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# Job creation in Myanmar's trade agenda

Min Zar Ni Lin, S Kanay De, and Janarue Glutting



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## Acronyms and abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
DACU	Development Assistance Coordination Unit
DoCA	Department of Consumer Affairs
DoL	Department of Labour
DoT	Department of Trade
EU	European Union
FESR	Framework for Economic and Social Development
FGDs	Focus Group Discussions
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSP	Generalised Scheme of Preferences
GVC	Global Value Chain
ICT	Information and Communications Technology
ILO	International Labour Organization
JCSCG	Job Creation Sector Coordination Group
KIIs	Key Informant Interviews
LEO	Labour Exchange Office
LFS	Labour Force Survey
M&E	Monitoring and Evaluation
MFMA	Myanmar Federation of Mining Association
MGMA	Myanmar Garment Manufacturers Association
MGJEA	Myanmar Gems & Jewellery Entrepreneurs Association
MIC	Myanmar Investment Commission
MoC	Ministry of Commerce
MoLIP	Ministry of Labour, Immigration and Population
MRCs	Migration Resource Centres
MRPPA	Myanmar Rubber Planters and Producers Association
MSDP	Myanmar Sustainable Development Plan
MSDP-IU	Myanmar Sustainable Development Plan Implementation Unit
MTA	Myanmar Textile Association
MTP	Medium-Term Program
MTPO	Myanmar Trade Promotion Organization
MyanTrade	Myanmar Trade Promotion Organization
NDTF	National Tripartite Dialogue Forum
NES	National Export Strategy
SCGs	Sector Coordination Groups
SDG	Sustainable Development Goal
SME	Small Medium Enterprise
WTO	World Trade Organization
ToR	Terms of Reference
TS-JCSCG	Trade Sector Job Creation Sub-Coordination Group
UNCTAD	United Nations Conference on Trade and Development

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# 1 Introduction

Myanmar is recognized as the last frontier market in Asia with the potential for rapid growth after a series of reforms undertaken in 2011 and onwards which includes many notable political and economic reform agendas such as decentralization, financial and trade liberalization, regulatory reform, and strengthening institutions. This led to structural change in the Myanmar economy as trade and investment volume increased steadily and the sectoral composition of GDP has changed. Myanmar GDP composition in 2010 was dominated by the agricultural sector which accounted for 42.9% followed by service 37.3% and industry 19.8% respectively. In 2017/18, however, the service sector became the greatest contributor to the economic growth of the country, 41.9%, subsequently followed by industry 30.9%, and agriculture 27.1% (World Bank' Myanmar Economic Monitor, 2019). The volume of total export increased by 31%, from US\$ 12,523 million in 2014/15 to US\$ 16446 million in 2017/18 (Myanmar CSO, 2017 & 2018). Despite the national GDP and trade growth, the growth in jobs remains slow. In addition, among the working population, 38.9 % was out of the labour force and estimated 4.25 million people are in abroad, mainly for work purposes<sup>1</sup>. It shows the benefits of economic growth do not appear in reaching the whole working population. This study aims to map out the Government of Myanmar's (GoM) policies and institutions for job creation, especially within the trade sector.

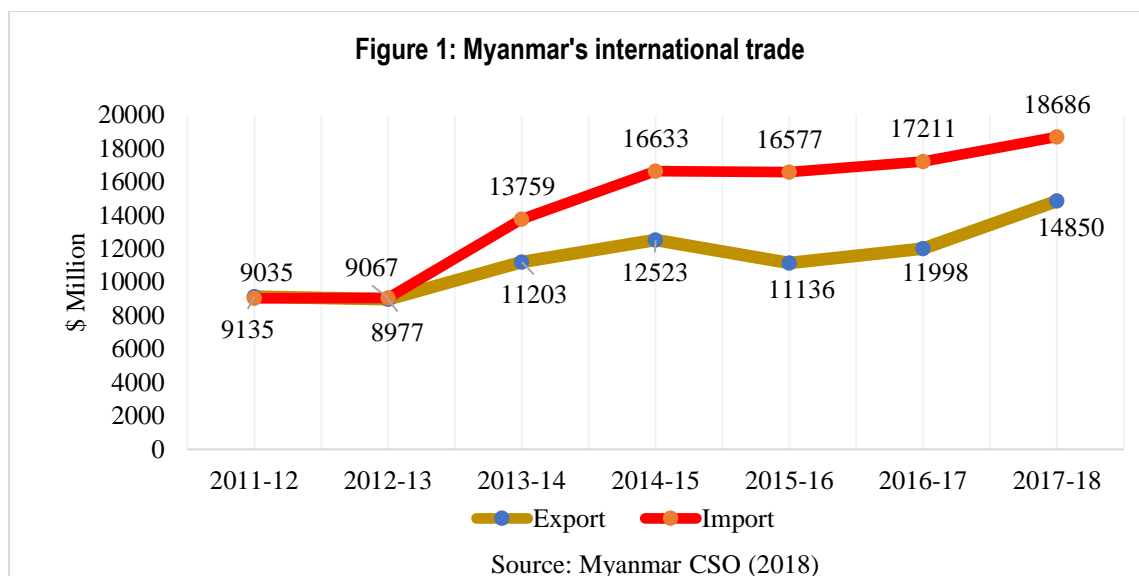
## 1.1 Trade, Investment, and Employment

Trade promotion has been an important policy agenda for economic growth since 1990 when Myanmar started its regional liberalization with its out-ward looking policy, focusing on promoting trade to neighbouring countries and by allowing private businesses to export their products (Kudo and Meino, 2007). This regional trade, however, was composed of primary resource and agricultural exports. Whereby in 2005, natural gas was the top export, followed by timber, beans and pulses, garment and marine products, accounting for 30.2%, 13.9%, 9.1%, 7.7% and 5.5% of total export respectively (Than, 2007).

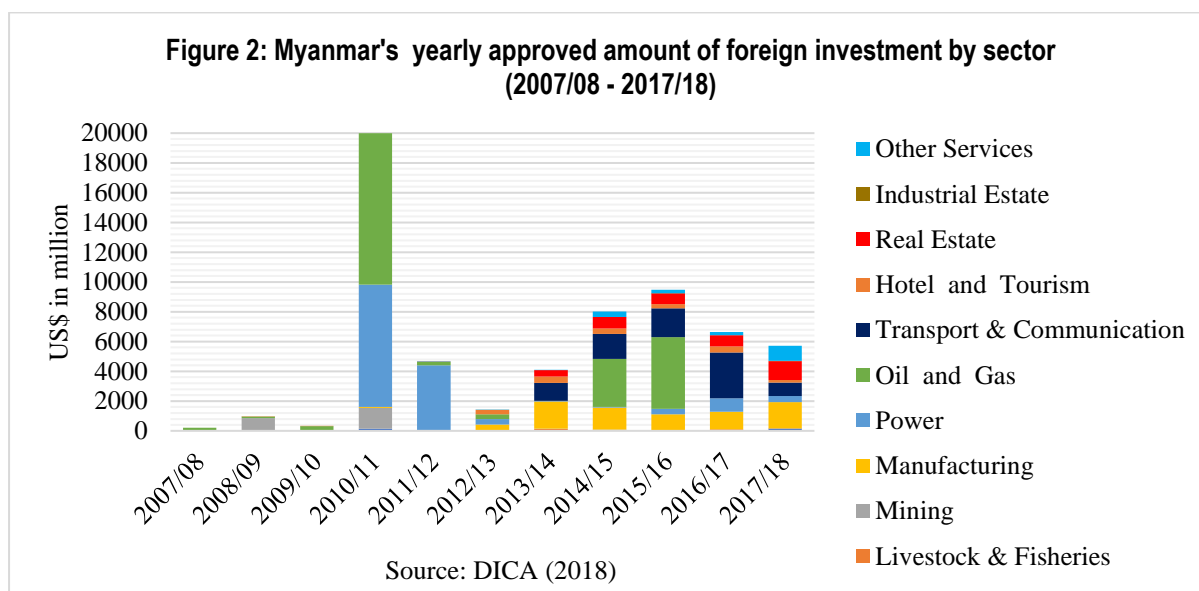
After the 2010 reforms, Myanmar became more integrated into the regional and global economies through further trade liberalization. To maximize the benefits of trade liberalization the first National Export Strategy (NES) was launched, mainly aimed at enhancing foreign investment into the export-oriented manufacturing sector while encouraging trade diversification. As a result, exports of the manufacturing industry grew rapidly especially the garment industry, allowing for the country's exports to shift away from the previous dominant agricultural and natural resource commodities. As a result of this trade liberalization efforts, by 2017, the garment industry ranked first export industry. Nonetheless, as Figure 1 illustrates, while exports are rising, so are imports, thereby overall, Myanmar's trade deficit is increasing. However, without doubt, Myanmar has benefited from the removal of the economic sanctions from the West and the European Union (EU) granting the country the GSP (Generalised Scheme of Preferences) status, particularly in the form of export destination diversification beyond its neighbouring countries such as China, Thailand, and India. To assist the liberalization reforms and ensure the benefits of the economic sanctions were fully utilized, the government also revised and updated various investment regulations.

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<sup>1</sup> Myanmar Census Thematic Report on Migration and Urbanization, 2016



As Figure 2 illustrates, Myanmar has been receiving foreign direct investment (FDI) since the adoption of market-oriented economic policy in the 1990s. However, unclear rules and regulations, insufficient support for necessary infrastructures, political struggles, and rent-seeking activities hampered the business environment and made investors from many countries hesitant to invest in Myanmar, particularly in the manufacturing industry, which was initially intended to encourage. Nonetheless, China, and Thailand were Myanmar's major trade partners and investors prior to reform in 2011. Before the reforms, the main FDI inflows were in the oil and gas sector as well as the power sector, however, investment and subsequent trade in the manufacturing sector has become increasingly dominant in late years.



