. World Vision is providing a compensation of 4500 MMK per month and the Ministry of Construction provides food and accommodation for them. According to the statements of World Vision, the chosen approach is successful.

Although the demand for such vocational training is regarded as high, the number of participants is quite low due to budget reasons of World Vision (WV). In the last 2 to 3 years, 15 girls participated in the sewing training and 8 boys in construction training.

Micro finance services provided by WV are limited to the establishment of saving groups and the provision of e.g. animals like pigs for establishing small breeds as some kind of micro loan (payback circumstances are individualised).

The members of World Vision seem to be very open for a potential cooperation with ILO and My-PEC in different areas, like in vocational training. They showed e.g. interests in establishing training centres in the selected wards for e.g. sewing, because this skill is mostly demanded by factories. The country strategy for Myanmar is recently defined by WV but could be revised or adopted, according to the participants of the meeting.

Another partner of the vulnerable households is the ward administration and the CBOs (Community Based Organisations). World Vision has supported the wards in establishing organisational structures such as the CBO. In ward 93 the CBO has a similar organisational structure as the ward administration. CBO members are also responsible for up to 100 households like members of the ward administration. The organisation in ward 87 is different; the members are not responsible for specific households. In general members of the CBO are elected by the community. They are responsible to inform the people about services from World Vision and define selection criteria and pre-select household to benefit from these services. Members of the CBOs are part of different branches such as health or finance committee. According to the statement of WV and backed up by the findings of the assessment, the work of the CBOs in the two wards varies in success which depends not only on the CBO but on the households as well. The establishment of saving groups for example is more successful in ward 93 than in ward 87.

The government and its authorities, on a higher administration level than the ward administration play a limited role for selected households in the wards. During the field visits no direct governmental services have been identified which affect the daily life or the economic situation of the selected households. Some insecurity for ME and construction enterprises result from the unclear tax situation, the unclear situation regarding future governmental construction sites and out of changing statutory regulations on e.g. building safety. The government was informed in detail about the companies and stakeholders which have been interviewed in the wards and partially had to give their permission before such meetings could take place.

### **Assessments of selected economic sectors**

The economic sectors which have been analysed in this assessment have been selected due to their importance for marginalised households in the selected wards. Important selection criteria are also the provision of employment and income opportunities for households with low income. A pre-selection of suitable economic sectors or value chains took place prior to the field visits and was based on the findings of a review of literature and secondary data as described in the inception report.

The assessment of the economic situation of households (as described in the section business sectors/economic sectors) shows that the economic sector of construction work plays a major role for the households as the main income source of their male members. The factory work and especially the work in garment manufacturing companies is one of the major income sources for young women and girls. The sectors of home based sewing activities and the sector of MEs within different business segments have been also identified as important with certain opportunities of development.

The economic sectors has been analysed out of the perspective of labourers and the assessment has been focussed on specific levels of different value chains. Because connections to other levels of value chains as well as to different actors are limited, a holistic value chain assessment in which all levels have been analysed did not take place.

### **Garment Factories in Dagon Myothit (Seikkan) Industrial Zone**

To enter the Industrial Zone, a permission of the Ministry of Industry and an invitation of an enterprise of the Industrial Zone are mandatory. Due to this restrictions and the restricted time, this economic sector could not be analysed in detail. The information below are collected during interviews with the Industrial Zone management, interviews with workers and through literature review.

Many of the garment enterprises in the Industry Zone are managed and owned by foreigners such as Koreans, Chinese or Japanese citizens or companies. Some of the companies are working on subcontracting base. They are provided with material and are mainly doing the labour intensive production process of garment manufacturing. Pre-production processes such as knitting, weaving or dyeing are mainly done abroad. The amount of value addition is insofar limited. In general, the garments are produced for the export market and sourcing of material such as fabric is not done on local markets such as wholesale markets. Fabrics as well as cellulosic fibre and man-made fibre are mainly imported (Ajot, 2016).

According to the assessment findings, connections of the ward with the Industrial Zone are limited to the provision of labour.

