

Half a year into Myanmar's minimum wage: Looking back, forging ahead

Key aspects and some empirical observations

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Myanmar's new MW law: Objectives

- Preamble: The Minimum Wage Law is enacted in order to
 - “meet the essential needs of workers, and their families, who are working in commercial, production and service, agricultural and livestock breeding businesses
 - and with the purpose of increasing the capacity of the workers
 - and the development of competitiveness”

The process of setting the MW rate

- After MW Law was enacted, a tripartite **National Minimum Wage Committee (NMWC)** was formed under the Office of the President in Sept. 2013 to define appropriate level for the MW.
- It comprised representatives from employers' and workers' organizations, government, and independent experts, incl. from NGOs and INGOs.
- It provided **forum for consultations**, discussions **and negotiations** among the different parties for almost 2 years
- In **June 2015**, the committee announced a proposed MW rate of 3,600 Kyat/day. Stakeholders had 60 days to comment and submit objections. Over 160 business owners and nearly 20 labor groups made use of this mechanism.
- In August 2015, GoM accepted this proposed MW rate which came into effect on **1 Sept. 2015**.

Key provisions of the law and corresponding regulations

- **Minimum basic wage rate** was set at 3,600 kyats per 8-hour working day (450 kyat/hour), corresponding to **approx. US\$ 83 per month**
- **Exemptions:**
 - ❖ Companies with 15 or less employees
 - ❖ SEZ management committees shall submit proposed MW rates to NMWC which then decides
 - ❖ 50% of MW for completely unskilled newly hired workers engaged in a training/induction program up to a maximum of 3 months.
 - ❖ 75% of MW for new employees during second 3 months of employment ('probationary period')
- **Uniform rate** across industries that applies country-wide
- Rate to be **reviewed**, i.e. amended or reconfirmed, **every two years**
- **Penalties for violation:**
 - ❖ Violation of law may be punished with max. 1 year prison or a fine (max. 500,000 Ks) or both
 - ❖ Violation of the rules and orders may be punished with max. 3 months prison or a fine or both

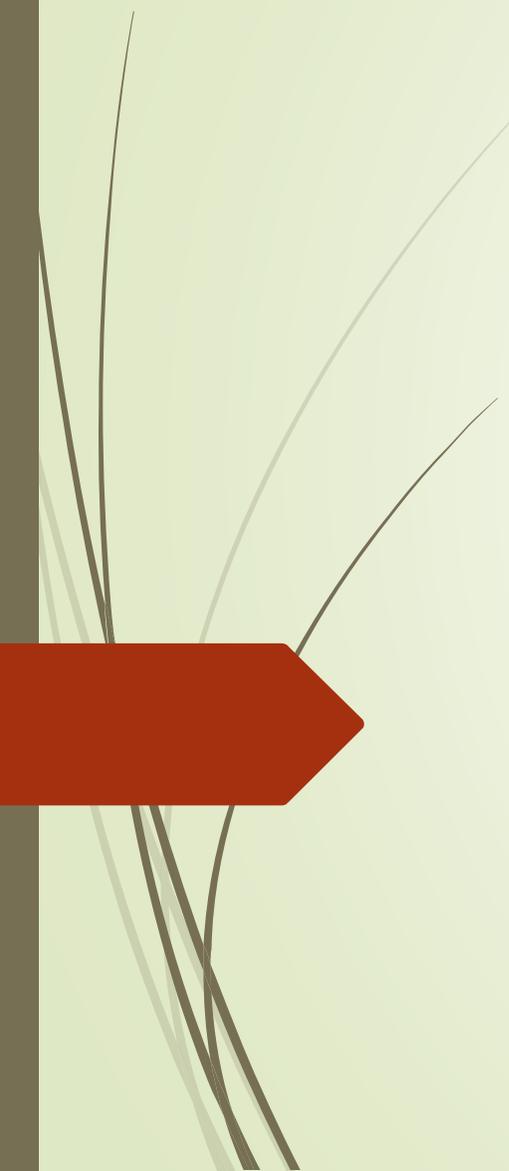
Myanmar's Minimum Wage Rate in Regional Comparison