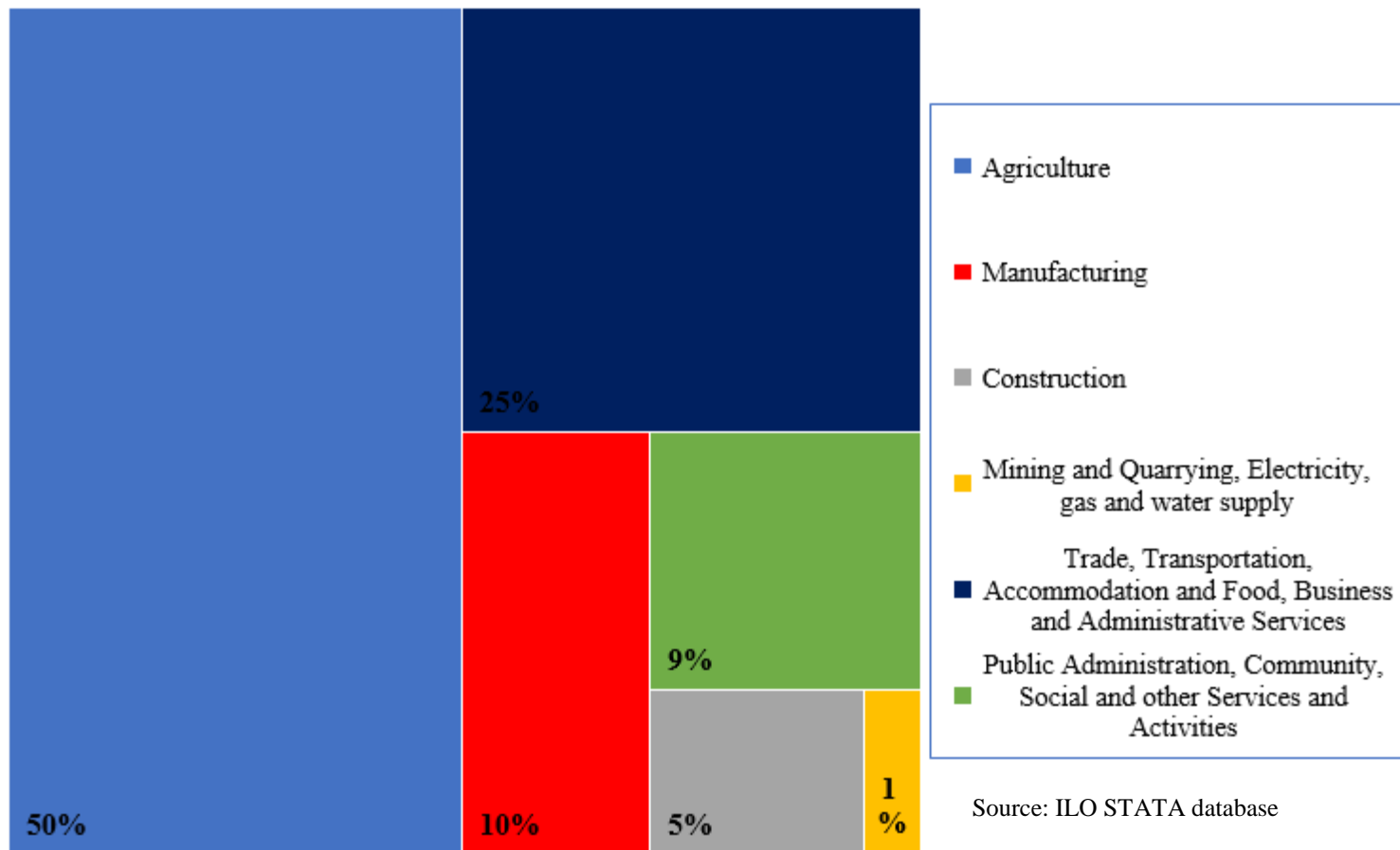
Despite FDI inflows have been higher than ever, Figure 2 also reveals these flows are highly volatile, with the most stable sectors being manufacturing, real estate, and "other services". Such apparent volatility signals to the government of Myanmar the need to put more effort into sustaining FDI inflows beyond the 2015 momentum. Nonetheless, the high volume of FDI aimed at the garment export sector is creating many job opportunities for the Myanmar workforce, which is well-linked with the Union government's policies on trade, FDI and job creation, both stated in the NES and Myanmar Sustainable Development Plan (MSDP). Amid such developments, from this perspective it appears that Myanmar is in the right direction; the

garment industry has employed more than 500,000 workers and is expecting to double the figure in the near future (Lin and Rue Glutting, 2019).

## 1.2 Job creation and employment trends

The Third-Quarter Report of Myanmar Labour Force Survey 2018 (LFS) reported that there were 22.55 million labours in the country with 20.40 million are currently being employed in various economic sectors. Despite there was relatively low unemployment rate which accounts for only 0.7%, the percentage for labour underutilization is at 5% and labour force participation rate is only 61.1% which is relatively lower compare to Vietnam, Laos and Cambodia whose labour force participation rates accounted over 70%. On the one hand, the majority of Myanmar employed workforce is still concentrated in the agriculture sector which accounted for 50% (see Figure 3).

**Figure 3: Aggregated Employment Composition by Economic Activity (2019)**



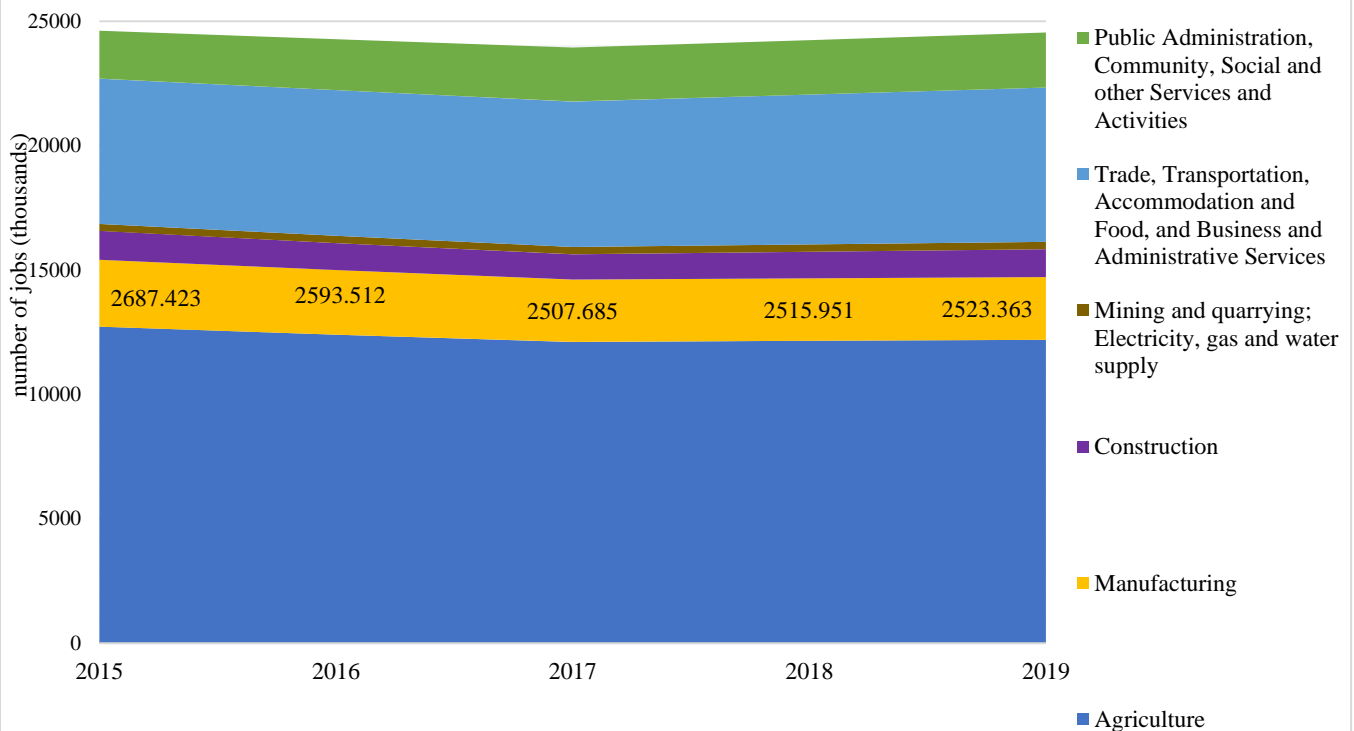
The dominance of the agriculture sector in employing the labour force has decreased over time with the exception of the services sector. Trade volatility also has impacted the agriculture sector's development. For example, the Government of India imposed quotas on Myanmar beans and pulses in 2018, which account more than 80% of Myanmar export to India and effected badly to farmers, including job opportunities<sup>2</sup>. As shown in Figure 4, the number of

<sup>2</sup> <https://frontiermyanmar.net/en/traders-urge-government-to-push-india-on-bean-import-restrictions>



employed persons in the manufacturing sector as a whole has remained quite stable since 2015. Whereby the significant employment growth in the export-oriented garment sector has stabilized the decline of the other sectors of the past years. This could be the fact that local products are not in a position to compete with the inflow of imported products, the former not being price competitive in a local market that is highly income constrained (Lin, 2018). Greater details on the composition of employment by economic activity at aggregate level from 2015 to 2019 is provided in Figure 4.