In garment factories, operating in the industrial zone, mainly young women or girls (under the age of 18) are working. Male workers haven't been identified during field visits. The announced minimum age for working in the factories is 18 years. Girls in the age of 14 and above have been identified and interviewed working in these factories. For them it is very easy to start working in the companies by using a borrowed ID card, which is usually without any picture. Further age checks are not done by the factory management. Factory workers are supervised by locals or foreigners. The connections of workers to the middle and top management are limited. Some of the interviewed workers did not know whether they are working for a company owned by Chinese or Koreans.

The interviewed workers are employed full time. Casual work has not been identified in this sector. Normally the workers get 1.5 days off in a seven days period. Overtime is done, partially on a regular base but no excessive overtime has been identified.

Workers are payed on a monthly base with salaries depending on their skills and knowledge in a range from 60,000 to 130,000 MMK per month and above.

Training to workers is partially provided by the factories. Some of the interviewed girls have reported that they got an initial basic training but on the job training is the major instrument for skill development. The possibilities of getting additional trainings to get better payed jobs are limited and are depending on the supervisors. They decide if specific workers have the necessary potential for more skilled working processes such as sewing.

A meeting with the chairmen and his secretary of the Industrial Zone Management Committee took place on the 10<sup>th</sup> of September outside of the Zone. The meeting has been conducted to identify which specific skills are demanded by the factories to focus possible future interventions in the area of skill development and vocational training. In this case, it is very important that the trainings are focussed on the real demands of the factory to increase the employment opportunities of trainees. The conversational partners could not provide such information but reported that vocational training is

also conducted in cooperation with the Ministry of Industry. The trainings, such as a training of 500 people in electrical wiring, are designed for other target groups than for low educated people. The conversational partners judged the demand of skilled workers (also for basic works) as very high and showed great interest to cooperate in this field. They made the proposal to provide places to conduct trainings. To what extent the garment factories are willing to cooperate and e.g. provide trainers, is a crucial factor, but could not be evaluated.

### **Construction work**

The government of Myanmar plays an important role in the sector of construction work. It is the major client of the big construction enterprises operating in Yangon and in other regions of Myanmar. On a construction site for social housing nearby ward 93, there is a complicated network of large and small construction companies working. The order for social housing was given by the government to the large construction companies in Yangon downtown. They engage smaller companies on subcontracting base to do the operational work. The sourcing of construction material is often done by the large companies but their suppliers are also located nearby the wards, because of increased transportation costs by sourcing from other districts.

Workers of the wards are working on these sites or on sites in other parts of Yangon and Myanmar. Working on construction sites inside the wards is limited. There are actually only two construction sites inside ward 93 and no construction site in ward 87. These sites are comparable small to the ones outside of the wards.

During the assessment, many men and also boys have been interviewed as well as seen working on governmental and private construction sites. Interviewed supervisors stated to not employ children but age checks normally do not take place. The work is physically hard, especially for unskilled workers such as children or young adults. Children have to carry bricks, stones and water and it was reported that accidents on construction sites take place occasionally.

Personal Protective Equipment such as helmets, gloves or appropriate shoes to protect workers from hazards are not provided and are not mandatory to work. Even on governmental construction sites such equipment is partially not provided and no checks by authorised persons are conducted or the checks are inappropriate.

Beside these negative effects, the area of construction is regarded as one of the major income sources for marginalised households. With regard to other jobs for unskilled workers, the payment on construction sites is comparably high (4,000 to 7,000 MMK per day). Skilled workers receive a daily payment of 8,000 to 12,000 MMK. Skilled workers have been also identified, who are payed on a monthly base.

Vocational training is not provided by the construction companies. Skill development depends on the willingness of skilled workers to forward their knowledge to others. A certificate regarding received trainings is not necessary. Normally workers, skilled and unskilled, are working one day on probation.

The construction companies want to employ local workers because they do not have to provide accommodation and food which increase labour costs. A site engineers, responsible for approx. 120 workers estimated a share of 50% of local workers. The majority of workers from other parts of Yangon

are skilled workers. The availability of skilled workers inside the wards is evaluated differently. One supervisor reported that skilled workers are available but due to the recruitment processes, which are not formalised, it is difficult to find them.

All interviewed persons found the business opportunities as good and explained that already various new buildings are planned. One major constraint seems to be the changing government policies in this sector. There is insecurity about the plans by the government and the working requirements.

Working time differs from site to site but normally working time is from 8am to 5pm with one hour rest. During construction time, workers do not get days off.