Country	Monthly MW rate 2013 (in US\$)*	Monthly MW rate 2016 (in US\$)**
Bangladesh	68	66
Cambodia	80	140
China	226	126-276
India	51	n.a.
Indonesia	127	79-223
Lao People's Democratic Republic	80	108
Malaysia	n.a.	190-224
Myanmar***	n.a.	85
Pakistan	99	94-113
Philippines	286	167-227
Sri Lanka (2009)	51	n.a.
Thailand	254	251
Viet Nam	55	107-155

* Source: ILOSTAT and WDI databases

** Source: http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html

*** Monthly equivalent of daily MW computed using 30 days.



**The context – Myanmar labor
market issues:**

**Some preliminary findings from
a CESD/IDRC enterprise survey**

Our sample firms: Food & apparel producers

(Not fully representative of Myanmar's business sector!)

INDUSTRY (ISIC CODE)	FIRM SIZE				
	Small (1-300)	Medium (301-600)	Large (600+)	Total	Share in total
	No.	No.	No.	No.	
10. MANUFACTURE OF FOOD PRODUCTS	81	5	3	89	45%
14. MANUFACTURE OF WEARING APPAREL	32	23	47	102	52%
16. MANUFACTURE OF WOOD AND WOOD PRODUCTS	1	1	0	2	1%
17. MANUFACTURE OF PAPER AND PAPER PRODUCTS	1	0	0	1	1%
32. OTHER MANUFACTURING	3	0	0	3	2%
TOTAL NUMBER	118	29	50	197	
SHARE IN TOTAL	60%	14%	26%	100%	



Very high labor turnover rates, reflecting workers' discontent, but also...