**Figure 4: Employment by economic activities (aggregate) in Myanmar (2015-19)**



Source: ILO STATA database

Based on economic activities, type of employment is categorized into six broad economic sectors. The largest economic sector that provides the majority of employment is agriculture sector and followed by trade, transportation, accommodation and food, business and administrative services. The manufacturing sector is the third-largest sector, followed by public administration, community, social, other services and activities, and mining and quarrying, electricity, gas and water supply sectors respectively. Sadly, employed persons in the agriculture sector decreased 4.8% from 2015 to 2017 while the manufacturing and construction sector decreased 6.7% and 12.6%, respectively. On the other hand, the remaining three sectors related to the service industry saw increases in employment. Nonetheless, overall employment decreased by 2.8% in 2017. Despite the downturn in overall employment in 2017, all economic sectors have experienced an increase in employment in 2019 compared to the year 2017. See Table 1 for a trend details in employment for each economic sector.

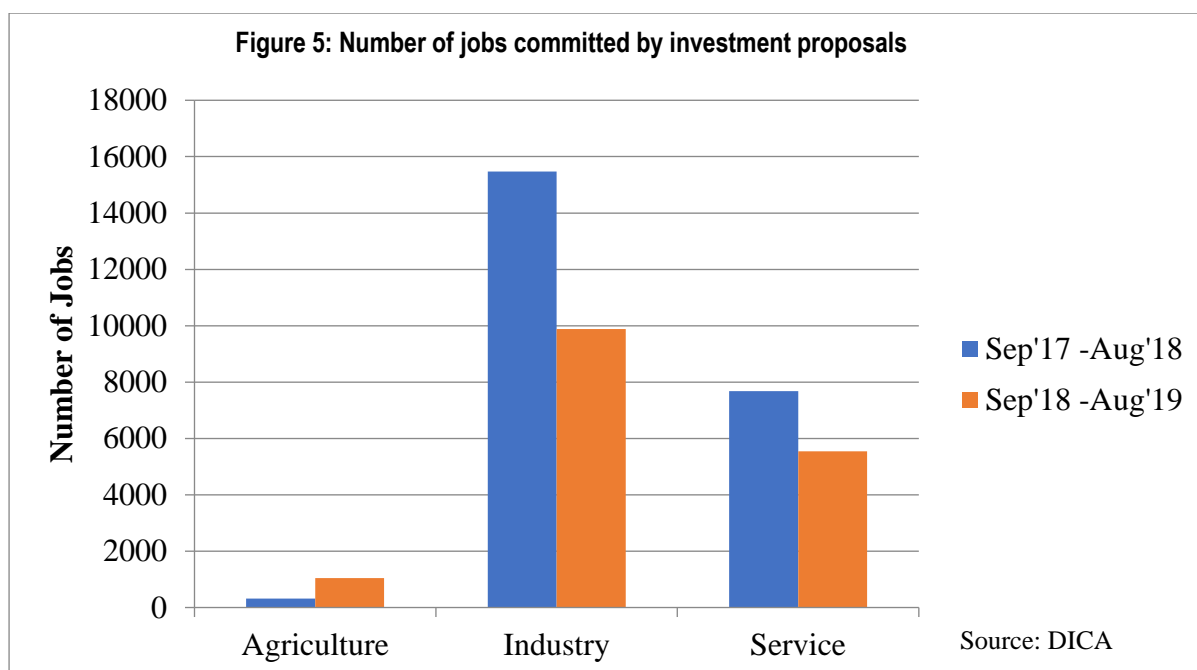
**Table 1: Aggregate change in employment (%)**

	2015	2017	% Change	2019	% Change
<b>Agriculture</b>	12,726.8	12,111.12	-4.8%	12,196.18	0.7%
<b>Manufacturing</b>	2,687.42	2,507.685	-6.7%	2,523.363	0.6%
<b>Construction</b>	1,163.35	1,016.439	-12.6%	1,114.932	9.7%
<b>Mining and Quarrying, Electricity, gas and water supply</b>	277.213	293.096	5.7%	300.703	2.6%
<b>Trade, Transportation, Accommodation and Food, Business and Administrative Services</b>	5,837.32	5,847.514	0.2%	6,197.382	6.0%
<b>Public Administration, Community, Social and other Services and Activities</b>	1,929.34	2,167.419	12.3%	2,212.167	2.1%
<b>Total</b>	2,4621.5	23,943.28	-2.8%	24,544.73	2.5%

Source: ILO STATA database

Economic growth and job creation can have a causal relationship which often many falsely assume that economic growth will lead to job creation. However, there are countries, including large economies such as India and China, that have experienced economic growth without concomitant growth in employment in the past years (Center for American Progress, 2012). Job creation, on the one hand, is essential for sustainable economic growth, poverty alleviation, improving living standards, and social mobility while also contributing to the economic resilience of a country. Therefore, economic growth without employment growth may hamper the sustainability of a country's economy, if productivity remains constant over time. It will also make it more difficult for people to escape from the poverty trap and improving their living standards especially if the country economic growth is driven by production sector. Thus, for these reasons, it is important to assess whether Myanmar's economic growth has contributed to job creation and increased employment opportunities for its people.

According to Myanmar Investment Commission (MIC), with regards to the number of jobs committed by approved investment projects, the employment growth in the industrial and service sectors has experienced significant downturn while agriculture section is in good shape (see Figure 5).



Legally, it is required for a worker to register at the Labour Exchange Offices (LEOs) under the Ministry of Labour, Immigration, and Population (MoLIP). The LEOs have been recording the new jobs created on a monthly basis for both the public and private sectors. While it covers the whole country, it lacks detail on the type and sector of the jobs created. Despite such limitations, it is valuable information on the number of jobs created in the formal sector (see Figure 6).



Based on Figure 6, based on averages during the observed period, Myanmar's formal sector is creating between 15,000 to 20,000 jobs each month. However, LEOs can only record job data that is provided to them, so they cannot include all jobs created in the labour market.

To put this limitation into perspective, in Myanmar, only 18.2% of the labour force recognized as formal employment (LFS, 2018)

Despite having an annual growth of 6-7% and continuous increase in the export value since 2015, employment has been unstable across all the economic sectors. This, in turn, provides an opportunity for Myanmar to strengthen the linkages between institutions and policies involved in trade and job creation.

## **2 Concepts of linkages between trade and job creation**

The relationship between trade liberalization and job creation is a complex phenomenon that intertwines sociocultural norms, political structures and domestic, formal or informal, institutions like the legal system and existing labour market arrangements. Trade openness can result in structural changes in the economy and the reallocation of capital and labour, which causes both job creation and job losses (Jansen and Lee, 2007). Openness to trade (and competition from foreign firms) also encourages local producers to search for more efficient production processes and can improve their prospects. Structural adjustment takes time and is not costless.

Trade openness should not be implemented in isolation rather, it requires certain institutions to be present and functioning (Shafaeddin, 2005). The nature and coverage of labour market institutions and their policies influence the economic and employment outcomes associated with trade and related financial liberalization reforms. Despite the significant differences among countries, they affect the social impact of adjustment; they influence workers' incentives to seek employment and for employers to create new jobs (Freeman, 2007).

Based on the fact that some economies among the countries in the Global South have been transitioning from an agrarian economy to manufacturing, it is important to consider how agriculture structural changes took place (Cheong et al., 2013). The structural adjustment of the rural economy, with a declining contribution of agriculture and an increasing share of non-farm activities, has increased significantly the number of unemployed people in both rural dispersed and rural semi-urban areas. An increase in trade will result in low productivity import-competing firms being pushed out of the market while high-productivity firms continue to flourish, thus increasing economy-wide productivity. This will then contribute towards an expansion in the labour market as these high-productivity firms seek out new employees. Although many developing countries implement some degree of active labour market policies such as public employment services, skill development programs, and various employment creation schemes, the scale of such interventions and the resources devoted to them is typically limited.

Production nowadays is vertically fragmented across different countries, i.e. parts and components are produced in distinct locations and are assembled either sequentially along the supply chain or in a final location. The prevalence of GVCs (Global Value Chains) in the world economy impacts strongly on trade and labour markets, but also on issues such as inequality, poverty, and the environment. The UNCTAD (2013) stated that becoming a part of GVCs can create more job opportunities. For example, jobs are created in developing countries through the iPhone assembly in China, call centre operations in the Philippines and India, Nike shoe production in Viet Nam, and automobile and auto parts production in Mexico and Thailand. However, gains from GVC participation are not automatic there are risks in joining GVCs (Baldwin et al., 2014). Finally, literature and evidence highlighted that there is no blanket formula of trade liberalization that generate employment opportunities. Different studies conclude the effect of trade on employment takes place in different ways depending on

the country-specific factors and development level. The crucial question is how institutions will manage the processes.

While there is a wide range of institutions that enable the rule of law, governance structures, provide social goods and services, government institutions are the economy's primary facilitator of social and economic development. Research shows that these institutions can be a major source of growth; effective institutions enable investment in physical and human capital development (Hall and Jones, 1999; Acemoglu et al., 2001). Moreover, institutions also have an important redistributive role to play in the economy – they make sure that resources are properly allocated and ensure that the poor or those with fewer economic resources are protected. In turn, higher growth and lower borrowing costs give governments the resources to spend on social needs as well as on investment into infrastructure, health, and education.