### **Home based sewing**

Home based sewing activities are found in both wards. They are either working for MEs, which outsourced work to home based sewers, mainly because of capacity reasons or they work for agents in the ward and in downtown Yangon. Exclusively women have been identified to be involved in home based sewing activities. An estimation of how many women are involved in this business is difficult since such data is not available and numbers are based on personal estimations. The ward administration of ward 87 estimates that around 200 women are working home based in this business. Administrators from ward 93 refused to give such estimations. Even without concrete data the numbers of women who are skilled in sewing (different levels) seem to be high. Such skills are increasingly demanded by garment factories, turning them into direct competitors to MEs and to the local wholesale markets in the favour of employees. However, the case that home based work is done for factories has not been observed and is, in general, seldom due to the fact that quality insurance is limited and goods might not be available in time. Furthermore most company own Codes of Conduct restrict these kinds of operational services. If the women are not working in factories, their customers are indirectly the wholesale markets of Yangon. They are either through MEs or through agents connected to these markets.

This kind of work allows women to work according to their own time schedules and in their own houses. Through this self-employed independent structure of work they are also able to do household chores and to take care of children.

The sewers are working on subcontracting base for the wholesale market. The sewing machine has to be provided by them, rented or owned. Prices for sewing machines differ from 80,000 to 100,000 MMK. Rental fee for a sewing machine is between 7,000 and 12,000 MMK per month. Either the sewers or the owner have to maintain the machines, this depends on individual arrangements. The women in the FGD reported that the rental fee is increasing due to the steadily growing demand of such machines.

Material for the garments is provided by agents or by MEs, who have direct contact to shops on the wholesale market in Yangon. Some agents of the ward are also connected to other agents, who are at the end again connected to the wholesale market. Materials like sewing thread are sourced by the sewers themselves, mainly from the local ward market. The home based sewers are acting as operational service providers in the value chain terminology. Addition of value to the product is done by their provision of labour.



Home based sewing is paid by piece rate. The rates depend on the kind of garment which has to be manufactured. In general, basic garment items like shirts or basic trousers are manufactured.

The functions of the agents differ from just establishing the contact to shops on the wholesale (no changes of the product take place and agents acting as classical middlemen) to the transportation of material and of the final product. Some agents are also directly involved in the production of the garments. They partially design and sew the garment and are responsible for other processes like cutting, ironing and packing of the final product. These different involvements are changing and depend on the order and the client.

Intermediate agents explained that they have to pay money as insurances to the clients (other agents or shops on the wholesale market) to receive the material. As soon as the final garments are delivered to clients and after a successful quality check they receive their money back. The amount depends on the quantity of delivered material as well as on the stability of business relations and trust between the business partners.

The agents operating inside the wards stated an amount of 200,000 MMK for the material for up to 500 pieces. An agent in downtown Yangon, which is connected to agents from ward 93 and others, explained that approx. 1,000 MMK per garment has to be paid as insurance. This can be seen as entrance barriers for this business segment. The available money for such investments is limited for agents operating inside the wards. The limited quantities are combined with risk minimisation by the agents. Agents as well as interviewed sewers report that there are business opportunities to expand this business. The order status is regarded as good and stable.