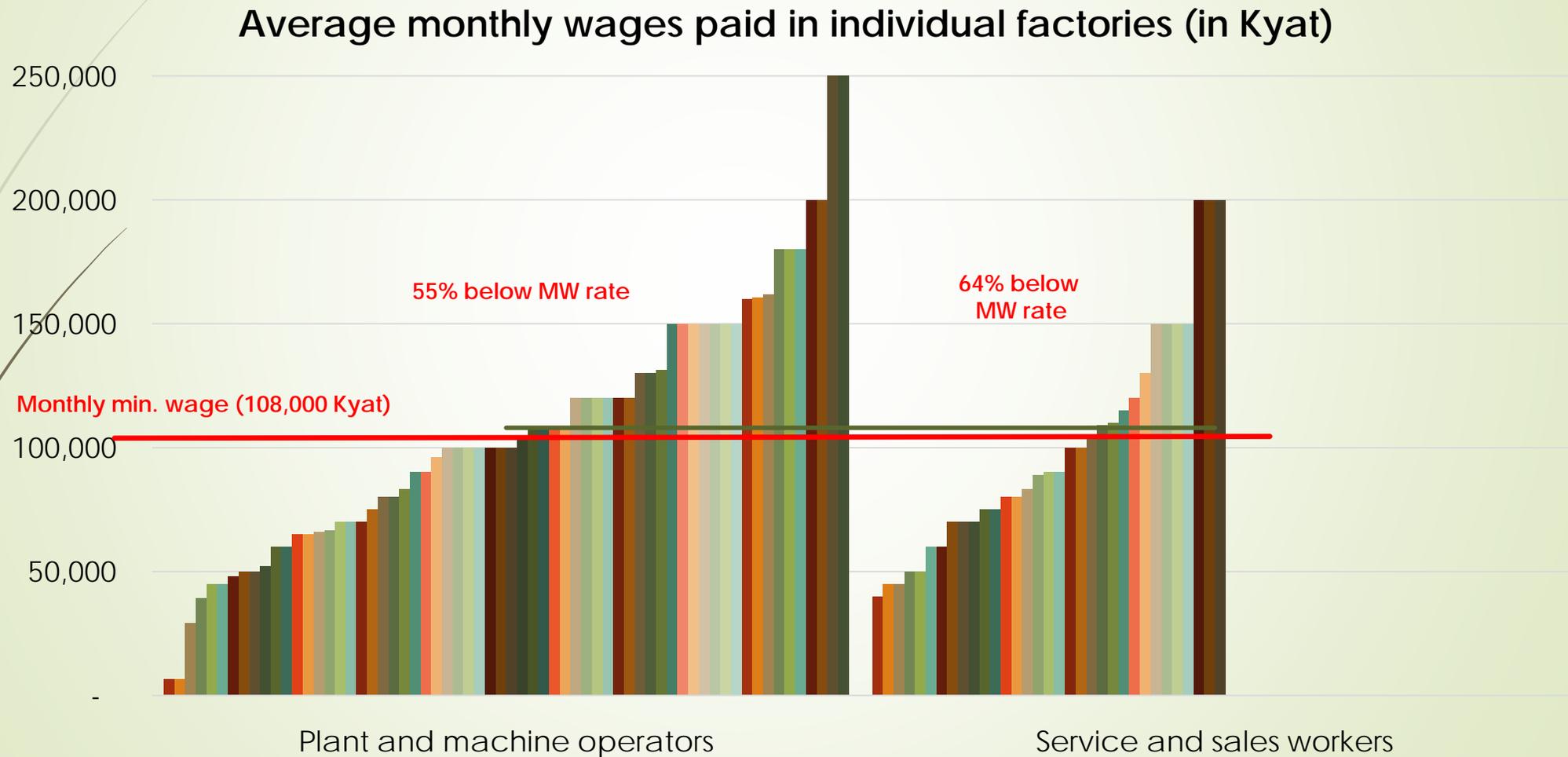
Share of firms that...	
Saw at least one employee resign in 2014	90.5%
Labor turnover rate	
Average share in firm's total workforce of workers who left the firm in 2014	49%
Average share of <i>resigned</i> workers in firm's total workforce	43%

... creating little incentive for firms to invest in human capital development

Percentage of firms reporting expenditures on training for workers



Average actual wages paid in many firms fell short of new minimum wage rate



Composition of wages: Basic wage rate accounts for only about half of an average worker's wage