Beyond the important role of institutions as the vehicle for economic growth, a growing literature focusing on mechanism required for policies to come into action (Barber et al., 2011; Nordstrum et al., 2017; Richards, 2018; Stratton, 2019). This strand of the literature which has emerged from practitioners' successful experiences on the importance of optimizing and strategically planning and revising the implementation phases of a policy. As Barber argues (Barber, 2007), government bodies need to build faith beyond their election campaign. While bureaucracies focus on writing policies, the lengthily and most difficult part is delivering these policies. To the extent that setting realistic measures that are time-bound allows for continuous feedback on the progress. Complemented with meeting routines to assess the progress is paramount, particularly useful in hierarchical societies.

However, even when changing the policy directive or their de jure, the coordination of the various government entities is imperative (Peters, 2015a). There are two main types of organizational coordination; horizontal or vertical. The former involves coordinating different programs and policies generally found in different organizations, often to effectively fulfil the various directive without duplication or lacunae (Peters, 2015b: 222). It is not just horizontal coordination that is important, hierarchical coordination is crucial, particularly involving various levels of the administrative bodies, which often involve interaction between public and private sectors (Torfing et al., 2012).

Effective coordination requires that agencies are predisposed to work with others and are given appropriate incentives and adequate resources to engage in coordination (Bardach, 1998). However, there are common obstacles that prevent effective coordination, namely interdependence, conflict of interests and trust between the collaborating entities (ibid). To lessen the friction of interdependence, structuring the division of labour in a way that minimizes interdependence has been found to improve collaboration (Hammond 1990). To streamline various interests, incentives should be aligned to achieve congruence between the interests of agencies and broader collective objectives (Pratt and Zeckhauser, 1985). Finally, if the collaborating entities can develop trust and reciprocal relationships among themselves so that they are willing and able to coordinate with one another, effective interagency coordination will allow for policies to be effectively developed and executed (Holmstrom, 1982).

Thus, understanding institutions and administrative structure and objectives and priorities are considered as an important tool to strengthen the linkage between trade and job creation in a positive manner and to tackle policies obstacles for job creation.

### 3 GoM's policies and strategies for job creation and trade sector

This chapter of the report examines various employment and trade sector policy frameworks of the GoM that support the job creation environment in Myanmar. Between 2013 and 2015, the GoM outlined the Framework for Economic and Social Development (FESR), which defined the short-term economic development strategy for the reform process. One of the strategies was to encourage public and private investments focused on industrial development that would generate job opportunities<sup>3</sup>. After 2016, the GoM adopted the 12-point economic policy which outlined the importance of employment opportunities to achieve national wide equitable development (State Counsellors' Office, 2016), however, some commentators pointed out that there was a lack of a detailed implementation strategy for each policy presented (Shwe and McLaughlin, 2016). In late 2018, the GoM adopted the MSDP (2018–2030), which focused on three main development pillars that are broken down into five goals, 28 strategies, and 238 action plans (see Figure 7). Each action plan is matched with a relevant Sustainable Development Goal (SDG) as a way to approach national sustainable development, becoming central to the reform agenda of the present administration, with significant emphasis on job creation and the private sector-led growth as an important policy goal. A closer observation of the MSDP reveals seven strategies were set to assist in achieving job creation and private sector-led growth goal (see Figure 7).

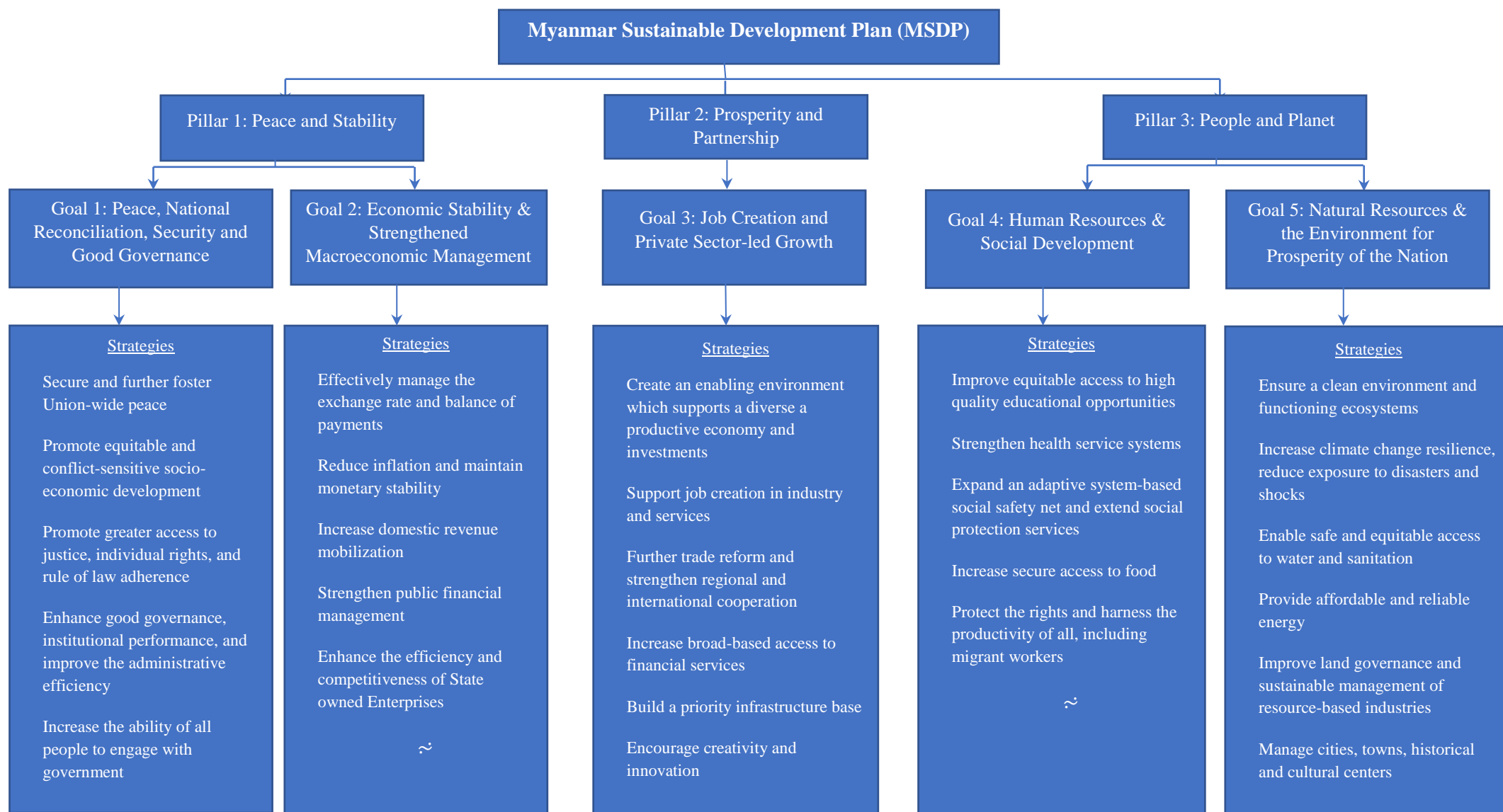
In order to implement effectively, the MSDP references various sectoral documents that were formulated by the concerned Ministries that are to be harmonized with the existing sectoral policies/plans. From this perspective, the MSDP aims to guide policy delivery and implementation. These guiding documents are the following:

- (1) Myanmar Agriculture Development Strategy 2018/19 – 2022/23
- (2) National Export Strategy 2015-2019
- (3) Myanmar Financial Inclusion Roadmap 2014-2020
- (4) Myanmar Industrial Policy 2016
- (5) Private Sector Development Framework and Action Plan
- (6) National Strategy for Rural Roads and Access 2016
- (7) SME Policy 2015
- (8) Myanmar National Transport Master Plan 2016

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<sup>3</sup> Framework for Economic and Social Development (FESR), GoM (2015)

**Figure 7: Myanmar sustainable development plan**



In order to complement the NES and the MSDP, the MoLIP has set out to ensure and improve decent work opportunities within Myanmar and abroad. Specifically, the MoLIP has focused on strengthening employment opportunities in country and abroad, providing skills training and producing in-demand marketable skilled workers, and organizing jobs fair and labour-intensive SMEs development workshops. In line with its vision, the department of labour formulated a jobs policy which outlined seven points of actions<sup>4</sup>. Those are:

- (1) Enhance productivity through decent work conditions
- (2) Formulate a macroeconomic framework that encourages job creation
- (3) Encourage entrepreneurship and private sector investment
- (4) Strengthen productivity and job opportunities for workers
- (5) Ensure non-discrimination in the labour market
- (6) Strengthen environmental and social sustainable development
- (7) Foster a flexible working environment

Additionally, employment generation processes and policies were fully incorporated in the various relevant government bodies. For example, the MIC requires investors to demonstrate their commitment in job creation in investment proposals. The Ministry of Commerce (MoC) has focused on employment creation by creating and fostering domestic value chains linkages with trading partners. Development partners too have been focused on job creation and employment opportunities, with many employment-generation programs and projects, while the private sector has engaged in partnerships aimed at supporting technical, vocational and entrepreneurial skills. For example, the German development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ) in collaboration with MoC has implemented a project that aims at strengthening Myanmar's private sector, focused on integrating micro, small and medium-sized enterprises into the value chains that enable job creation. Similarly, the ADB adopted a medium-term country partnership strategy (2017-2021) to support Myanmar's economic growth and job creation<sup>5</sup>.

### **3.1 Myanmar's trade policy and regulatory reforms**

For decades Myanmar was isolated from the international community and adopted inward looking economy, ending with the late 1990s gradual regional liberalization. However, it was not until after 2010, that the GoM initiated a proactive outward global- looking strategy aimed at liberalizing trade and promoting fair competition in the private sector. As part of the regulatory reforms, the export and import law and the competition law were promulgated in 2012 and 2015, respective, laws that aimed at relaxing the export/import restrictions and ensuring a levelled playing field. These moves were focused on complying with WTO and ASEAN agreements, mainly showcasing the country's tariff restriction reduction with fellow ASEAN members and other trading partners (Lin, 2018).