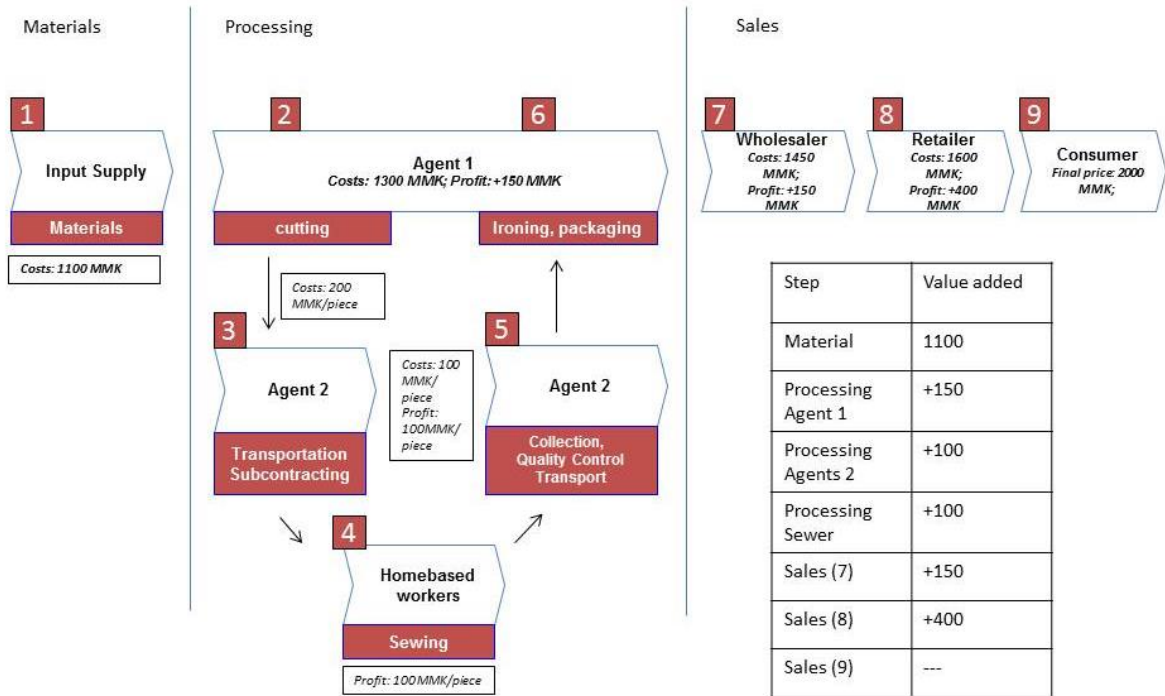
Agents operating inside the wards are connected to different numbers of home based sewers. The interviewed persons stated that they are normally working with 4-6 sewers. The above mentioned agent from the downtown area explained that these agents are working with up to 20 home based sewers inside the wards.

#### **Prices and margins:**

Home based sewers are paid by piece rates, which depend on the garment. For child dresses they normally receive 100 MMK per piece, for shirts between 150 and 250MMk per piece. The productivity depends on their skills and the kind of garments. As an average 10 pieces per day has been reported, this provides the women a daily income between 1,000 and 2,500 MMK.

The margin of agents inside the wards depends on their involvement in the production and on the involvement of other agents. Profit ranges from 50 to 150 MMK per piece and includes average rates of 10 MMK/piece for packaging and 10 MMK/piece for ironing. On top there are the costs for transportation which could not be quantified by the interviewed people.

Figure 1: Example of a value chain (value addition) of home based manufactured child dresses



## Constraints

Constraints for developing this business segment are mainly based on the subcontracted work, which is done via home based sewing activities. Without sourcing the material, value addition is limited to their provision of labour. Additional constraints can be found in the unclear and unmanageable competitive situation, because there are many home based sewers in the wards and in neighbouring wards. Even if the agent is normally working with specific sewers, the competitive environment in this business is regarded as challenging. Limited access to buyers and deficits in organisation and cooperation are other constraints which hinders the economic development of home based sewers. The limited production processes they are able to do (normally they do not know the process of cutting, liming or ironing) are other constraints which make them depending on e.g. agents.

## Recommendations for LED interventions

There is not a single or fundamental recommendation for interventions or direct services which affects all economic deficits of low-income households which have been identified during the assessment. Different constraints have been identified and insofar different recommendations are regarded as suitable. The recommendations below are pragmatic and will have a direct benefit for marginalised households. As required by the ILO, the recommendations are also suitable for short-term interventions.

### Provision of micro finance services

According to the findings the indebtedness of interviewed households and especially the credit conditions (interest rates) are regarded as a substantial factor which minimises the household income.

ILO could consider providing micro finance services or to establish cooperation with such service providers in Myanmar, such as the ACLEDA bank from Cambodia. The pre-conditions for granting of credits for marginalised households should be adjusted according to their needs and possibilities. This means to install other instruments of risk-minimisation than to grant credits only to households with specific assets.

The households seem to be accustomed to take out loans on a continuous and steady basis and the impression occurred that a kind of 'credit-culture' has been established within the visited communities. There is the potential danger that provided micro credits with a low interest rate are not used to pay off existing credits from money lenders but to use it for additional consumptions. Additionally, interviewed households often do not consider the long term economic effects of credits. They often do not know the specific amount of taken credits and they are not aware what kind of economic burden are connected to the high interest rates.