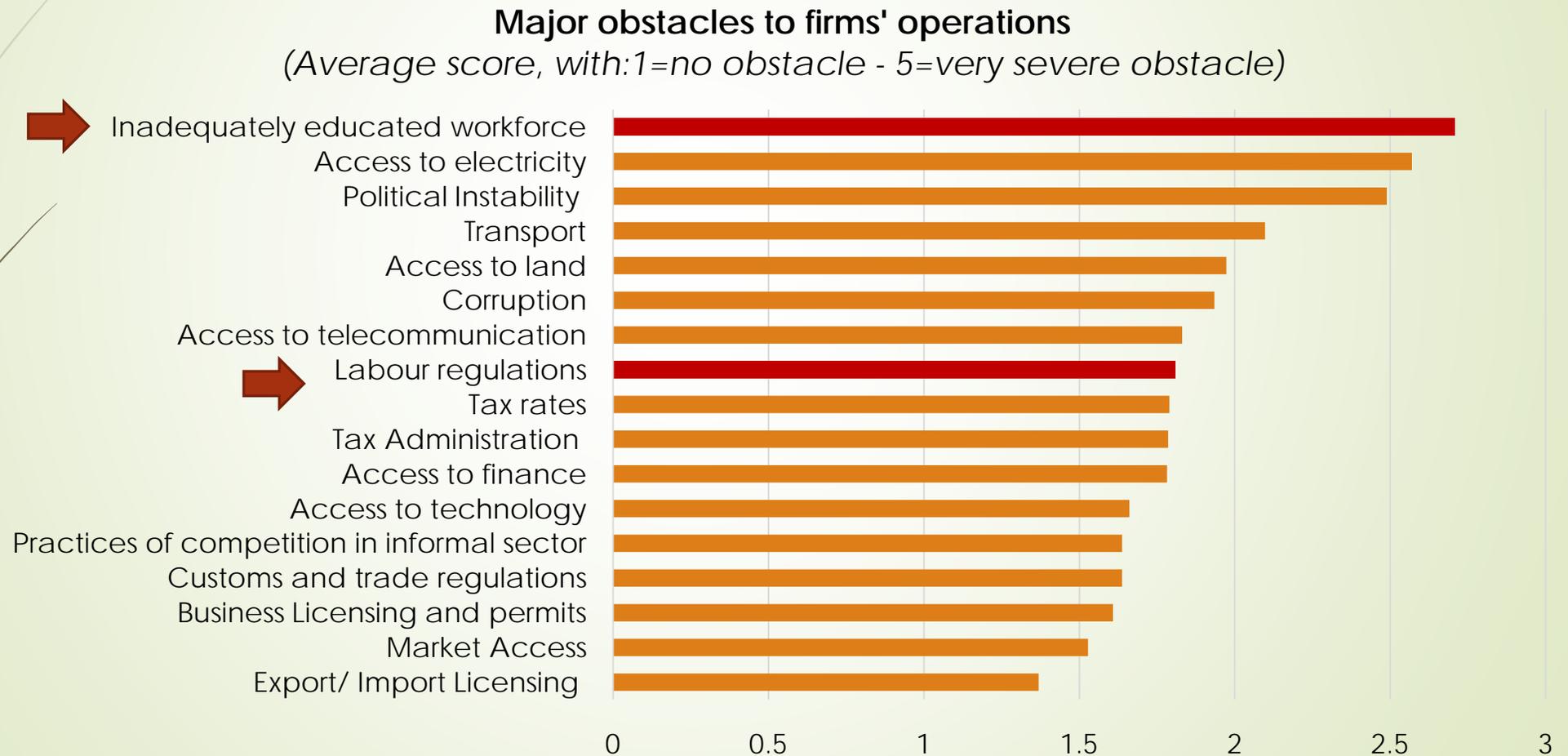
Share of firms where the following items are on the pay slip...	
Basic wage	100%
Overtime	93%
Attendance	92%
Service bonus / seniority	62%
Production bonus	59%
Skill bonus	66%
Housing and transportation allowance	57%
Lunch allowance	39%
Other	7%

Average share (in %) in total labor costs of	
Basic wage	51.8
Overtime	15.4
Attendance	9.8
Production bonus	8.1
Skill bonus	5.1
Service bonus / seniority	4.8
Housing and transportation allowance	1.4
Lunch allowance	0.8
Other	2.9
TOTAL	100.0

Long working hours are very common

Average working hours per week	46.1
Average overtime per week (in hours)	10.4
Average working days per week	5.9
Average number of days off per week	1.0

Challenges for business operations: Access to skilled labor is top obstacle to firms' operations, followed by access to electricity



Regional experiences: Minimum wage impacts on exports, jobs, wages, poverty

- In neighboring countries, MW increases have not necessarily crippled industry, but impacts vary across different types of firms and different types of workers.
- **Cambodia:** Despite considerable increases in MW rate (+60%), garment exports continued growing between 2014 and early 2015.
- **Vietnam:** MW increases had little impact on employment in foreign firms, but a negative impact on domestic firms.
- **Thailand:** Changes in MW did not push workers into the informal sector, but it became harder for women and elderly to find a job
- In **Vietnam + Thailand**, MWs helped raise avge. wages of workers who remain employed
- MW increases in **China**'s garment industry went along with investments in skills development, labor productivity, and modern production methods.
- Most **developing countries** that introduced / raised MW saw a decrease in poverty rates
- **Overall, impacts of MW policy depend to a large extent on country context, labor market conditions - and the management and implementation of the policy**



Instead of policy conclusions...