To speed up the trade promotion efforts, in 2013 a trade promotion organization under the MoC was established, formulating and adopting soon later the five-year NES (2015–2019) with the purpose of fostering export growth, socio-economic development, and employment generation. Seven prioritized sectors were identified in the NES by strengthening four cross-sector functions that would enable the business environment for enterprises and exporters (NES, 2015).

The sector identified were (1) Rice, (2) Bean, Pulses and Oilseeds, (3) Fisheries, (4) Textile and Garments, (5) Forestry Products, (6) Rubber, and (7) Tourism. The four priority

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<sup>4</sup> MoLIP (2018)

<sup>5</sup> ADB (2017) <https://www.adb.org/news/adb-partnership-myanmar-support-growth-job-creation>



functions to develop the abovementioned sectors were; (1) Trade Facilitation and Logistics, (2) Quality Management, (3) Access to Finance, and (4) Trade Information and Promotion.

Currently, amid the end of term for the first phase of the NES, the GoM is updating the strategic plan for another five years (2020-25) and intends to expand to an additional five sectors; (1) Fruits and Vegetables, (2) Handicrafts, (3) Value-added Agricultural Food Products, (4) Jewellery, and (5) ICT products<sup>6</sup>. In line with the national development agenda, the MoC formulated a Medium-Term Program (MTP) in partnership with development partners and mainly through the aid-for-trade agenda. The MTP aims to build Myanmar's capacity to trade and address critical supply-side constraints (MTP, 2017), and covers a series of key reform areas in the five identified pillars: (1) Trade Policy and Institutions, (2) Trade Facilitation, Transport and Logistics, (3) Quality Infrastructure and Standards, (4) Private Sector Development, and (5) Value Chain Development and Export Diversification.

## **4 Institutional mapping for job creation within the trade sector**

### **4.1 Ministry of Labour, Immigration and Population**

The Ministry of Labour, Immigration and Population (MoLIP) is the main governmental agency charged to oversee labour-related issues in Myanmar. This Ministry was formed in March 2016, when the Ministry of Labour, Employment and Social Security and the Ministry of Immigration and Population merged. MoLIP has two permanent secretaries to oversee different functions of the ministry namely, the Labour division and the Immigration and Population division. The main functions of the former division are to; protect workers' rights, provide social services for the workers, promote higher labour productivity, and participate in international labour affairs. Under the labour division, there are three departments and one organization, namely; the Department of Labour, the Department of Labour Relations, the Factory and General Labour Law Inspections Department, and the Social Security Board (see Figure 8).

### **4.2 Regional department of labour**

The Regional Department of Labour offices are located in every State and Region and report to the Director General and Deputy Director General of the Department of Labour in Nay Pyi Taw. The Regional Head Offices have five focus areas; management, job seeking and matching, employer and employee registration data collection and surveying, migration, and vocational skills, training and development. There is also a mobile team from other labour-related departments such as inspection officials. The main aim of this team is to reach out to workers and employers that cannot easily access the office's services such as registration and labour laws awareness, e.g. there are townships without labour exchange office or labour-related departments.

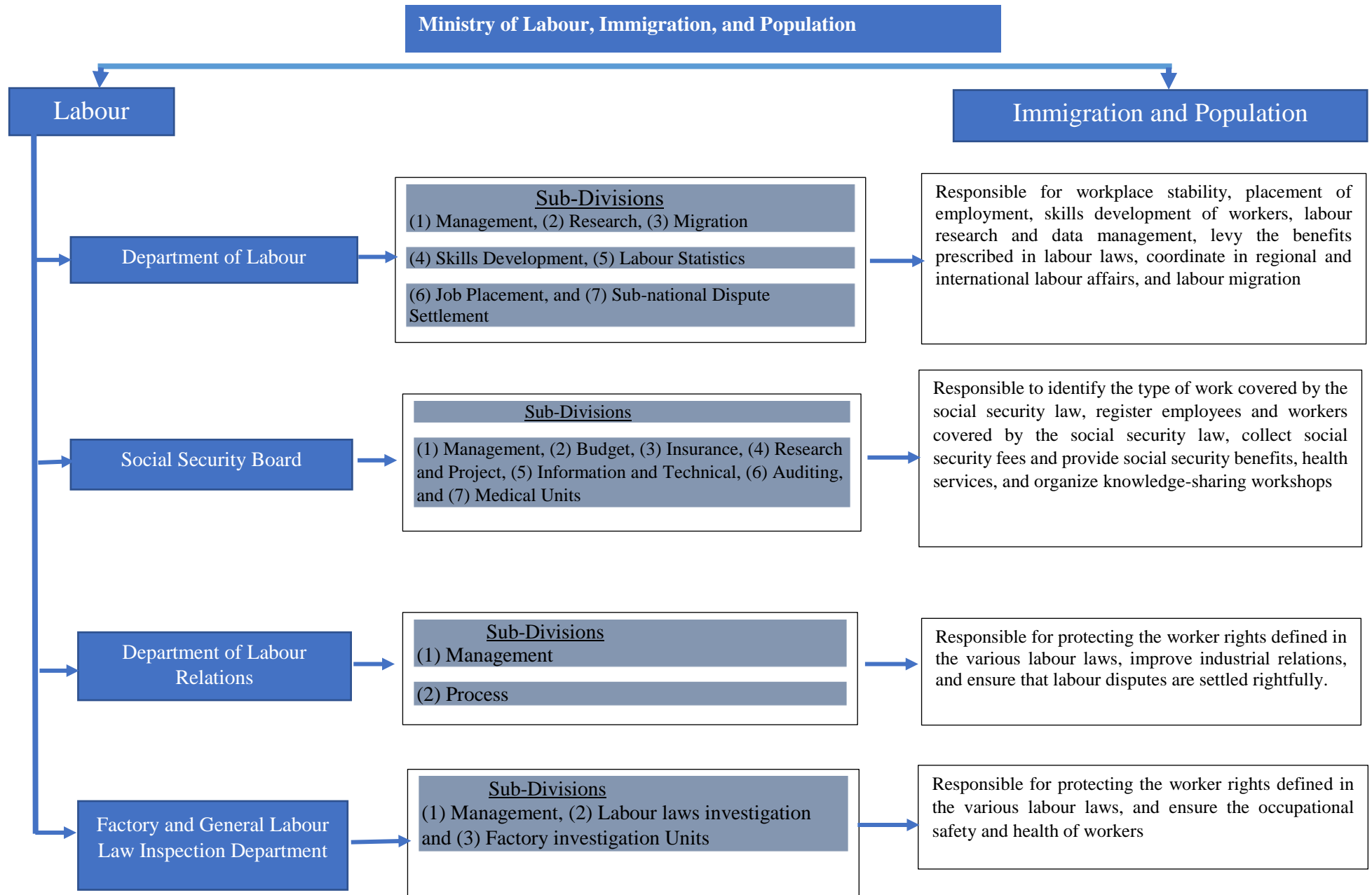
Moreover, these regional offices are responsible for monitoring labour association within the States and Regions and the overseeing the registration of any new Labour association. The office also oversees the activities of district and Township Labour Exchange Offices. Finally, the Regional Head Office is also required to coordinate with the Regional Labour/Social Affairs Minister who is also in charge of labour-related issues of the Regional Governments.

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<sup>6</sup> The Global New Light of Myanmar (2018) <https://www.globalnewlightofmyanmar.com/five-new-sectors-to-be-listed-on-national-export-strategy/>

The activities performed are in accordance with seven main laws, namely; the Employment Restriction Act (1959), the Women's Compensation Act (1923), the Employment Statistics Act (1948), the Overseas Employment Law (1999), the Labour Organization Law (2011), the Minimum Wage Law (2013), and the Employment and Skill Development Law (2013).

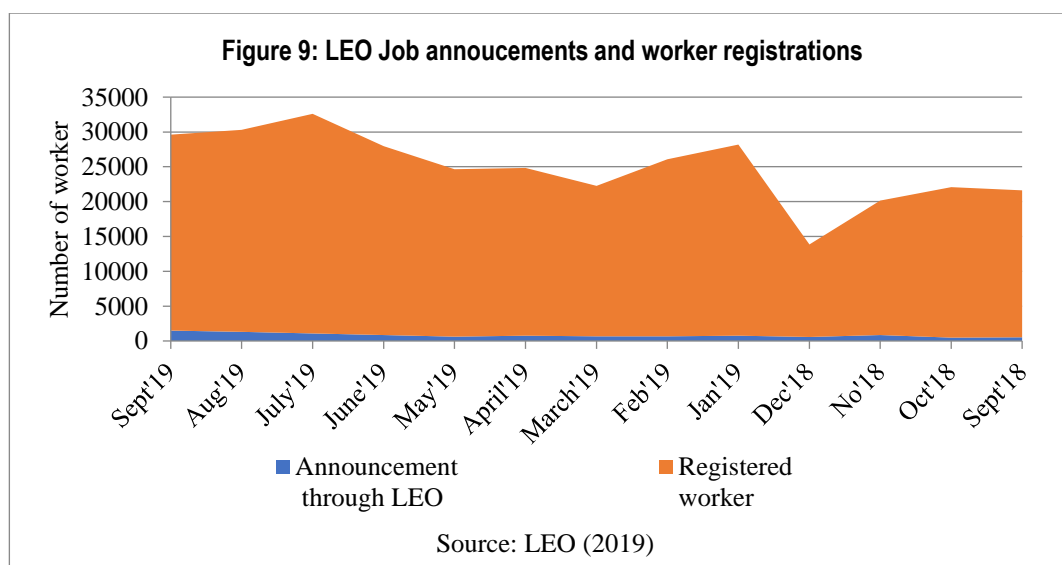
Figure 8: Ministry of Labour, Immigration and Population structure and its functions



### 4.3 Labour exchange offices

Under the supervision of MoLIP's Department of Labour (DoL), the employment division is mandated to formulate the macroeconomic policy related to job creation, by encouraging private sector development, strengthening labour productivity, and enabling equitable labour markets. The employment division of the DoL is in charge of the Labour Exchange Offices (LEOs), which were established throughout the country, in accordance to the 1959 Employment Restriction Act. The LEOs generally function as part of the DOL's district or township-level operation and have three main functions. Firstly, they are responsible for registering employers' vacancies. Secondly, they are responsible for registering jobseekers and matching them with suitable vacancies. Lastly, they issue labour registration cards for domestic jobseekers and overseas workers. In addition to their main stipulated functions, the LEOs are responsible for the labour laws awareness outreach and the registration of labour unions. Some LEOs even serve as Migration Resource Centres (MRCs), aimed at supplying the necessary information for international migration. Currently, there are 91 LEOs across the states and regions in the country<sup>7</sup>.