To just provide micro credits to the vulnerable and indebted households would not be sufficient. Negative effects, like worsen the debt situation of relevant households are potentially given. To meet these issues, proper awareness raising measures, trainings and knowledge transfer regarding credits, their handling and potential dangers should be considered as a first step.

One instrument which could be useful in this case is the establishment of lending groups (solidarity circles) for people who wants to take micro credits or micro finance services<sup>7</sup>. Through this instrument, the costs associated with monitoring loans and enforcing repayment are minimized and there is some kind of social pressure to pay existing credits and to avoid to take additional credits from other institutions or local money lenders. To establish such groups is considered as a time-consuming measure. Especially the group building processes, combined with e.g. the formulation of saving groups prior to the provision of credits is a time intensive measure.

World Vision has established some saving groups in both wards. According to the baseline study, only 7.5% of the surveyed households are members of saving groups and only 4% have saved money within the last six months (ILO MyPEC Draft Baseline Survey (2016): 4). This figure limits the possibility to use established groups but the focus group discussions showed that they are quite familiar with this instrument. Especially people from ward 93 have showed experiences with group building activities and seem to be more open in establishing such groups for different purposes (e.g. sewing group and

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<sup>7</sup> Micro finance services include additional bank services such as micro accounting or micro savings

also lending groups). In these cases the existing approach could be used to minimize the initial efforts and time to support such group building processes.

## **Vocational training and skill development**

During the assessment of the economic situation of low-income households, one major constraint in the economic development of these households has been identified: The lack of working skills and knowledge of household members. Through this lack of skills, access to certain jobs is blocked as well as the possibility to receive a better payment for their work. This situation has a tremendous effect on the household income and insofar on the possibility to create an income situation that avoids child labour in the family. To develop or gain additional working skills is difficult and often impossible due to the necessity of earning money continuously and due to the lack of institutions or organisations which provide such trainings and/or has entry requirements that workers can actually meet (education certificates). On top comes the participation fee which is usually unaffordable for low-income households.

Direct interventions by ILO could be focussed insofar on the provision of vocational trainings for marginalised households. The trainings could be focussed on knowledge and skill transfer in different areas such as providing training in sewing, cutting and embroidering for example or provision of training for construction work such as electrical wiring or welding.

To take into account the different sectors in which women/girls or men/boys are working, the training contents could be adjusted accordingly. Trainings to gain e.g. sewing skills could be provided for the target group of women/girls, while trainings for men/boys could be provided in the area of construction work.

The design of the training is essential for the successful participation of relevant members of low-income households. If the training cannot take place beside their normal work (e.g. sewing classes inside the wards) the participants will need a compensation for participation, otherwise they cannot participate out of economic constraints. World Vision has reported that a compensation of 4500MMK per day has been sufficient for their vocational training. In this case accommodation and food was provided at no charge. This compensation seems to be sufficient for trainees. Also the period in which the training takes place is important. If applicable, the trainings should be taken place during the rainy season because the economic activities in the wards and the opportunities for earning money are limited. The time frame for the trainings should be also considered as an important factor; it should be limited and manageable for the participants and should not exceed 1 to 1.5 months.

Furthermore, the participation should not be restricted to adults. It is of great importance that also young workers participate in these trainings. Interviews with household members and with child labourers and young workers showed that their work and income is essential for the households. To get them back to school will be the exception, even if the economic situation has improved. By excluding them from vocational training, the chances of getting better payed job and to work in less hazardous workplaces will be reduced.

The formal requirements have to be reduced to a manageable level. It should be considered to train also people who have not finished primary school due to the reason that these people do not have any

chance to get a formal vocational training and because they belong normally to the most vulnerable households.

A meeting with a director of the Ministry of Industry and a meeting with Hla Kyaing of the Myanmar Engineering Society have shown that the majority of formal vocational trainings are not suitable for the relevant households due to following reasons: The basic requirements cannot be met (e.g. high school education) and the time frames for such trainings in connection with the income losses are normally too long. The Ministry of Industry is also running a mobile training center, which might be more suitable. It provides: (1) Basic electricity and building wiring courses, (2) basic arc welding courses and (3) small farm engine and motorcycle maintenance and repairing courses. Each mobile training session takes two weeks.