Open questions on the way forward

1. What impact will the MW have?
2. How will compliance with the MW be ensured, how will the MW be enforced?
3. What can employers and workers do, and what role can complementary government policies play, to support a smooth implementation?
4. How will and how should future reviews and adjustments of the minimum wage rate look like?



Thank you!



Appendix

Myanmar's new MW law: Motivations

► Pressure from workers:

- Trade unions allowed again in 2011;
- Since then, quite a high incidence of labor protests with many strikes aiming at increases of wage rates

► Reform agenda:

- Government wanted to prove its commitment to reform

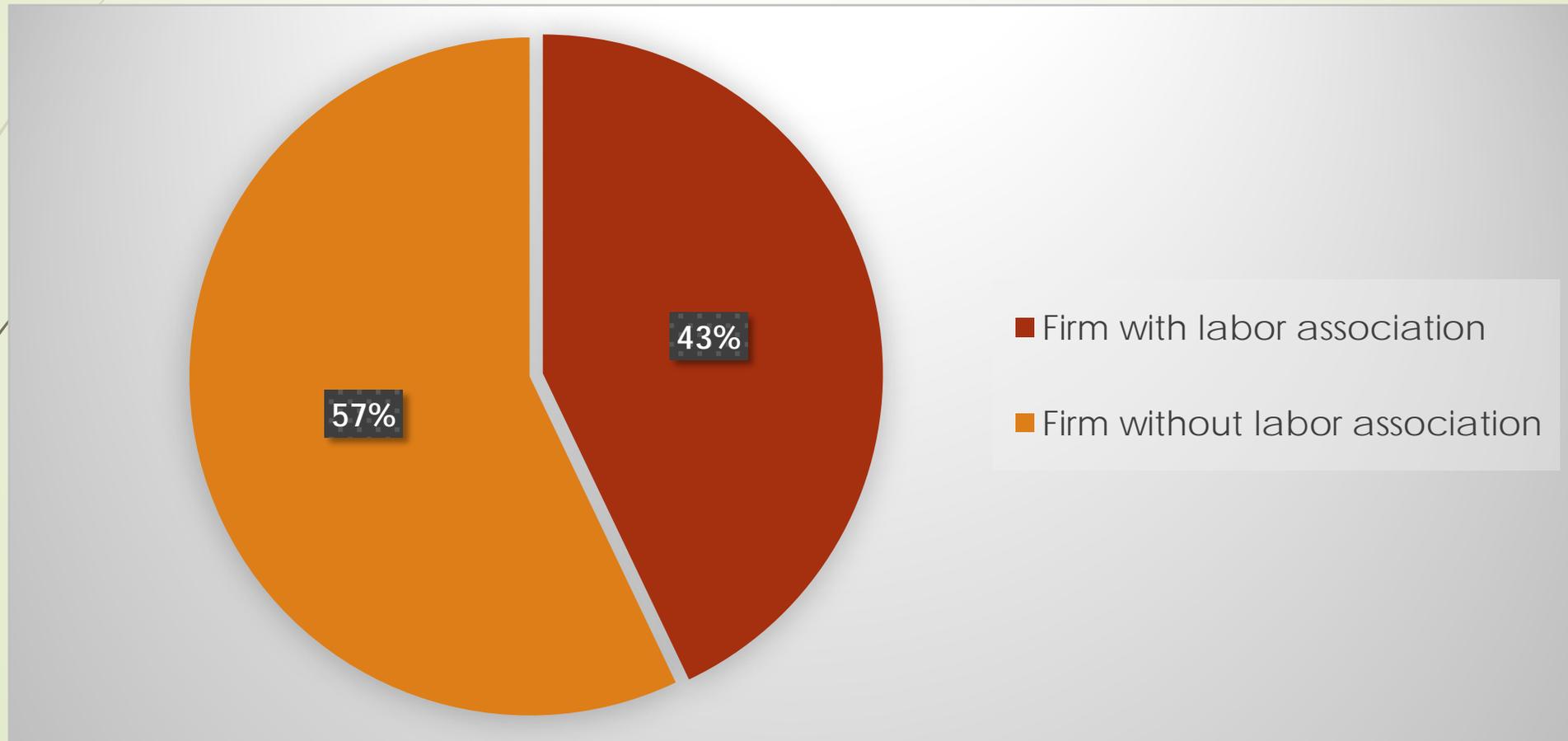
► Reduce dependence on Asian export markets:

- With lifting of sanctions, new business opportunities in Western markets
- However, unlike in most Asian markets, buyers in Western markets require high levels of compliance with labor standards from their suppliers

► International context:

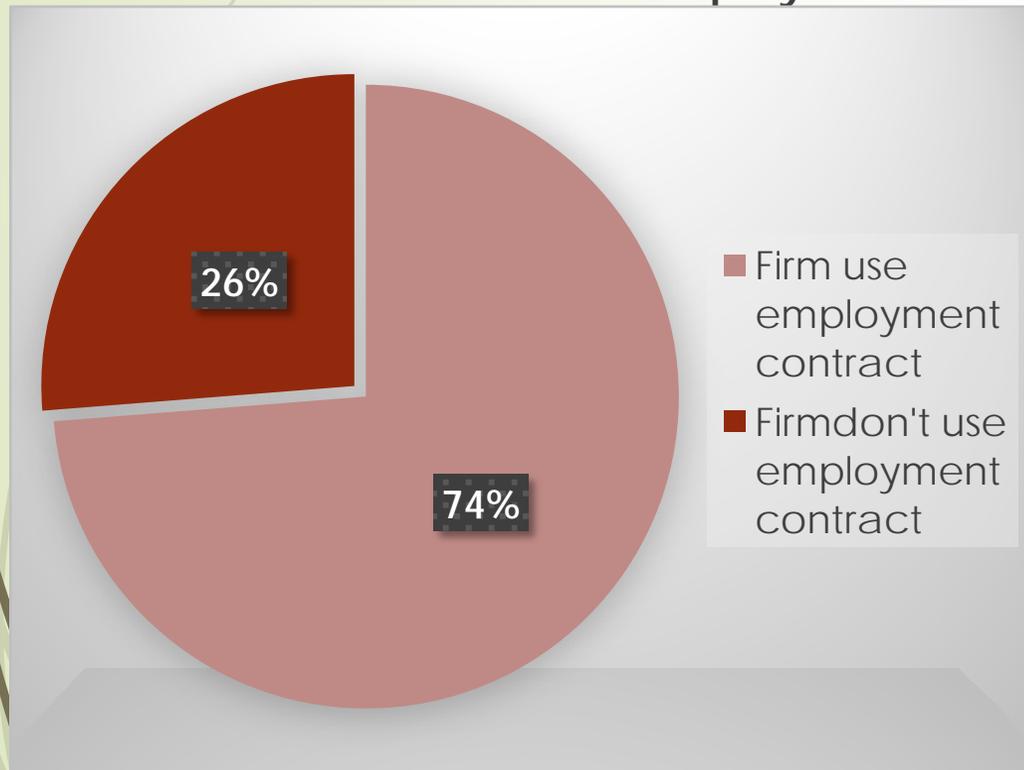
- Myanmar joined a club of over 100 countries around the globe with MW legislation, incl. most countries in Southeast Asia who now have a MW policy in place
- In fact, almost 60% of the world's low-income countries have a **statutory** MW

Industrial relations: Low labor representation - Less than half of survey firms have a labor association



Usage of employment contracts and pay slip system not yet universal

Share of firms signing employment contracts with their employees



Share of firms using a pay slip system