According to the 1959 Employment Restriction Law, employers are required to recruit through LEOs and workers must register at LEOs. LEOs have a public notice board where people can search for available jobs. Jobseekers 18-year-olds and above that have a national identity card can register at LEO offices, whereby if a suitable position is found they are notified via mobile phone or standard letter. In 2017, the MoLIP upgraded job matching manual system to an online registration platform, however, the employer is still required to physically register with the official company/enterprise license to post the first-time job vacancies. The jobseeker, however can register and check for the job descriptions online. It is worth mentioning that despite such official channel is in place, it is not the main recruitment system for most nor the preferable scheme. Most standard job announcements are done informally, through social networks, brokers or employment agencies. To the extent that amid the high mobile and internet adoption rates, online media adverts and social media has become the predominant means of recruitment and job-seeking medium. As Figure 9 illustrates, the number of jobs demanded through LEOs represent only three percent of registered workers in LEOs from September 2018 to September 2019.



<sup>7</sup> <https://www.mol.gov.mm/mm/departments/department-of-labour/dol-manpower-statistics-division/leo-office-update/>

It must be noted that before someone can start searching for a job they are required to register at their relevant LEO. Upon registration they are issued a one-year validity labour card. The number of registered workers has increased in the past last 12 months and most of the registered workers are from Yangon and Mandalay regions.

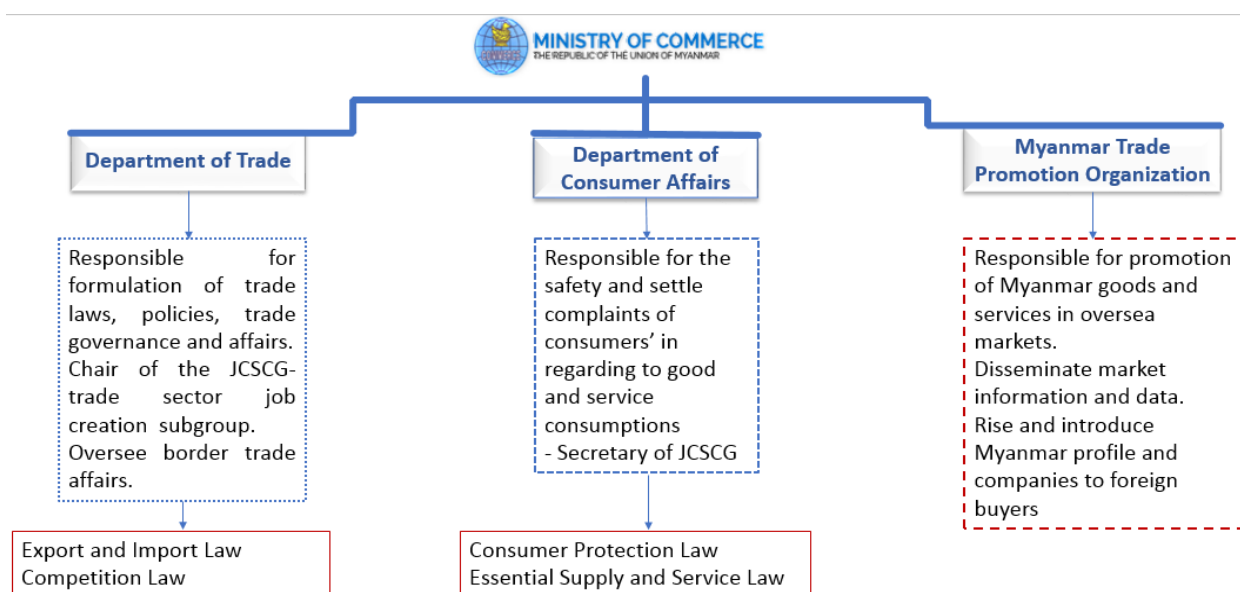
With the relatively new online labour exchange management system, the township-level LEOs are required to upload labour information in the database on a daily basis. Despite this online system being set up, these LEOs are still required to manually record all the details of job announcements, registered jobseekers, and labour card issuances. To the extent that this information is required to be share to the DOL in Nay Pyi Taw and the respective State/Region Head office on a monthly basis.

The Employment and Skills Development Laws designated the MoLIP as employment permit issuance agency. As of September 2019, MoLIP has issued 94 permits for domestic employment recruitment agencies, many of which are located in Yangon<sup>8</sup>.

#### 4.4 Ministry of Commerce

The Ministry of Commerce (MoC) is composed of two departments and one organization which are Department of Trade (DoT), Department of Consumer Affairs (DoCA) and Myanmar Trade Promotion Organization (MTPO). Its missions include enhancing trade volume, supporting private sector development in line with a market economy, rising the market share of Myanmar exports in global markets by coordinating with international organizations, and supporting trade activities. For each department under the MoC, the DoT is responsible for the formulation of trade policies and laws and overseeing trade governance and affairs, including border trade affairs. On the one hand, DoCA is responsible for the safety and settlement of consumer complaints regarding goods and services consumption, while the MTPO is responsible for promotion of Myanmar goods and services in overseas markets (see Figure 10). The MoC was assigned to be in charge of overseeing and coordinating development assistance and programs related to job creation.

Figure 10: Ministry of Commerce structure and its functions



<sup>8</sup> <https://www.mol.gov.mm/mm/wp-content/uploads/2015/06/Address-Phone-94-2-10-2019MEWebsite.pdf>

## 4.5 Parliamentary Committees on Labour Affairs

There are two parliamentary committees formed under the Pyithu Hluttaw (Lower House) and Amyotha Hluttaw (Upper House) that focus on labour-related issues. Each committee consist of 15 parliamentarians.

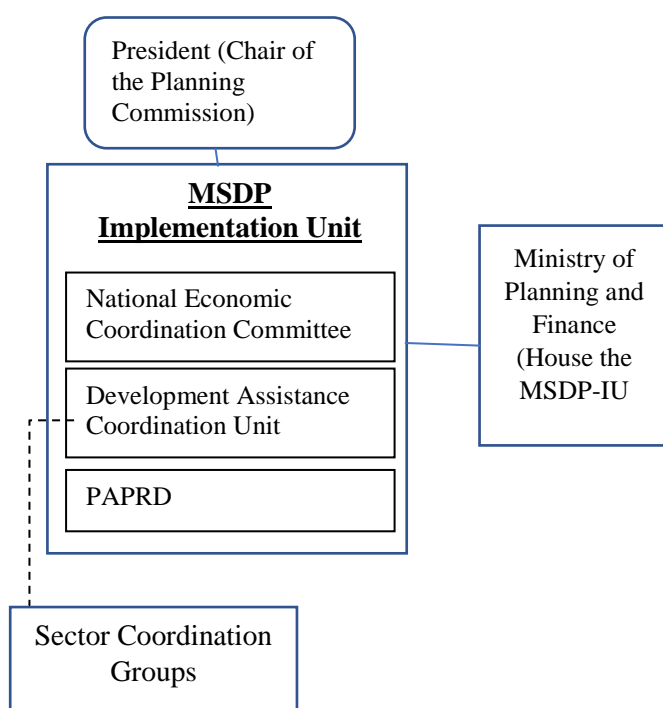
Despite the responsibilities of both committees are broad, they aim at; supporting workers' rights, reducing the unemployment rate, reviewing and revising existing labour laws and enacting new laws when necessary, and overseeing the overall management of labour-related departments. These two committees are also mandated to coordinate and cooperate with union-level government agencies, local and international labour organizations, as well as private sector associations and experts. The committees organize session hearings with relevant stakeholders and report to the speakers of Pyithu Hluttaw and Amyotha Hluttaw to follow up with government agencies. Currently, the labour affairs committee under the Amyotha Hluttaw is reviewing the Minimum Wage Law and organizing session hearings with relevant stakeholders on this topic. In collaboration with MoLIP, some committee members are involved in facilitating labour dispute resolutions and often partake in negotiations between employers and employees.

## 4.6 Other relevant stakeholders

During the various authoritarian regimes, the labour laws in Myanmar were weakened, while labour union activity and public participation was limited. As the result of the democratization process, labour unions, private sector associations, development partners and other stakeholders have been allowed to participate together with various government agencies

in the labour policy formulation, draft and revise labour laws, and monitor the overall progress. Below some examples of multi-stakeholder engagements related to employment governance.