As pointed out in the section meso partners, vocational trainings are already provided in a limited number by World Vision in cooperation with the Ministry of Construction. To use the existing cooperation and to enlarge the programme could be an opportunity for ILO interventions.

It is of great importance that the training contents are oriented on the actual demand of the labour market and of specific economic sectors or segments. A meeting has been conducted with representatives of the Industrial Zone to investigate the opportunity of cooperation and to identify what kinds of skills are required by the factories of the Zone. The consulted partners did not provide any details about the required skills but showed interest in cooperation in this field such as establishing a training centre. If such cooperation takes place, it is important that participation of respective people with low formal education is ensured.

### **Support of home based sewing groups**

Home based sewers are available in a high and growing number inside the wards and according to the assessment, business development opportunities are given. The majority of home based sewers are females. Interventions in this area would benefit mainly women and their families. Because vulnerable households depend on different income sources, a development of this business segment would generate more income, while the sewers can still take care of their households and small children. Because of these restrictions, factory work is often not an option for women and home based activities are preferred. Children are starting to work mainly on their own will or because the mother decided so.<sup>8</sup> The effects of strengthening the economic participation of mothers are on the one hand an increased household income which might prevent that child labour occurs but on the other hand there might be also psychological effects that mothers decide for their children not to work.

According to the findings there are different constraints for economic development in this sector. One major constraint is the low organisation level of home based sewers. They are working as subcontractors for different agents, but they do not have direct business relations to other sewers. One option for increasing the organisational level could be the establishment of home based sewing groups. Working as individuals, they do not produce the quantities which are necessary to get direct orders from the wholesale markets or from bigger agents from downtown Yangon. By establishing direct business relations, they could concentrate more value addition (margin and profit) on their level

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<sup>8</sup> As shown in the study ILO-IPEC: Myanmar: Child labour knowledge, attitudes and practices (KAP) study in Yangon, Ayeyarwady Region and Mon State (2015), page V.

in the value chain. However, simply establishing such groups and direct business relation to potential customers are not enough. The functions and work of the agents, like cutting, packaging, collection of garments, quality control and negotiations have to be taken over by the home based sewers as well. Therefore, cooperation with agents is another option. Another possibility to create more value is not only working on subcontracting base but to provide garments out of self-sourced materials. However, this demands suitable customers and investments in materials by the sewing group. Even without sourcing the material, some investments have to take place such as the provision of the “insurance” for the material.

The first step and pre-condition for further activities is the conduction of trust building measures and forming of sewing groups. Some formal requirements such as the definition of responsibilities and business processes, investments and tasks and duties have to be considered.

The focus group discussions have shown difficulties in establishing such a group. Home based sewers from ward 93 had a positive attitude towards this kind of groups because they already made experiences with saving groups. Sewers from ward 87 lack of such experiences and the pre-conditional trust is not given between the sewers. An agent attended the discussion and showed interest in cooperation. Even with this positive pre-condition for further business, the participants showed no interest in joining a group. Missing trust has been identified as the major constraint.

Interventions should focus in a first step on group building processes. The potential members should receive trust building measures and should be trained in establishing a group. They should be also supported in the formal organisation of the group to minimise potential disputes in the future. Trainings in basic business knowledge, like the calculation of costs or negotiation of prices should be provided additionally.

Because some investments are necessary to start business such as the provision of the “insurance” for material, the first step could be also the establishment of saving groups but with the aim to establish a business. To use existing saving groups is regarded as insufficient due to the fact that the purpose is different and non-sewers are already part of the group.

As explained above, taking over additional functions and production processes might be of importance for the groups. There is the possibility to combine this intervention with the recommended intervention regarding skill development or vocational training. Beside sewing classes, ILO could provide also classes in other relevant production steps, e.g. cutting.

Preferable, this trainings and group building measures could be conducted in the rainy season, because of the increased available time of potential participants. Because such measures are process related, they are not limited to this time frame.

### **Alternative recommendation (additionally): Support of Micro Enterprises**

MEs from different business segments have been interviewed and analysed. The assessed MEs are mainly operating in the manufacturing of goods such as garments, furniture sandals or pillows and mattresses. Others stick sequins on garment or sell construction material like bamboo. All interviewed

MEs have in common that they are home based. Mainly family members but also external workers (up to 4) from the ward are working in these enterprises.