**Figure 11: Organizational structure of the MSDP implementation union**



Source: MSDP (2018)

With the support of ILO, there is the National Tripartite Dialogue Forum (NDTF), which is the platform for tripartite dialogue with government, private sector and labour unions related to labour issues such as social security and forced labour. Under the NDTF, the Minimum Wage National Steering Committee was set. Comprising of representatives from the government, private sector, trade unions, the committee was tasked to set a national minimum wage for the country. To mitigate conflict arising from labour disputes, a multi-stakeholder labour dispute mechanism was set at the township, state and region as well as the union-level. Currently, there are a total of

290 township-level conciliation body across the country<sup>9</sup>.

### *The MSDP Implementation Unit*

To oversee the MSDP implementation, the MSDP Implementation Unit (MSDP-IU) was established and has been housed under the Ministry of Planning and Finance (MoPF). The MSDP-IU is responsible for the preparation of regular progress reports and formulation of strategies for overcoming the challenges. The MSDP-IU reports to the Planning Commission, which is chaired by the President (see Figure 11).

### *The Development Assistance Coordination Unit (DACU)*

In 2017, the GoM has established the Development Assistance Coordination Unit (DACU) which falls under the leadership of the State Counsellor. The Ministry of Investment and Foreign Economic Relations' Foreign Economic Relation Department serves as its secretariat. The primary responsibilities of the DACU are to oversee the development assistance to Myanmar, to review the strategic development and financing priorities, and to facilitate the constraints of assistance delivery<sup>10</sup>. Additionally, the GoM has established ten Sector Coordination Groups (SCGs), including the Job Creation Sector Coordination Group (JCSCG) to facilitate development assistance within certain designated sectors (see Figure 12). Each SCG chair is required to report bi-annually their activities to the DACU chair and is required to call SCG meetings at least once every four months. An SCG is responsible of drafting the prioritized and costed sector plan and to track the development assistance within its sector<sup>11</sup>. The DACU formulated the Myanmar Development Assistance Policy which has been launched in earlier 2018.

### *The Job Creation Sector Coordination Group*

The Job Creation Sector Coordination Group (JCSCG) was established in November 2017, is chaired by the Union Minister of Commerce, and its secretariat is hosted by the Director General of the DoCA which falls under the MoC (see Figure 12). The group is comprised of 27 government members and five private sector members. Among government representatives, 22 members were from 12 government agencies from 11 Ministries. Those ministries are the MoC, Ministry of Border Affair, Ministry of Agriculture, Livestock and Irrigation, MoLIP, Ministry of Industry, Ministry of Health and Sports, Ministry of Investment, and Foreign Economic Relations, Ministry of Hospitality and Tourism, MoPF, Ministry of Construction and Ministry of Transport and Communications. It must be noted that development partners are not part of this coordination group but are invited to the groups' meetings<sup>12</sup>.

The secretariat team is responsible for organizing, documenting and reporting meetings, as well as communicating with JCSCG members and other relevant stakeholders. Up to this day, three JCSCG formal meetings have been organized, nonetheless, various informal coordination meetings with the secretariat team and development partners have occurred. The JCSCG members from government agencies and development partners have stated in interviews that most regular meetings focus on discussing the various updates on projects implemented by government agencies and donors, rather than focusing on policy obstacles and directions of job creation<sup>13</sup>. Under the JCSCG, five sub-sector coordination groups were

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<sup>9</sup> [https://www.mol.gov.mm/mm/depts/d\\_1\\_r/committee-staff/conciliation-committee-ph/](https://www.mol.gov.mm/mm/depts/d_1_r/committee-staff/conciliation-committee-ph/)

<sup>10</sup> FERD (2018) Myanmar Development Assistance Policy

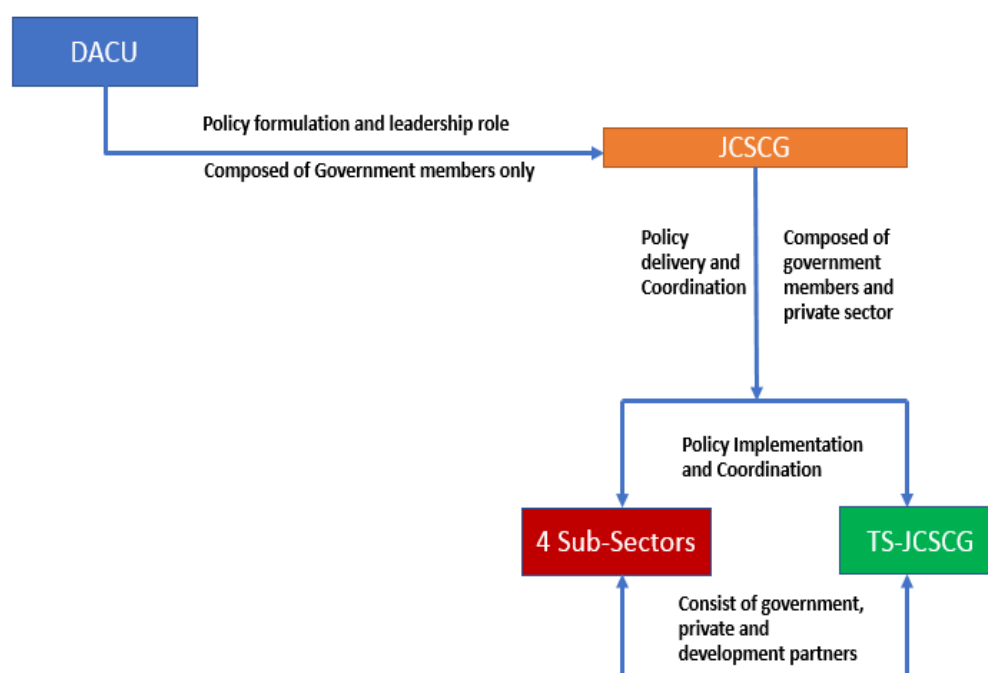
<sup>11</sup> FERD, Sector Coordination Groups Operating Guidelines. July 2017

<sup>12</sup> JCSCG's progress report (2019)

<sup>13</sup> Interview with DFID, GIZ and MoC

formed. Those groups are; (1) Tourism Sector Job Creation Coordination Group, (2) Manufacturing Sector Job Creation Sub-Coordination Group, (3) Trade Sector Job Creation Sub-Coordination Group, (4) Construction Sector Job Creation Sub-Coordination Group, and (5) Skills Development Sub-Sector Coordination Group. These sub-sectors coordination groups are chaired by the relevant Director Generals of the corresponding ministries.

**Figure 12: Linkages between DACU, JCSCG, and sub-sectors JCSCG**



### Trade Sector Job Creation Sub-Coordination Group

The Trade Sector Job Creation Coordination Group (TS-JCSCG) is one of the sub-sector coordination groups established by the JCSCG in June 2018. Its objectives include; identifying and prioritizing the sectoral strategies, plans and projects that relate to job creation, ensuring the smooth collaboration in drafting the work agenda from the GoM with support from development partners, and effectively implement these assigned responsibilities. There are nine detailed responsibilities for TS-JCSCG to perform. The coordination group consists of 33 members from government, private sector associations, and development partners: ten representatives from public sector, 15 from private sector, and eight members from development partners. Up to now, two meetings have been organized, and the discussion points were mainly around strengthening the functions of sector coordination group and drafting the group's Terms of Reference (ToR<sub>14</sub>). The secretariat office of the TS-JCSCG is located in the department of trade and it is chaired by Director General of this department. Similar to the JCSCG secretariat, the secretariat team of the TS-JCSCG is responsible for the meeting invitations, take meeting minutes, share information, and request comments on issues related to the TS-JCSCG. Moreover, it is also responsible of closely coordinating with the JCSCG secretariat team as well as with others sub-sectors job creation coordination groups.

<sup>14</sup> JCSCG progress report (2019)



## 5 Assessment and conclusions

This study has reviewed the GoM's policies and strategies geared towards jobs creation, particularly reviewing the trade-related institutional arrangements and operations. To understand different perspectives at different levels, this study carried out interviews with government representatives, private sector, and development partners at union-level and regional-level. It also relied on secondary data sources such as government's documents and legal notifications. However, it is important to note that Focus Group Discussions (FGDs) and the key informant interviews (KIIs) were conducted with a small set of stakeholders from Nay Pyi Taw and Mandalay due to limited time.

The recent statistics on employment have signalled that there is a slowdown in the past four years in the job-creating momentum in Myanmar, despite the increased total trade value during that period. To recover from this trend, the GoM has emphasized its serious commitment to job creation, an intention that is grounded in the MSDP as an important national goal launched in late 2018. With the involvement of the public and private sector as well as development partners, a job creation coordination mechanism has been established. This study aimed to identify the gaps and remaining challenges for job creation related to the trade sector.

As discussed in previous sections, the relationship between trade and job creation is not linear and requires certain institutions to operate efficiently to enhance each other's mission. While the aid-for-trade is the overarching premise, the real challenge has proven to ensure the effective delivery of development assistance and implement the formulated policies. The formulation of the MSDP and the identification of job creation as an important goal is the crucial first step. However, while the MSDP recognizes the role of the trade sector as instrumental for job creation, some gaps within this established institutional setup appear to hinder the implementation of the job creation agenda within the trade promotion strategy.

Job creation has been present in various government departments and agencies in Myanmar as an important part of their strategy and informs their policies. For example, investment project proposals require a description of the potential job creation of the investment<sup>15</sup>, while the Small Medium Enterprise policy was adopted with the sole purpose of promoting job creation<sup>16</sup>. However, the abovementioned institutions and policies have limitations and gaps which could be delaying or reducing their potential to contribute to further job creation. This shows the issue of effective coordination has become a challenge in realizing the objectives of employment policy.