It would go beyond the scope of this report to provide all detailed information about suppliers, prices, customers and business opportunities of each ME, especially because they are doing business in different segments. Opportunities to expand business depend on the situation of the specific ME but are given for some of the interviewed MEs.

Major constraints which have been identified are the lack of business knowledge, the limitations in space (because all MEs inside the ward are home based) and in the availability of credits for investments.

Most of the interviewed MEs show deficits in business management practices. It starts with simple tasks like the calculation of costs or in the understanding of the necessity to diversify the client base to reduce dependency and insofar risks until the estimations and evaluation of investments. Interventions could be focussed on providing such trainings. ILO could also support MEs in getting access to credits and loans for investments. Suitable credit institutions should be selected and their services should take the specific needs of MEs into account.

It has to be clear that these interventions are not focussed on short-term impact. Effects will be generated on a longer term. The impact of such interventions on marginalised households is not clear and need a further evaluation. It is not ensured that also low income households are benefitting from the economic success of selected MEs. The impact by supporting specific MEs is regarded as limited due to the fact that they do not provide large employment or income opportunities because of their actual size.

## **Implementation/Facilitators**

It is recommended to use existing structures and institutions such as CBOs to support the implementation of interventions on ward level (see section meso partners). The established structures of World Vision inside the wards (CBO) could be used by ILO to minimise the initial efforts of direct interventions, to inform the households about planned interventions and support the ILO in selection of suitable households. They could also be useful to monitor interventions and/or direct services. CBO members have been interviewed in both wards and they showed great interest in working for ILO's My-PEC. The establishment of parallel structures should be avoided by ILO, because the existing CBOs are accepted by the inhabitants and due to the available limited time for interventions.

Members of the CBO could insofar act as facilitators in future interventions. The potential involvement of CBO and its members and the selection of specific persons depend on the kind and the concrete design of interventions.

## Conclusion

This report has guided its reader through an assessment of the economic situation of vulnerable households and specific economic sectors in two selected wards in Dagon (Myothit) Seikkan Township in Yangon, Myanmar.

The report provides an in-depth analysis of the socio-economic situation of vulnerable households with potential or existing child labour. The economic constraints of the households have been investigated and it has been analysed in which economic sectors and under which circumstances members of these households, including children and young adults, are working. Meso and macro partners of these households have been identified and interviewed and their services for the marginalised households are outlined in this report. These analyses are followed by further investigation of specific economic sectors which have the potential to provide increasing income and employment opportunities for these marginalised households to avoid child labour.

Based on the assessment findings, which are derived from the analyses, the report provides detailed and pragmatic recommendations to improve and to strengthen the economic situation of vulnerable households and to increase their economic participation and economic development. Four concrete recommendations are given on areas where ILO's My-PEC could intervene:

(1) ILO can strengthen the economic situation by providing micro credits to reasonable interest rates to indebted and over indebted households; (2) It can provide vocational training or skill development measures to unskilled workers to get better paid jobs or to enter different career levels; (3) It can support home based sewers in both wards in establishing sewing groups to get direct access to the wholesale markets and to create more margin and profit through cooperation and organisation; (4) It can support MEs in the two wards by providing trainings in e.g. entrepreneurship or credits for investments for business expansion.

The recommendations of this report should support ILO's My-PEC to improve the economic situation of vulnerable households in the two wards and to contribute to a sustainable livelihood without child labour.



## Annexes

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Micro-Credit Rating International Limited (2016): Baseline Survey on Child Labour in the Dagon Seikkan Township, Yangon Division, Myanmar. Commissioned by the International Labour Organization Yangon, Myanmar.

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### In depth interviews: guide questions

- Data collection guide to interview relevant households

Household data	<ul style="list-style-type: none"><li>• Number of household members</li><li>• Location of the household (ward, address)</li><li>• Data of household members<ul style="list-style-type: none"><li>○ Father, mother, grandmother, children (boys, girls etc.</li><li>○ Age, educational background, etc.</li></ul></li></ul>
Child labour	<ul style="list-style-type: none"><li>• Child labour in the family</li><li>• Risk of child labour</li><li>• Reasons of becoming child labour</li><li>• General view on child labour</li></ul>
Economic situation	<ul style="list-style-type: none"><li>• Sources of family income (sectors, employers, companies etc.)</li><li>• Household income (approx. per month)</li><li>• Challenges regarding the economic situation</li><li>• Expected minimum household income to avoid child labour</li></ul>
Labour situation	<ul style="list-style-type: none"><li>• Number of working family members (also children)</li><li>• Description of work</li><li>• Income per family member (who, in what sector and for which employer, how long (working time) for how much (payment)</li><li>• Are the different members satisfied with their situation? What needs to be changed?</li><li>• Challenges and solution concerning labour situation</li><li>• Identify the key risk to local economies and therefore to conduct possible interventions</li></ul>