Overall, one of the major challenges for existing institutions that were studied have been found to diminish the efforts to boost the creation due to the unclarity of their mandate and the limited capacity of the institutions to implement.

- **Unclear scope and within trade sector coordination mechanism is unresponsive**

As discussed earlier, the GoM has strategized the job creation coordinated approach by creating the Job Creation Sector Coordination Group (JCSCG) led by MoC, and established under the DACU. These efforts to establish a coordination structure for job creation through trade sector reform are commendable. The MoC has identified the NES to boost export volume through value chain upgrading while the MSDP also outlined relevant government agencies required for trade sector reform to effectively create jobs. However, some of those relevant government agencies are not part of this coordination mechanism. For example, there is no

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<sup>15</sup> DICA's requirement for an investment proposal

<sup>16</sup> GoM SME Development Policy (2015)

participation from the Ministry of Tourism and the Ministry of Industry despite the textile and garment sector as well as the tourism sector have been prioritized trade promotion sectors.

While the establishment of this Trade Sector Job Creation Sub-Coordination Group (TS-JSCG) is an important first step to realize the potential of this sector in the creation of jobs, a closer look at the notification of formation of this mechanism reveals some inconsistencies between DACU and this groups' directives. According to the Development Aid Policy, DACU is the mainly responsible for development assistance coordination and financing priorities while the TS-JSCG was mandated to support prioritizing sectoral strategies for job creation as well as facilitate development assistance. Whereby, initially, some participants expected that the outcomes of the interactions within the groups would be incorporated into the higher-level development agenda<sup>17</sup>. However, because of limited detailed guidelines for the various sub-groups, the dialogue architecture has been superficially used, and rarely concluded with tangible messages/issues to communicate up to the top<sup>18</sup>. In interviews, development partners stated that both JCSCG and subsector coordination mechanism provide an opportunity and a platform to share their programs and avoid overlap<sup>19</sup>. However, sometimes, the development partners had difficulties in identifying what are the governments' strategic job-related demands within the trade sector and labour skills they seek to develop<sup>20</sup>.

This TS-JCSCG has an unclear mandate and has yet to identify the prioritized trade sectors for job creation. Whereby, because of the lack of prior consultation, the exclusion of relevant stakeholders in this coordination groups have hampered the effective implementation of its mandate. For example, the private sector associations of the prioritized trade sectors in the NES are not part of the trade sector coordination group, such as the Myanmar Rubber Planters and Producers Association (MRPPA), the Myanmar Textile Association (MTA), and the Myanmar Garment Manufacturers Association (MGMA). Interestingly, some private sector associations in the natural resource extractive industries are members of the group, namely, the Myanmar Gems & Jewellery Entrepreneurs Association (MGJEA) and the Myanmar Federation of Mining Associations (MFMA), which could mislead the role of the extractive industries for trade promotion. However, it must be noted that the secretariat of this TS-JCSCG shared that the prioritized areas for various trade sectors have not been defined yet and group member composition was not based on priority sector<sup>21</sup>.

- **Lack of coordination between relevant job creation ministries**

Currently, the JCSCG in Myanmar is under the leadership of the MoC. However, it is unclear whether this coordination mechanism is mandated to coordinate all the policies related to job creation or it aims is to coordinate development assistance by donors. At the same time, the MoLIP is in charge of a labour-related issues, including to monitor labour affairs. To the extent that employment division under the DoL is set to focus on job creation as part of their policy. As interviews revealed, MoLIP feels that they was neglected in the process of setting the job creation agenda of the country. For example, the DoL is just a member of JCSCG and not part of TS-JCSCG. Moreover, it was stated the MoLIP's policies with regards to the national job generation agenda are often overlooked despite being a key institution which is closely related to labour affairs.

It must be noted that that MoLIP's Labour Exchange Offices (LEO) were underperforming with regards to their stipulated directive and were ineffective in matching labour supply with demand in the formal sector (as was shown in Figure 9). It must be noted

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<sup>17</sup> Interview with DFID

<sup>18</sup> Interview with MoC

<sup>19</sup> Interview with DFID

<sup>20</sup> Interview with GIZ

<sup>21</sup> Interview with MoC

that when interviewing MoLIP representatives, it was stated that job creation efforts were not part of MoLIP's core functions<sup>22</sup>

Moreover, the MSDP has not identified the MoLIP as a key agency for job creation and highlighted the role of MoC as a lead agency. However, some bureaucrats view that the MoC is to specialize in trade promotion and is not in a position to promote job creation effectively without serious support from the MoLIP<sup>23</sup>.

This study also noted that despite different government agencies include employment generation as their major objectives, it is unclear among stakeholders which government agency is strictly tasked and implementing with promoting jobs growth. For example, the Myanmar Trade Promotion Organization (MyanTrade) under the MoC takes a lead in promoting trade that would drive export-led growth<sup>24</sup>.

Finally, the FGDs also revealed that there are some challenges in integrating department/Ministry's ongoing action plans with newly adopted MSDP's action plans.

- **Misalignment between union and regional entities**

There seems to be a clash between union-level job-creating initiatives and structures and the regional level efforts. The MoC was assigned to be the focal point for the JCSCG, however, recently, the Ministry of Immigration and Human Resources was newly established in States and Regions levels to promote job creation at that level<sup>25</sup>.

Moreover, an officer interviewed from the LEO in Mandalay Region viewed that its office plays a leading role in implementing and coordinating job-related activities, e.g. organizing job fairs, given that other government agencies/departments are not interested seriously in these tasks.

Finally, it has been stated in interviews that the regional consumer affairs department, which fall under the MoC have sometimes requested regional DoLs, which fall under the MoLIP, to share labour market information as well as job promotion activities within their region, in order to inform their head office in Nay Pyi Taw<sup>26</sup>. These requests are not surprising. MoLIP is the ministry that has the institutional arrangements on the ground level to conduct job-related affairs.

- **Absent data and capacity**

As a representative from MoLIP shared, this ministry faces difficulties in formulating skills development programs because of a lack of information on skills demand by sector and type of jobs<sup>27</sup>. Beyond the employment information provided by the Myanmar Labour Force Survey (LFS), the availability of reliable and timely job and employment-related data by trade sectors is lacking, crucial to inform policy formulation and assess policy impact and progress. As the FGD participants revealed that many government departments, including in the areas of trade and employment, do have weak capacity to partake in such activities, a finding corroborated by a representative in the MoC<sup>28</sup>.

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<sup>22</sup> Interview with MoLIP

<sup>23</sup> MoC and MoIFR

<sup>24</sup> <https://www.myantrade.org/about-us>

<sup>25</sup> Mandalay Chief Minister, Jun 2019 - <https://www.mmtimes.com/news/mandalay-sets-immigration-jobs-creation-ministry.html>

<sup>26</sup> Mandalay DoL

<sup>27</sup> Interview with MoLIP

<sup>28</sup> Interview with MoC

## 6 Recommendations

While job creation requires a stable macroeconomic framework, it also needs policies addressing structure issues, namely encouraging skills and productivity upgrading, ensuring social protection, and business development (OECD, 2014). It is critical that institutions manage a range of policies so that they can create synergies together and contribute to an enabling environment required for job creation, as task that is not limited to one single agency or ministry. Thus, this paper emphasizes the restructuring the existing institutional coordination mechanisms to ensure job creation policies and strategies are effectively carried out.

- **Restructure the TS-JCSCG**

Restructure the trade sector coordination mechanism that is in-line with priority areas that appear in the MSDP and the MoC's trade strategy. Consequently, include the relevant private sector actors accordingly. An important objective of a revised composition of trade sector coordination group is to ensure all key private sectors focus on the identified trade areas and participate actively in meeting the goal of job creation within trade sector.

- **Restructure the secretariat team of JCSCG**

During the focus discussions with government and labour union representatives in Nay Pyi Taw, it was collectively viewed that there should be a clearly established entity that would lead the implementation and coordination efforts related to job creation. As mentioned in the previous section, while there is no doubt that the Department of Consumer Affairs has the ability to carry out the secretariat functions, existing infrastructure and human resources are not sufficient to provide labour market information and analysis to both the main coordination group and the various sub-sector coordination groups. Amid this overstretched capacity the DoL can play a role in supporting and providing advice to the groups. There are two options that should be considered, the first one is to assign DoL to take care the secretariat functions, while the second approach is based on collectively facilitating the coordination process by establishing a joint secretariat team between DoL and DoCA. It must be noted that clear mandate and job descriptions for each team members are crucial for the second approach.

- **Align union and regional-level job-creation efforts**

The specific role of union government in terms of job creation and line of communication between regions and states should be clarified and improved.

The review of the job creation policies and the initiatives of different agencies is urgent in order to ensure deliverance of the government's stated commitment. Moreover, there should be streamlining processes in terms of division of labour and developing programs and actions between MoC and MoLIP as well as between union government and states/regions governments.

- **Data and capacity to implement**

Greater and deeper understanding of the labour dynamics in the country is paramount. More data on the progress of the various groups and overall effectiveness of labour-related policies implemented is needed. It must be noted that for such data improvement must go hand in hand with the development of Monitoring and Evaluation (M&E) capacities among the supporting staffs in the above-mentioned coordination groups, both for the MoC, MoLIP, and various regional and state agencies and departments.

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International Labour Office  
Development and Investment Branch  
4 Route des Morillons  
CH-1211 Geneva 22  
Switzerland  
Email: [devinvest@ilo.org](mailto:devinvest@ilo.org)

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