- Data collection guide to interview companies (small and medium sized garment companies and construction companies)

Company information	<ul style="list-style-type: none"> <li>• Name</li> <li>• Location</li> <li>• Ownership</li> <li>• Year of foundation</li> <li>• Economic sector</li> <li>• Products manufactured</li> <li>• Main markets for which the products are manufactured (domestic, local, export)</li> <li>• Product prices</li> <li>• Profitability</li> <li>• Main competitors</li> </ul>
Labour force	<ul style="list-style-type: none"> <li>• Number of employees <ul style="list-style-type: none"> <li>○ male/female/young workers/children</li> <li>○ full employed/part time/daily base</li> </ul> </li> <li>• Knowledge/skills of employed workers</li> <li>• Description of workforce</li> <li>• What kind of work is done? Hazardous working places and occupational health and safety measures</li> <li>• Occupational exposure at workplace</li> <li>• Wages (full time, part time, piece rate, daily, hourly)</li> <li>• Is there actually a demand for new employees?</li> <li>• How new employees are recruited? (Age checks, labour policy, worker's age at time of recruitment)</li> <li>• Labour turnover</li> <li>• What skills are demanded for new employees?</li> <li>• What are the challenges in recruiting of new employees</li> <li>• Challenges and solutions</li> </ul>
Child labour	<ul style="list-style-type: none"> <li>• What is regarded as child labour</li> <li>• General view on child labour issue</li> <li>• Child labour issue in the economic sector</li> <li>• Child labour situation in the company</li> <li>• Recommendations for the elimination of child labour in the selected wards</li> <li>• Own measures to eliminate child labour</li> </ul>
Supply chain data	<ul style="list-style-type: none"> <li>• Input factors (raw materials, semi-finished products etc.)</li> <li>• Prices</li> <li>• Suppliers (if available also sub-suppliers)</li> <li>• Supply chain description and brief market analysis (if applicable)</li> <li>• Challenges</li> <li>• Solutions (implemented and aimed solutions)</li> </ul>
Production	<ul style="list-style-type: none"> <li>• Capacity</li> <li>• Product quality</li> <li>• Challenges &amp; solutions</li> </ul>
Other information	<ul style="list-style-type: none"> <li>• Forms of cooperation in your business</li> <li>• Stakeholders (identification and relation)</li> <li>• Risks <ul style="list-style-type: none"> <li>○ Description and strategies</li> <li>○ Remarks concerning the economic sector</li> </ul> </li> <li>• Future plans (e.g. growth, diversification etc.)</li> </ul>
Main challenges including child labour and gender findings (beside the challenges listed above)	<ul style="list-style-type: none"> <li>• Description</li> <li>• Reasons</li> <li>• Solutions</li> </ul>

## Dagon Myothit (Seikkan) Industrial Zone - Overview of industrial enterprises

### Driectorate of Industrial Supervision and Inspection Yangon Region

#### Registered Private Industrial Enterprises by Commodity Group

DagonMyoThit (Seikkan) Industrial Zone

31.8.2016

Sr No.	Commodity Group	No: of Industrial Enterprises				Remark
		Large	Medium	Small	Total	
1	Food & Beverages	36	11		47	
2	Clothing apparel & Wearing	13			13	
3	Construction materials	42			42	
4	Personal goods	17			17	
5	Household goods	7			7	
6	Printing and Publishing	2			2	
7	Industrial raw materials	6	1		7	
8	Mineral & Petroleum Products	6			6	
9	Agricultural equipment					
10	Machinery & equipment	1			1	
11	Transport Vehicles	1			1	
12	Electrical goods	1			1	
13	Miscellaneous	2			2	
	<b>Total</b>	<b>134</b>	<b>12</b>		<b>146</b>	



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